



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Wapato

For the period January 1, 2018, through December 31, 2019

Published November 10, 2021

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**Office of the Washington State Auditor
Pat McCarthy**

November 10, 2021

Mayor and City Council
City of Wapato
Wapato, Washington

Report on Financial Statements

Please find attached our report on the City of Wapato's financial statements.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2019-001 The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and timely reporting.

Background

City management, state and federal agencies, and the public rely on the information included in financial statements and reports to make decisions. City management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

State law (RCW 43.09.230) requires local governments to submit annual financial reports to the State Auditor's Office within 150 days of the end of the fiscal year.

Government Auditing Standards, prescribed by the Comptroller General of United States, requires the auditor to communicate material weaknesses, as defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

The current audit identified the following deficiencies in internal controls that, when taken together, represent a material weakness:

- The City did not take appropriate action to submit accurate and timely annual reports. The City submitted 2018 and 2019 financial statements on September 11, 2020, and September 14, 2020, which was 470 days and 75 days, respectively, after the deadline.
- City staff responsible for financial statement preparation lacked technical knowledge and experience necessary to prepare the financial statements and supplementary schedules accurately and completely in accordance with the *Budgeting, Accounting, and Reporting System (BARS)* manual.
- Before submitting the 2018 statements, the City did not reconcile the general ledger to the 2018 bank activity.
- The City did not have an independent review of journal entries and did not retain support to confirm the validity of transactions.
- The City did not establish a secondary review process to detect and correct errors before submitting the annual financial report for audit.

This issue was reported as a finding in the prior audit.

Cause of Condition

The City experienced significant turnover in key positions responsible for preparing the financial statements and did not ensure new staff had the technical proficiency or adequate training in the BARS manual reporting requirements needed to prepare the financial statements accurately and in a timely manner. Also, staff had difficulty reconciling bank statements to the general ledger as they identified numerous errors and irregularities in accounting transactions.

Effect of Condition

As a result of the internal control weaknesses, we identified the following errors:

- Inter-fund charges for service revenue totaling \$751,889 and \$ 433,273 was incorrectly classified as miscellaneous revenue in 2018 and 2019, respectively.
- 2019 beginning cash and investments did not agree to the 2018 ending cash and investments by \$390,405. The City simply changed the 2019 beginning balances instead of reporting this by using a prior period adjustment.
- Cost allocation transactions were reported as revenue and expenditures rather than a reimbursement of an expense. As a result, revenues and expenses are over-reported by \$200,413 and \$108,297 in 2018 and 2019, respectively.
- State tax revenue received electronically in November and December 2018 was not reported, totaling \$182,157.
- Trust account additions and reductions were under-reported by \$170,711 and \$250,292, respectively, in 2018.
- Court revenue totaling \$76,076 was coded as a negative expenditure in 2018.
- Net pension liability was over-reported by \$279,210 on the Schedule of Liabilities for 2018, and under-reported by \$1,846 in 2019.
- Other post-employment benefit liabilities were incorrectly reported. The 2018 beginning and ending balances were over-reported by \$1,206,138 and \$220,849, respectively, and the 2019 beginning balance was over-reported by \$214,653, and ending balance was under reported by \$413,198.
- Compensated absences 2018 beginning balance does not agree to prior audited balance by \$169,272.
- Revenues, expenditures and ending cash and investments are less than the 2018 bank activity for an unexplained difference \$204,406, \$193,862, and \$93,477, respectively.

In addition, we identified other less significant errors on the financial statements, notes and schedules.

Delayed filing of the financial reports prevents the public from obtaining timely information about the City's fiscal operations. Delays also affect transparency to citizens and our Office's efforts to compile statistical information for use by the state Legislature and others.

Recommendation

We recommend the City establish and follow effective internal controls over the preparation of the financial statements, which include:

- Ensuring staff is trained to present financial statements accurately and completely;
- Submitting the annual financial reports by the required deadline;
- Reconciling revenue, expenditures and ending cash and investments to the bank timely; and
- Performing an independent review of journal entries and retaining supporting documentation for all transactions.

City's Response

Each of the conditions identified occurred in the period preceding this audit and have been addressed at this time. The City also reported each of the identified inappropriate expenditures to the State Attorney General, Yakima County Sheriff's Office, and Yakima County Prosecuting attorney in 2019 in an effort to have the elected officials and City staff responsible for the misappropriations removed from office. The City did not receive any assistance from any government agency in this process. It is unclear why they are identified in this subsequent audit period. The issues have been corrected by following all recommendations as set forth above.

For background, in 2018, the prior administration and city hall staff lacked knowledge, qualification, and/or experience regarding balancing the general ledger, and were not qualified to undertake the duties that were expected to resolve the City financial deficit (which it had been carrying for many years). Due to staff's lack of knowledge of BARS accounting and the use of the accounting system and internal controls to balance the ledgers, the incompetence resulted in mismanagement and malicious spending in multiple funds. The bookkeeping practices were inept and very hard to find or follow the paper trails for the manipulated transactions that may or may not have been completed. For these reasons and many more, filings were delayed until qualified staff were employed in 2019. The current, qualified city staff have taken the steps to ensure that

administrative staff are being trained properly to accurately report financials. The financial accounts are balanced to date. In addition, with the assistance of a new financial system that has multiple security mechanisms and designated permissions plus double and triple audits, staff is making strides to correct the errors and inaccuracies of the past. The 2020 annual report was filed in a timely manner and the present staff will continue to improve and provide adequate documentation for the Annual Financial Reporting.

Auditor's Remarks

We appreciate the City's commitment to resolving the issues identified above and emphasize the importance of establishing effective controls over financial reporting so the public can rely on the financial information provided by management. We will follow up on the status of the finding during the next audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

The *Budgeting, Accounting and Reporting System (BARS)* manual, 3.1.3, Internal Control, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

2019-002 The City did not monitor its financial activity, resulting in noncompliance with state law and a significant decline in financial position that places it at risk of not meeting its financial obligations or providing services at current levels.

Background

The City of Wapato serves about 5,000 citizens and operates on a \$7 million annual budget. A seven-member Council and Mayor govern the City. The former Mayor appointed a City Administrator in September 2018 to oversee the City's daily operations. The City Administrator resigned in July 2019, and the Council eliminated the position. The Clerk-Treasurer is responsible for recording and reporting financial transactions.

Description of Condition

The City's financial condition has continued to decline since 2017, and management has not established a formalized plan for improving its financial condition. Our audit found the City did not fully reconcile 2018 and 2019 bank activity until September 2020. Also, the City did not record beginning fund balances in the general ledger until mid-2019 to allow for proper monitoring of expenditures, budgets and available cash.

Financial condition

The City reported a continued decrease in ending cash and investments for its Current Expense Fund, as shown in the table below:

For year ended December 31	2016	2017	2018	2019	2020*
Ending cash & investments – Current Expense	\$1,954,288	\$1,288,547	\$485,474	(\$541,408)	(\$501,473)

**The 2020 ending balance is based on the unaudited financial statement.*

Additionally, the City has not made any repayments on a 2016 interfund loan of \$55,000 from the Current Expense Fund to the Water Construction Managerial Fund.

Budget compliance/Ending cash and investments

The Council annually approves a budget determining the City's legal spending limits. Under state law (RCW 35.33.121), spending should not exceed this limit without a Council-approved budget amendment. In 2019, the City paid expenditures from funds lacking available cash and exceeding approved budgets. Specifically, the City overspent approved budgets for five funds, totaling \$1,114,553, and reported negative cash and investment balances for four funds, totaling \$787,121. This is detailed in the table below:

2019 fund details

Fund	Amount that expenses exceeded budget	Ending cash and investments
General Expense Fund	\$742,853	(\$541,408)
SIED Loan- Valicoff Fruit Fund	\$24,829	(\$4,384)
Capital Improvement Fund	\$425	\$231,796
Sewer Fund	\$136,042	\$37,561
Information Technology Rental & Revolving Fund	\$100,822	(\$240,880)
Public Works Service Center Fund	-	(\$449)
Inmate Trust Fund	\$867	\$0
Court Bond Trust Fund	\$108,695	\$0

For the unaudited 2020 financial statements, the City has reported overspending approved budgets for three funds, totaling \$538,353, and negative cash and investment balances in three funds, totaling \$907,217.

When expenditures in a fund exceed the amount of available resources, the City is borrowing from other funds to continue operations without formally establishing an interfund loan. The Council must approve interfund loans by resolution or ordinance that includes a payment plan and sets a reasonable interest rate to be paid to the lending fund. If interfund loans are not repaid in a timely manner, it would represent an unallowable diversion of funds.

Additionally, when budgeting for 2021, the City budgeted more expenses than revenues for the Current Expense Fund by \$766,969.

We also reported other areas of noncompliance in the 2019 and 2020 accountability audit report number 1029389, finding number 2020-005.

This issue was reported as a finding in the previous audit.

Cause of Condition

The City has not acted to improve its financial position. The City has not monitored financial activities to ensure funds have the available resources and budget to cover expenditures before payment. Further, the City is not monitoring that expenses are reported in the correct fund.

Effect of Condition

The City's noncompliance with state laws had a direct and material effect on its 2019 financial statements. Specifically, the City did not follow state budget requirements and used restricted resources for unallowable purposes. As a result, the City risks not being able to meet future financial obligations or continue operations at current service levels.

Recommendation

We recommend the City's elected officials and management establish a formal, written comprehensive plan for improving the City's financial condition. We also recommend the City follow state law and closely monitor financial operations to ensure it can meet its financial obligations and provide services at current levels. To do this, the City should:

- Obligate expenditures only when funds have the available resources and budget, and use restricted resources only for allowable purposes
- Establish interfund loans with appropriate interest rates and repayment plans for funds with negative cash and investments to avoid the permanent diversion of restricted resources

City's Response

See response to Finding 2019-001 above. The City reported each of the identified financial irregularities to the State Attorney General, Yakima County Sheriff's Office, and Yakima County Prosecuting attorney in 2019 in an effort to have the elected officials and City staff responsible for the misappropriations removed from office. The City did not receive any assistance from any government agency in this process.

The City acknowledges that the budget (to the extent one existed) overstated revenues, which resulted in continued deficits. The City is working with a Budget that will improve or reduce the deficit to the General Fund that has been caused by the overstating of revenues and overspending of expenses as far back as 2015. This

City has implemented spending cuts, and anticipates significant recovery within the next three years. The unusually high payouts on legal expenditures and the unnecessary and illegal spending that took place in the past few years has stopped, and will help reduce expenses and improve financial position. The city council is spending more conservatively and within budget. Ultimately, the present staff, administration and council are all willing to be a part of a great change to help the City of Wapato become whole again.

Auditor's Remarks

We appreciate the City's commitment to resolving the issues identified above and emphasize the importance of establishing effective controls over financial reporting so the public can rely on the financial information provided by management. We will follow up on the status of the finding during the next audit.

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 35.33.121 limits expenditures to the amount appropriated within the budget.

RCW 43.09.210 requires departments to pay for the true and full value of services provided by other departments.

The *Budgeting Accounting and Reporting System* (BARS) manual 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

The *Budgeting, Accounting and Reporting System* (BARS) manual, 3.9.1, Loans, sets the requirements for interfund loans and repayments.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Wapato January 1, 2018 through December 31, 2019

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2017 to December 31, 2017	Report Ref. No.: 1023731	Finding Ref. No.: 2017-001
Finding Caption: <p>The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and timely reporting.</p>		
Background: <p>City management, state and federal agencies, and the public rely on the information included in financial statements and reports to make decisions. City management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.</p> <p>State law (RCW 43.09.230) requires local governments to submit annual financial reports to the State Auditor's Office within 150 days of the end of the fiscal year. As part of the annual financial report, all local governments that spend federal funds must prepare a Schedule of Expenditures of Federal Awards (SEFA). Local governments that spend \$750,000 or more in federal funds must receive a federal single audit.</p> <p>Government Auditing Standards, prescribed by the Comptroller General of United States, requires the auditor to communicate material weaknesses, as defined below in the Applicable Laws and Regulations section, as a finding.</p>		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between;"> <div> <input type="checkbox"/> Fully Corrected </div> <div> <input type="checkbox"/> Partially Corrected </div> <div> <input checked="" type="checkbox"/> Not Corrected </div> <div> <input type="checkbox"/> Finding is considered no longer valid </div> </div>		

Corrective Action Taken:

The City of Wapato will be reporting according to State requirements as stated in RCW 43.09.230. The City is up to date with its accounting and financial statements.

Audit Period: January 1, 2017 to December 31, 2017	Report Ref. No.: 1023731	Finding Ref. No.: 2017-002
Finding Caption: <p>The City did not monitor its financial activity, resulting in noncompliance with state law and a significant decline in financial position that places it at risk of not meeting its financial obligations or providing services at current levels.</p>		
Background: <p>Until the fall of 2018, the City of Wapato was governed by a seven-member Council and Mayor, who oversaw daily operations. The City then established a new city administrator position in September 2018 to oversee its daily operations. The Clerk–Treasurer is responsible for recording and reporting financial transactions. The City serves about 5,000 citizens and operates on a \$6.6 million annual budget.</p>		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Fully Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Partially Corrected </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Not Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid </div> </div>		
Corrective Action Taken: <p><i>The City Council has adopted an annual budget. The City administration is responsible for recording and balancing all financial transactions in the General Ledger and staying within the approved budget. Spending has been drastically reduced and utility rates have been appropriately increased to cover operations and establish required fund reserves.</i></p>		

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Wapato January 1, 2018 through December 31, 2019

Mayor and City Council
City of Wapato
Wapato, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Wapato, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 9, 2021.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 7 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct and indirect financial impact on the City is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's

internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-002.

CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

November 9, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Wapato January 1, 2018 through December 31, 2019

Mayor and City Council
City of Wapato
Wapato, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Wapato, for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 21.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Wapato has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Wapato, and its changes in cash and investments, for the years ended December 31, 2019 and 2018, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Wapato, as of December 31, 2019 and 2018, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matter of Emphasis

As discussed in Note 7 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Material Non-compliance Affecting Fiscal Sustainability

As described in Finding 2019-002, our audit found that the City did not monitor its financial activity, resulting in material non-compliance with state law and a significant decline in financial position that places it at risk of not meeting its financial obligations or providing services at current levels. This condition continues to exist and to have a significant effect on the City's financial condition. Our opinion is not modified with respect to this matter.

City's Response to Finding

The City's response to the finding identified above is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on the response.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

November 9, 2021

FINANCIAL SECTION

City of Wapato January 1, 2018 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019
Fund Resources and Uses Arising from Cash Transactions – 2018
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to Financial Statements – 2019
Notes to Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019
Schedule of Liabilities – 2018

City of Wapato
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 General Expense Fund	101 Street Fund	170 CDBG Rehabilitation Fund
Beginning Cash and Investments					
30810	Reserved	641,701	(15,487)	-	113,191
30880	Unreserved	2,456,915	500,961	209,232	-
388 / 588	Net Adjustments	80	80	-	-
Revenues					
310	Taxes	2,229,108	1,871,546	195,041	-
320	Licenses and Permits	22,987	21,662	-	-
330	Intergovernmental Revenues	556,581	190,763	113,234	-
340	Charges for Goods and Services	3,394,886	44,775	-	-
350	Fines and Penalties	47,390	47,390	-	-
360	Miscellaneous Revenues	85,711	42,369	4,251	1,983
Total Revenues:		6,336,663	2,218,505	312,526	1,983
Expenditures					
510	General Government	1,583,362	1,331,140	-	-
520	Public Safety	1,284,999	1,284,999	-	-
530	Utilities	2,496,167	-	-	-
540	Transportation	663,535	-	151,509	-
550	Natural and Economic Environment	12,076	4,177	-	7,899
560	Social Services	690	690	-	-
570	Culture and Recreation	242,063	242,063	-	-
Total Expenditures:		6,282,892	2,863,069	151,509	7,899
Excess (Deficiency) Revenues over Expenditures:		53,771	(644,564)	161,017	(5,916)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	65,519	-	31,366	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	166,732	136,971	-	13,534
381, 382, 395, 398	Other Resources	303,678	287,224	-	-
Total Other Increases in Fund Resources:		535,929	424,195	31,366	13,534
Other Decreases in Fund Resources					
594-595	Capital Expenditures	534,947	116,304	23,770	-
591-593, 599	Debt Service	197,885	34,310	-	-
597	Transfers-Out	65,568	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	659,101	655,979	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,457,501	806,593	23,770	-
Increase (Decrease) in Cash and Investments:		(867,801)	(1,026,962)	168,613	7,618
Ending Cash and Investments					
5081000	Reserved	1,481,043	270,687	377,845	120,808
5088000	Unreserved	749,837	(812,095)	-	-
Total Ending Cash and Investments		2,230,880	(541,408)	377,845	120,808

The accompanying notes are an integral part of this statement.

City of Wapato
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		225 Debt Service/Wapato Ave LID	230 SEID Loan- Valicoff Fruit	309 Capital Improvement Fund	401 Water Fund
Beginning Cash and Investments					
30810	Reserved	38,065	19,362	66,750	-
30880	Unreserved	-	-	-	844,445
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	162,189	-
320	Licenses and Permits	-	-	-	1,200
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	848,273
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	668	1,084	3,281	18,725
Total Revenues:		668	1,084	165,470	868,198
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	742,079
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	742,079
Excess (Deficiency) Revenues over Expenditures:		668	1,084	165,470	126,119
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	6,330
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	6,330
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	425	18,066
591-593, 599	Debt Service	-	24,829	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	2,662
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	24,829	425	20,728
Increase (Decrease) in Cash and Investments:		668	(23,745)	165,045	111,721
Ending Cash and Investments					
5081000	Reserved	38,687	(4,384)	231,796	1,778
5088000	Unreserved	46	-	-	954,378
Total Ending Cash and Investments		38,733	(4,384)	231,796	956,156

City of Wapato
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		402 Sewer Fund	403 Garbage Fund	404 Cemetery Fund	501 Equipment Rental & Revolving
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	1,768	281,099	(31,456)	643,834
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	332	-
320	Licenses and Permits	125	-	-	-
330	Intergovernmental Revenues	252,584	-	-	-
340	Charges for Goods and Services	1,209,539	741,208	117,818	278,273
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,481	9,527	342	-
Total Revenues:		1,465,729	750,735	118,492	278,273
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	1,005,121	640,691	108,276	-
540	Transportation	-	-	-	360,889
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,005,121	640,691	108,276	360,889
Excess (Deficiency) Revenues over Expenditures:		460,608	110,044	10,216	(82,616)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	13,019	-	21,134	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	2,275	-
381, 382, 395, 398	Other Resources	-	-	16,454	-
Total Other Increases in Fund Resources:		13,019	-	39,863	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	299,087	-	2,239	75,056
591-593, 599	Debt Service	138,746	-	-	-
597	Transfers-Out	-	-	-	65,568
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	460	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		437,833	460	2,239	140,624
Increase (Decrease) in Cash and Investments:		35,794	109,584	47,840	(223,240)
Ending Cash and Investments					
5081000	Reserved	-	-	16,384	-
5088000	Unreserved	37,561	390,683	-	420,593
Total Ending Cash and Investments		37,561	390,683	16,384	420,593

City of Wapato
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		502 Public Works Service Center	503 Information Technology Rental &	701 Cemetery Perpetual Endowment
Beginning Cash and Investments				
30810	Reserved	-	-	419,820
30880	Unreserved	(4,311)	11,343	-
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	155,000	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	-	-	-
Total Revenues:		155,000	-	-
Expenditures				
510	General Government	-	252,222	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	151,137	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		151,137	252,222	-
Excess (Deficiency) Revenues over Expenditures:		3,863	(252,222)	-
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	7,622
381, 382, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	-	7,622
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		-	-	-
Increase (Decrease) in Cash and Investments:		3,863	(252,222)	7,622
Ending Cash and Investments				
5081000	Reserved	-	-	427,442
5088000	Unreserved	(449)	(240,880)	-
Total Ending Cash and Investments		(449)	(240,880)	427,442

The accompanying notes are an integral part of this statement.

City of Wapato
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 General Expense Fund	101 Street Fund	170 CDBG Rehabilitation Fund
Beginning Cash and Investments					
30810	Reserved	124,769	70,505	(488,773)	92,930
30880	Unreserved	3,081,406	1,218,042	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,401,518	2,185,029	127,720	-
320	Licenses and Permits	46,428	45,528	-	-
330	Intergovernmental Revenues	1,584,904	195,777	811,391	90
340	Charges for Goods and Services	3,807,251	223,342	-	-
350	Fines and Penalties	13,190	13,190	-	-
360	Miscellaneous Revenues	107,124	54,387	(673)	2,627
Total Revenues:		7,960,415	2,717,253	938,438	2,717
Expenditures					
510	General Government	1,031,883	919,405	-	-
520	Public Safety	2,090,329	2,090,329	-	-
530	Utilities	2,960,674	-	-	-
540	Transportation	685,649	-	212,553	-
550	Natural and Economic Environment	69,232	62,082	-	7,150
560	Social Services	2,614	2,614	-	-
570	Culture and Recreation	246,351	246,351	-	-
Total Expenditures:		7,086,732	3,320,781	212,553	7,150
Excess (Deficiency) Revenues over Expenditures:		873,683	(603,528)	725,885	(4,433)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	225,520	140,763	6,840	24,694
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		225,520	140,763	6,840	24,694
Other Decreases in Fund Resources					
594-595	Capital Expenditures	742,226	180,491	34,719	-
591-593, 599	Debt Service	340,899	38,578	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	123,639	121,242	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,206,764	340,311	34,719	-
Increase (Decrease) in Cash and Investments:		(107,561)	(803,076)	698,006	20,261
Ending Cash and Investments					
5081000	Reserved	641,701	(15,487)	-	113,191
5088000	Unreserved	2,456,915	500,961	209,232	-
Total Ending Cash and Investments		3,098,616	485,474	209,232	113,191

The accompanying notes are an integral part of this statement.

City of Wapato
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		225 Debt Service/Wapato Ave LID	230 SEID Loan- Valicoff Fruit	309 Capital Improvement Fund	401 Water Fund
Beginning Cash and Investments					
30810	Reserved	38,012	44,144	(43,123)	-
30880	Unreserved	-	-	-	808,521
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	87,084	-
320	Licenses and Permits	-	-	-	900
330	Intergovernmental Revenues	-	-	66,333	-
340	Charges for Goods and Services	-	-	-	949,029
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	53	47	4,847	28,484
Total Revenues:		53	47	158,264	978,413
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	942,243
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	942,243
Excess (Deficiency) Revenues over Expenditures:		53	47	158,264	36,170
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	5,617
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	5,617
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	48,390	3,474
591-593, 599	Debt Service	-	24,829	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	2,387
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	24,829	48,390	5,861
Increase (Decrease) in Cash and Investments:		53	(24,782)	109,874	35,926
Ending Cash and Investments					
5081000	Reserved	38,065	19,362	66,750	-
5088000	Unreserved	-	-	-	844,445
Total Ending Cash and Investments		38,065	19,362	66,750	844,445

City of Wapato
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		402 Sewer Fund	403 Garbage Fund	404 Cemetery Fund	501 Equipment Rental & Revolving
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	81,674	356,646	(11,177)	538,759
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	1,685	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	511,313	-	-	-
340	Charges for Goods and Services	1,229,537	680,202	117,050	256,114
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	5,147	9,582	1,456	474
Total Revenues:		1,745,997	689,784	120,191	256,588
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	1,092,917	765,331	160,183	-
540	Transportation	-	-	-	151,589
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,092,917	765,331	160,183	151,589
Excess (Deficiency) Revenues over Expenditures:		653,080	(75,547)	(39,992)	104,999
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	19,530	-	19,788	138
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		19,530	-	19,788	138
Other Decreases in Fund Resources					
594-595	Capital Expenditures	475,025	-	66	61
591-593, 599	Debt Service	277,492	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	10	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		752,517	-	76	61
Increase (Decrease) in Cash and Investments:		(79,907)	(75,547)	(20,280)	105,076
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	1,768	281,099	(31,456)	643,834
Total Ending Cash and Investments		1,768	281,099	(31,456)	643,834

City of Wapato
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		502 Public Works Service Center	503 Information Technology Rental &	701 Cemetery Perpetual Endowment
Beginning Cash and Investments				
30810	Reserved	-	-	411,074
30880	Unreserved	140,478	(51,537)	-
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	176,710	175,267	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	6	91	596
Total Revenues:		176,716	175,358	596
Expenditures				
510	General Government	-	112,478	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	321,507	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		321,507	112,478	-
Excess (Deficiency) Revenues over Expenditures:		(144,791)	62,880	596
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	8,150
381, 382, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	-	8,150
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		-	-	-
Increase (Decrease) in Cash and Investments:		(144,791)	62,880	8,746
Ending Cash and Investments				
5081000	Reserved	-	-	419,820
5088000	Unreserved	(4,311)	11,343	-
Total Ending Cash and Investments		(4,311)	11,343	419,820

The accompanying notes are an integral part of this statement.

City of Wapato
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	25,612	25,612
388 & 588	Net Adjustments	-	-
310-390	Additions	99,199	99,199
510-590	Deductions	109,562	109,562
	Net Increase (Decrease) in Cash and Investments:	(10,363)	(10,363)
508	Ending Cash and Investments	15,250	15,250

The accompanying notes are an integral part of this statement.

City of Wapato
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	22,366	22,366
388 & 588	Net Adjustments	7,904	7,904
310-390	Additions	170,779	170,779
510-590	Deductions	175,437	175,437
	Net Increase (Decrease) in Cash and Investments:	(4,658)	(4,658)
508	Ending Cash and Investments	25,612	25,612

The accompanying notes are an integral part of this statement.

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

Note 1 - Summary of Significant Accounting Policies

The City of Wapato was incorporated on August 31, 1908 and operates under the laws of the state of Washington applicable to a second-class city. The City of Wapato is a general purpose local government and provides general administrative services, public safety, municipal court, jail facility, fire prevention, parks, street improvements, water, sewer, garbage services and cemetery.

The city reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter [43.09](#) RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements. (see note to the financial statements)
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any inter-fund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3 - Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year(s). Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 30 days (or 240 hours) and is payable upon separation or retirement. Vacation leave may be accumulated up to 320 hours by the WSCCCE union contract but up to 240 hours are paid out when the employee separates. All vacation is payable upon separation or retirement. WSCCCE union employees also receive 2 Float days a year, Teamster union members receive 8 hours of Float time a year. Sick leave may be accumulated up to 960 hours for the Teamsters union contracts, up to 1152 hours for the WSCCCE union contract, and there is no cap for management group. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. Total value of compensated absences as reported on the Schedule 9 as of December 31, 2019 is \$112,086.37.

F. Long-Term Debt

See Note 5 - Debt Service Requirements.

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City Council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund		Title	Amount	
001	General Fund		\$	270,687
101	Streets		\$	377,845
170	CDBG Rehab Loans		\$	120,808
225	Wapato Avenue LID		\$	38,687
230	SIED Loan		\$	(4,384)
309	Capital Projects		\$	231,796
701	Cemetery Perpetual		\$	427,442

Note 2 – Budget Compliance

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Appropriated Amounts	Actual Expenses	Variance
General Expense Fund	\$ 2,787,464	\$ 3,639,316	\$ (851,852)
Jail Profit Managerial Fund		\$ 6,679	\$ (6,679)
3/10'S of 1% Yakima CO Tax CE Managerial Fun	\$ 135,500	\$ 16,535	\$ 118,965
Community Outreach Managerial Fund	\$ 3,850	\$ 6,989	\$ (3,139)
General Fund Reserve CE Managerial Fund		\$ 148	\$ (148)
Total 001 - General Expense Fund	\$ 2,926,814	\$ 3,669,667	\$ (742,853)
101 - Street Fund	\$ 194,805	\$ 151,509	\$ 43,296
Street Construction Managerial Fund	\$ 60,000	\$ 23,770	\$ 36,230
Total 101 - Street Fund	\$ 254,805	\$ 175,279	\$ 79,526
170 - CDBG Rehabilitation Fund	\$ 8,400	\$ 7,899	\$ 501
230 - SEID Loan-Valicoff Fruit		\$ 24,829	\$ (24,829)
309 - Capital Improvement Fund		\$ 425	\$ (425)
	\$ 8,400	\$ 33,153	\$ (24,753)
401 - Water Fund	\$ 962,419	\$ 755,790	\$ 206,629
Water Construction Managerial Fund	\$ 14,200	\$ 5,145	\$ 9,055
Consumer Deposits Trust		\$ 1,872	\$ (1,872)
Total 401 - Water Fund	\$ 976,619	\$ 762,806	\$ 213,813
402 - Sewer Fund	\$ 1,306,914	\$ 1,007,106	\$ 299,808
Sewer Construction Managerial Fund		\$ 482,626	\$ (435,850)
Total 402 - Sewer Fund	\$ 1,306,914	\$ 1,442,956	\$ (136,042)
403 - Garbage Fund	\$ 715,778	\$ 641,152	\$ 74,626
404 - Cemetery Fund	\$ 113,345	\$ 110,515	\$ 2,830
501 - Equipment Rental & Revolving	\$ 570,685	\$ 501,515	\$ 69,171
502 - Public Works Service Center	\$ 163,061	\$ 151,138	\$ 11,923
503 - Information Technology Rental & Revolving	\$ 151,400	\$ 252,222	\$ (100,822)
632 - Inmate Trust		\$ 867	\$ (867)
633 - Court Bond Trust		\$ 108,695	\$ (108,695)
	\$ 1,714,269	\$ 1,766,104	\$ (51,834)

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total

City of Wapato
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For the year ended December 31, 2019

expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

The City did not follow the inter-fund transfer rules as per BARS in 2018. The City did not budget for Capital improvements in 2018. The City did not make budget amendments when expenditures exceeded prior fund level budgeting and when authorized salary ranges, hours, or other conditions of employment changed. City management did not provide the City Council with accurate information to make budgetary decisions and/or exceeded approved expenditures without informing the City Council.

Note 3 – Deposits and Investments

It is the city's policy to invest all temporary cash surpluses. The interest on these investments was not prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the city or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2019 are as follows:

Type of Deposit or Investment	(City/town/district's own deposits & investments		Deposits & investments held by the county as an agent for other local governments, individuals, or private organizations.		Total
Checking Deposits		843,840			843,840
Bonds		500,000			500,000
LGIP		1,489,032			1,489,032
<i>Totals</i>	\$	2,832,872	\$	-	\$ 2,832,872

Investments in the State Local Government Investment Pool (LGIP)

The (city/county/district) is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with [Chapter 43.250 RCW](#). Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The city's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the city or its agent in the government's name.

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2019.

The debt service requirements for general obligation bonds, revenue bonds and other are as follows:

Year	Principal	Interest	Total Debt Service
2020	187,828	153,071	340,898
2021	193,102	146,418	339,520
2022	198,144	142,755	340,898
2023	203,342	137,556	340,898
2024	208,342	148,395	356,737
2025-2029	807,128	605,161	1,412,289
2030-2034	864,897	522,563	1,387,460
2035-2039	955,420	432,040	1,387,460
2040-2044	1,055,256	332,204	1,387,460
2045-2049	1,165,934	221,526	1,387,460
2050-2054	1,287,970	99,490	1,387,460
2055-2058	\$ 275,927	\$ 13,706	289,633
	7,403,290	2,954,885	10,358,175

Note 5 – Inter-Fund Loans

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

From	To	Beginning Balance	Additions	Reductions	Ending Balance
Water Construction Fund	Current Expense Fund	55000	1,198.00		56,198.00

Note 6 - Other Disclosures

Title for Disclosure	Details for Disclosure
Legal and Filed Claims	<p>Claimants: Frances Ayres, Forges Quinones, Luz Aguirre, Elpidia Saavardra, Corlina Solis, Kiona Dick, Stephan Dias, Rosemary Reyes; Claim/lawsuit: Lawsuit in Yakima County; General nature of claim: Violations of RCW 42.30 Superior Court; Result: Settled for \$60,000</p> <p>Claimant: Michael Pearson; Claim/lawsuit: 3 lawsuits in Yakima County Superior Court; General nature of claim: Violations of RCW 42.56; Result: Settled for \$20,000</p> <p>Claimant: Trent Wilkinson; Claim/lawsuit: Tort claim for damages; General nature of claim: Defamation; Result: Settled for \$30,000</p> <p>Claimant: David Simmons; Claim/lawsuit: Lawsuit in Yakima County Superior Court; General nature of claim: Violations of RCW 42.56; Result: Settled for \$80,000</p> <p>Claimant: David Simmons; Claim/lawsuit: Tort claim for damages; General nature of claim: Defamation; Result: Settled for \$9,000</p> <p>Claimant: Luz Aguirre; Claim/lawsuit: Tort claim for damages; General nature of claim: Defamation; Result: Settled for \$20,000</p> <p>Claimant: State of Washington; Claim/Lawsuit: Lawsuit in Yakima County Superior Court; General Nature of the Claim: Declaratory Judgement seeking rescission of the City Administrator's contract services; Result: Resolved by Juan Orozco's resignation a City Administrator</p> <p>Claimant: Eric Hood; Claim/Lawsuit: Lawsuit in Yakima County Superior Court; General Nature of Claim; Violation of RCW 42.56; Result Settled</p>
Legal and Filed Claims	<p>Claimant: Alissa Buck; Claim/lawsuit: Lawsuit in Yakima County Superior Court, General nature of claim: Wrongful termination, sexual harassment; Result: Settled \$37,500</p> <p>Claimant: Robin Cordova; Claim/Lawsuit: Lawsuit in Yakima County Superior Court; General Nature of Claim: Wrongful Termination, Disability Discrimination, Retaliation; Result; Settled for \$65,001 and Attorney Fees for \$27,500</p> <p>Claimant: Cindy Goodin; Claim/Lawsuit: Lawsuit in Yakima County Superior Court; General Nature of Claim: Wrongful Termination, Disability Discrimination, Retaliation; Result; Settled for \$65,001 and Attorney Fees for \$27,500</p> <p>Claimant: Erica Rocha Claim/Lawsuit: Lawsuit in Yakima County Superior Court General Nature of Claim: Wrongful Termination Result: Settled for \$16,000</p> <p>Attorney Fees for 2019 totaling \$182,948.71 for representation in the above listed lawsuits.</p>

Note 7 – COVID 19 Pandemic

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The length of time these measures will be in place, and the full extent of the financial impact is unknown at this time.

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

Note 8 – Other Post-Employment Benefits (OPEB) Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Wapato as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2019, the plan had 3 members, all retirees. As of December 31, 2019, the City of Wapato's total OPEB liability was \$1,239,595.00, as calculated using the alternative measurement method. For the year ended December 31, 2019, the City of Wapato paid \$35,013.00 in benefits.

Note 9 – Pension Plans

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2, PSERS, LEOFF 2.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

The city also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2019 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1 UAAL		3,845,355,000	0.008448 %	324,856	
PERS 2/3	87,576.64	971,340,000	0.01072300%	104,157	
PSERS 2	1,374.18	(13,004,000)	0.00426300%		(554)
LEOFF 1	60,579.14	(1,976,611,000)	0.00697400%		(137,849)
LEOFF 2	23,990.94	(2,316,693,000)	0.013012%		(301,448)
VFFRPF	\$180.00	(67,993,000)	0.090000%		(61,634)
				\$ 429,012	\$ (501,486)

LEOFF Plan 1

The city also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Note 10 - Property Taxes

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2019 was \$2.61268338 per \$1,000 on an assessed valuation of \$195,786,123 for a total regular levy of \$511,527.

Note 11 – Risk Management

The City of Wapato is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined by signing an Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits, an excess liability policy is purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2016, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Inter-local Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

The City of Wapato is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Inter-local agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Inter-local Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2019, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date,

City of Wapato
Notes to the Financial Statements
For the year ended December 31, 2019

and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

Note 1 - Summary of Significant Accounting Policies

The City of Wapato was incorporated on August 31, 1908 and operates under the laws of the state of Washington applicable to a second-class city. The City of Wapato is a general purpose local government and provides general administrative services, public safety, municipal court, jail facility, fire prevention, parks, street improvements, water, sewer, garbage services and cemetery.

The city of Wapato reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any inter-fund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,500 and an

estimated useful life in excess of 1 year(s). Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 30 days (or 240 hours) and is payable upon separation or retirement. Vacation leave may be accumulated up to 320 hours by the WSCCCE union contract but up to 240 hours are paid out when the employee separates. All vacation is payable upon separation or retirement. WSCCCE union employees also receive 2 Float days a year, Teamster union members receive 8 hours of Float time a year. Sick leave may be accumulated up to 960 hours for the Teamsters union contracts, up to 1152 hours for the WSCCCE union contract, and there is no cap for management group. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. Total value of compensated absences as reported on the Schedule 9 as of December 31, 2018 is \$136,798.53.

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund	Title	Amount
001	General Fund	\$ (15,487)
170	CDBG Rehab Loans	\$ 113,191
225	Wapato Ave LID	\$ 38,065
230	SIED Loan	\$ 19,362
309	Capital Projects	\$ 66,750
701	Cemetery Perpetual	\$ 419,820

Note 2 – Budget Compliance

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final		
	Appropriated Amounts	Actual Expenses	Variance
General Expense Fund	\$ 3,746,590	\$ 3,447,806	\$ 298,784
Jail Profit Managerial Fund	\$ 15,050	\$ 14,662	\$ 388
3/10'S of 1% Yakima CO Tax CE Managerial Fund	\$ 360,000	\$ 329,560	\$ 30,440
Community Outreach Managerial Fund	\$ 5,400	\$ 10,582	\$ (5,182)
General Fund Reserve CE Managerial Fund	\$ 10,000	\$ -	\$ 10,000
Total 001 - General Expense Fund	\$ 4,137,040	\$ 3,802,610	\$ 334,430
Street Fund	\$ 206,865	\$ 203,366	\$ 3,499
Street Construction Managerial Fund	\$ 190,000	\$ 43,908	\$ 146,092
Total 101 - Street Fund	\$ 396,865	\$ 247,274	\$ 149,591
170 - CDBG Rehabilitation Fund	\$ 8,400	\$ 7,150	\$ 1,250
225 - Debt Service/Wapato Ave LID	\$ 200		\$ 200
230 - SEID Loan-Valicoff Fruit	\$ 24,832	\$ 24,829	\$ 3
309 - Capital Improvement Fund	\$ -	\$ 48,390	\$ (48,390)
	\$ 33,432	\$ 80,369	\$ (46,937)
Water Fund	\$ 949,800	\$ 900,976	\$ 48,824
Water Construction Managerial Fund	\$ 69,200	\$ 47,129	\$ 22,071
Consumer Deposits Trust		\$ 1,872	\$ (1,872)
Total 401 - Water Fund	\$ 1,019,000	\$ 949,977	\$ 69,023
Sewer Fund	\$ 1,366,519	\$ 1,370,408	\$ (3,889)
Sewer Construction Managerial Fund	\$ 735,400	\$ 475,025	\$ 260,375
Total 402 - Sewer Fund	\$ 2,101,919	\$ 1,845,433	\$ 256,486
403 - Garbage Fund	\$ 722,263	\$ 765,331	\$ (43,068)
404 - Cemetery Fund	\$ 111,534	\$ 160,259	\$ (48,725)
501 - Equipment Rental & Revolving	\$ 547,725	\$ 151,651	\$ 396,074
502 - Public Works Service Center	\$ 215,560	\$ 321,505	\$ (105,945)
503 - Information Technology Rental & Revolving	\$ 166,300	\$ 112,478	\$ 53,822
632 - Inmate Trust		\$ 40,335	\$ (40,335)
633 - Court Bond Trust		\$ 135,102	\$ (135,102)
635 - WTBD-Street Managerial Fund			\$ -
	\$ 1,763,382	\$ 1,686,661	\$ 76,721
Total	\$ 9,451,638.00	\$ 8,612,323.79	\$ 839,314.21

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

The City did not follow the inter-fund transfer rules as per BARS in 2018. The City did not budget for Capital improvements in 2018. The City did not make budget amendments when expenditures exceeded prior fund level budgeting and when authorized salary ranges, hours, or other conditions of employment changed. City management did not provide the City Council with accurate information to make budgetary decisions and/or exceeded approved expenditures without informing the City Council.

Note 3 – Deposits and Investments

It is the city's policy to invest all temporary cash surpluses. The interest on these investments was not prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the city or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2018 are as follows:

Type of Deposit or Investment	(City/town/district's own deposits & investments		Deposits & investments held by the county as an agent for other local governments, individuals, or private organizations.		Total
Checking Deposits		423,899			423,899
Bonds		500,000			500,000
LGIP		2,259,632			2,259,632
	<i>Totals</i>	\$ 3,183,531	\$ -	\$	3,183,531

Note 4 - Property Taxes

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

Per the county levy report, for the year 2018 was \$2.86109847 per \$1,000 on an assessed valuation of \$176,196,379 for a total regular levy of \$504,115.

Note 5 – Inter-fund Loans

The following table displays inter-fund loan activity during 2018:

From	To	Beginning Balance	Additions	Reductions	Ending Balance
Water	General	55000	-	-	55,000.00

Note 6 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2018.

The debt service requirements for general obligation bonds, revenue bonds and other debt are as follows:

Year	Principal	Interest	Total Debt Service
2019	183,476	157,422	340,898
2020	187,828	153,071	340,898
2021	193,102	146,418	339,520
2022	198,144	142,755	340,898
2023	203,342	137,556	340,898
2024-2028	852,524	622,172	1,474,696
2029-2033	847,855	539,605	1,387,460
2034-2038	936,595	450,865	1,387,460
2039-2043	1,034,623	352,837	1,387,460
2044-2048	1,142,800	244,660	1,387,460
2049-2053	1,262,592	124,868	1,387,460
2054-2058	543,886	13,706	557,592
Totals	\$ 7,586,766	\$ 3,085,935	\$ 10,672,701

Note 7 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by (RCW __. __. __). The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2018, the plan had 3 members, all retirees. As of December 31, 2018, the City's total

OPEB liability was \$1,018,746, as calculated using the alternative measurement method. For the year ended December 31, 2018, the City paid \$30,140 in benefits.

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 1 UAAL, PERS 2/3, PSERS 2 and LEOFF 2.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

The city also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2018 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1 UAAL	70,869.53	4,466,034,000	0.010602 %	473,489	
PERS 2/3	79,558.48	1,707,411,000	0.01031100%	176,051	
PSERS 2	22,988.80	1,239,000	0.08704900%	1,079	
LEOFF 1		(1,815,502,000)	0.00689900%		(125,251)
LEOFF 2	35,738.77	(2,030,218,000)	0.020609%		(418,408)
VFFRPF	\$120.00	(52,844,000.00)	0.060000%		(30,948)
			<i>Totals</i>	\$ 650,619	\$ (574,607)

LEOFF Plan 1

The city also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Note 9 – Risk Management

The City of Wapato is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined by signing an Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The AWC RMSA allows members to establish a program of joint insurance and Provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits, an excess liability policy is purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2016, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating membermembers contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Inter-local Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

The City of Wapato is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Inter-local agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Inter-local Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2018, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP

pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

**City of Wapato
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	SIED Loan- Yakima County	6/1/2025	156,457	-	20,605	135,852
251.12	Local - US Bank Bond Fire Truck	6/1/2024	200,006	-	29,310	170,696
Total General Obligation Debt/Liabilities:			356,463	-	49,915	306,548
Revenue and Other (non G.O.) Debt/Liabilities						
264.40	OPEB Liability	12/31/2019	1,018,746	220,849	-	1,239,595
264.30	Pension Liability	12/31/2019	650,619	-	221,607	429,012
259.12	Compensated Absences	12/31/2019	126,535	-	22,588	103,947
263.82	USDA WWTP Loan	5/19/2056	7,230,303	-	133,562	7,096,741
Total Revenue and Other (non G.O.) Debt/Liabilities:			9,026,203	220,849	377,757	8,869,295
Total Liabilities:			9,382,666	220,849	427,672	9,175,843

City of Wapato
Schedule of Liabilities
For the Year Ended December 31, 2018

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	SIED Loan- Yakima County	6/1/2025	176,520	-	20,063	156,457
251.12	Local - US Bank Bond Fire Truck	6/1/2024	227,886	-	27,880	200,006
Total General Obligation Debt/Liabilities:			404,406	-	47,943	356,463
Revenue and Other (non G.O.) Debt/Liabilities						
264.40	OPEB Liability	12/31/2018	-	1,018,746	-	1,018,746
264.30	Pension Liability	12/31/2018	976,616	-	325,997	650,619
259.12	Compensated Absences	12/31/2018	58,666	67,869	-	126,535
263.82	USDA WWTP Loan	5/19/2056	7,361,233	-	130,930	7,230,303
Total Revenue and Other (non G.O.) Debt/Liabilities:			8,396,515	1,086,615	456,927	9,026,203
Total Liabilities:			8,800,921	1,086,615	504,870	9,382,666

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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