



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Mabton

For the period January 1, 2020 through December 31, 2020

*Published October 28, 2021*

Report No. 1029291



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

October 28, 2021

Mayor and City Council  
City of Mabton  
Mabton, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Mabton's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Mabton January 1, 2020 through December 31, 2020

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Mabton are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted instances of noncompliance that were material to the financial statements of the City.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.760	Water and Waste Disposal Systems for Rural Communities

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2020-001.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Mabton January 1, 2020 through December 31, 2020

#### **2020-001    The City's internal controls over preparing financial statements and monitoring financial activity were inadequate for ensuring accurate reporting and compliance with state law.**

##### ***Background***

City management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

The City Council annually approves a budget determining the City's legal spending limits. Under state law, spending should not exceed this level without a Council-approved budget amendment. Moreover, the Council cannot authorize spending that exceeds available funds. When expenditures in a fund exceed the available resources, the City is effectively 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.

*Government Auditing Standards* requires our Office to communicate material weaknesses as a finding.

##### ***Description of Condition***

The City did not monitor its financial activity, nor did it identify the need to both implement and account for interfund loans when approving expenses that the Street and Sewer funds did not have available resources to pay for.

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

##### ***Cause of Condition***

The City has focused its efforts on reducing the negative fund balance without considering the importance of establishing an interfund loan to obtain the necessary resources to cover expenses. City Council authorized paying expenses in the Street and Sewer funds that were more than the available resources, but did not formally establish and approve an interfund loan.

### ***Effect of Condition***

The City did not implement or account for interfund loans for the Street and Sewer funds. This resulted in the City incorrectly reporting negative fund balances for these funds in the amount of \$155,431 and \$225,671, respectively. These errors remain uncorrected, as the City has not yet properly approved the necessary interfund loans.

The City's General fund has unassigned cash and investments of only \$308,912, which is not enough to support the negative fund balances in the Street and Sewer funds. Therefore, the City is effectively using restricted, committed or assigned assets to support these funds.

### ***Recommendation***

We recommend the City monitor its financial activity to ensure that all funds have the available resources to pay for expenditures and, when necessary, establish an interfund loan that the Council approves.

### ***City's Response***

*The City of Mabton thanks the State Auditor's Office for their work in reviewing and auditing our financial statements. The City has had significant staff turnover in key positions for many years, which has directly lead to the City's inability to ensure compliance with regard to authorized expenditures and maintaining adequate fund balances, and to correct previous noncompliance issues. City staff has recommended to the Council options for corrective action to the Street and Sewer funds to restore fund balances. These options have included authorizing interfund loans and/or increasing rates for service where applicable. At this time the City Council has not made any of the suggested corrections, but understands that the City is not in compliance with state law.*

### ***Auditor's Remarks***

We appreciate the steps the City is taking to resolve this issue and we thank the city for its cooperation during the audit. We will review the condition during our 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.

RCW 35A.33.125 – Funds – Limitations on expenditures, restricts the Council from authorizing any claim on expenditures in excess of total budgeted amounts for any individual fund.

*Budgeting, Accounting and Reporting System* (BARS) manual, 3.9.1, Loans, requires the legislative body to approval all interfund loans by ordinance or resolution.





305 Main St. | PO Box 655  
Mabton, WA 98935  
509-894-4096

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Mabton January 1, 2020 through December 31, 2020

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

<b>Audit Period:</b>	<b>Report Ref. No.:</b>	<b>Finding Ref. No.:</b>
January 1, 2019 through December 31, 2019	28855	2019-001
<b>Finding Caption:</b> The City's internal controls over preparing financial statements and monitoring financial activity were inadequate for ensuring accurate reporting and compliance with state law.		
<b>Background:</b> Our audit identified internal control deficiencies that hinder the City's ability to produce accurate financial statements and comply with state law. These deficiencies represent a material weakness. <b>Schedule of Federal Expenditures</b> The City's internal controls over preparing the SEFA were inadequately designed for ensuring correct reporting of federal loan activity. Specifically, the City did not fully evaluate SEFA reporting guidance, such as the <i>Budgeting, Accounting, and Reporting System</i> (BARS) Manual, to determine the criteria and requirements for reporting the Water and Waste Disposal Systems for Rural Communities federal loan. The City did not include the loan balance as part of the federal expenditures, which this federal program requires. The City reported only \$347,870 on its SEFA, which led to federal expenditures being underreported by about \$845,813. Had the loan balance been included, the total federal expenditures would have exceeded the \$750,000 threshold that triggers a federal single audit of the City's compliance with federal requirements. Negative fund balance		

Additionally, the City did not monitor its financial activity, nor did it identify the need to both implement and account for interfund loans.

The City spent more than the final budgeted amounts for the Street and Sewer funds by \$10,596 and \$247,933, respectively, and did not implement or account for interfund loans. This resulted in the City incorrectly reporting negative fund balances for these funds in the amount of \$9,050 and \$256,383, respectively. These errors remain uncorrected, as the City has not yet properly approved the necessary interfund loans.

**Status of Corrective Action: (check one)**

☐ Fully  
Corrected

☒ Partially  
Corrected

☐ Not Corrected

☐ Finding is considered no  
longer valid

**Corrective Action Taken:**

*The City plans to add additional training for current staff regarding SEFA reporting and compliance requirements. Additionally, the City is making it a priority to retain qualified staff. City staff intends to keep track of the source of funds for all revenues received as grant or loan for capital projects and/or other expenditures. Also, city staff has recommended to the Council options for corrective action to the Street and Sewer funds to restore fund balances. These options have included authorizing interfund loans and/or increasing rates for service where applicable. At this time the City Council has not made any of the suggested corrections, but understands that the City is not in compliance with state law.*

## 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 Mabton January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Mabton  
Mabton, 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 Mabton, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 22, 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 9 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit 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 2020-001 to be material weaknesses.

## 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 2020-001.

## 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

October 22, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

### City of Mabton January 1, 2020 through December 31, 2020

Mayor and City Council  
City of Mabton  
Mabton, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Mabton, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

October 22, 2021



# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### City of Mabton January 1, 2020 through December 31, 2020

Mayor and City Council  
City of Mabton  
Mabton, Washington

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Mabton, for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 20.

### 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 audit. We conducted our audit 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 Mabton 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 Mabton, and its changes in cash and investments, for the year ended December 31, 2020, 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 Mabton, as of December 31, 2020, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### **Matters of Emphasis**

As discussed in Note 9 to the 2020 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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are 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 October 22, 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.



Pat McCarthy, State Auditor

Olympia, WA

October 22, 2021

## **FINANCIAL SECTION**

### **City of Mabton January 1, 2020 through December 31, 2020**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2020  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020  
Notes to Financial Statements – 2020

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2020  
Schedule of Expenditures of Federal Awards – 2020  
Notes to the Schedule of Expenditures of Federal Awards – 2020

**City of Mabton**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>102 Cemetery</b>
<b>Beginning Cash and Investments</b>				
308	Beginning Cash and Investments	735,072	288,086	29,198
388 / 588	Net Adjustments	23,565	-	-
<b>Revenues</b>				
310	Taxes	750,346	674,484	-
320	Licenses and Permits	94,552	94,552	-
330	Intergovernmental Revenues	421,899	273,736	-
340	Charges for Goods and Services	1,607,684	13,617	34,520
350	Fines and Penalties	7,169	925	-
360	Miscellaneous Revenues	22,852	20,250	-
Total Revenues:		2,904,502	1,077,564	34,520
<b>Expenditures</b>				
510	General Government	282,402	282,402	-
520	Public Safety	475,766	465,471	-
530	Utilities	1,194,772	-	50,360
540	Transportation	58,516	-	-
550	Natural/Economic Environment	28,101	28,101	-
560	Social Services	-	-	-
570	Culture and Recreation	74,850	74,850	-
Total Expenditures:		2,114,407	850,824	50,360
Excess (Deficiency) Revenues over Expenditures:		790,095	226,740	(15,840)
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	117,000	-	32,000
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	24,691	4,691	-
Total Other Increases in Fund Resources:		141,691	4,691	32,000
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	378,282	101,606	-
591-593, 599	Debt Service	381,717	-	600
597	Transfers-Out	117,000	109,000	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	20,000	-	20,000
Total Other Decreases in Fund Resources:		896,999	210,606	20,600
<b>Increase (Decrease) in Cash and Investments:</b>		<b>34,787</b>	<b>20,825</b>	<b>(4,440)</b>
<b>Ending Cash and Investments</b>				
50821	Nonspendable	44,207	-	-
50831	Restricted	355,705	40,151	-
50841	Committed	24,758	-	24,758
50851	Assigned	749,856	268,761	-
50891	Unassigned	(381,102)	-	-
<b>Total Ending Cash and Investments</b>		<b>793,424</b>	<b>308,912</b>	<b>24,758</b>

*The accompanying notes are an integral part of this statement.*

<b>103 City Streets</b>	<b>113 Capital Improvements Fund</b>	<b>115 Ems Fund</b>	<b>304 2005 Cdbg Well Project</b>	<b>401 Water</b>	<b>402 Sewer</b>
(9,050)	47,848	227,241	77,428	317,332	(256,383)
-	-	-	-	-	-
38,907	13,894	23,061	-	-	-
-	-	-	-	-	-
113,062	-	1,260	-	25,642	8,199
-	-	-	-	729,748	595,181
-	-	-	-	3,212	3,032
132	5	104	-	1,402	302
<u>152,101</u>	<u>13,899</u>	<u>24,425</u>	<u>-</u>	<u>760,004</u>	<u>606,714</u>
-	-	-	-	-	-
-	-	10,295	-	-	-
-	-	-	-	479,737	430,530
58,516	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>58,516</u>	<u>-</u>	<u>10,295</u>	<u>-</u>	<u>479,737</u>	<u>430,530</u>
<u>93,585</u>	<u>13,899</u>	<u>14,130</u>	<u>-</u>	<u>280,267</u>	<u>176,184</u>
-	-	-	-	-	-
27,000	-	-	-	-	20,000
-	-	-	-	-	-
-	-	-	-	-	-
<u>27,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
266,964	-	-	-	9,712	-
-	-	-	-	218,646	162,471
-	-	-	-	5,000	3,000
-	-	-	-	-	-
-	-	-	-	-	-
<u>266,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,358</u>	<u>165,471</u>
<b>(146,379)</b>	<b>13,899</b>	<b>14,130</b>	<b>-</b>	<b>46,909</b>	<b>30,713</b>
-	-	-	-	-	-
-	61,748	241,371	-	12,435	-
-	-	-	-	-	-
-	-	-	77,428	351,806	-
(155,431)	-	-	-	-	(225,671)
<b>(155,431)</b>	<b>61,748</b>	<b>241,371</b>	<b>77,428</b>	<b>364,241</b>	<b>(225,671)</b>

*The accompanying notes are an integral part of this statement.*

<b>404 Garbage</b>	<b>501 Equipment Replacement Fund</b>	<b>701 Cemetery Perpetual Care</b>
13,372	-	-
-	-	23,565
-	-	-
-	-	-
-	-	-
234,618	-	-
-	-	-
15	-	642
234,633	-	642
-	-	-
-	-	-
234,145	-	-
-	-	-
-	-	-
-	-	-
-	-	-
234,145	-	-
488	-	642
-	-	-
-	38,000	-
-	-	-
-	-	20,000
-	38,000	20,000
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
488	38,000	20,642
-	-	44,207
-	-	-
-	-	-
13,861	38,000	-
-	-	-
13,861	38,000	44,207

*The accompanying notes are an integral part of this statement.*

**City of Mabton**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

		<b>Total for All Funds (Memo Only)</b>	<b>Investment Trust</b>	<b>Custodial</b>
308	Beginning Cash and Investments	23,565	23,565	-
388 & 588	Net Adjustments	(23,565)	(23,565)	-
310-390	Additions	10,905	-	10,905
510-590	Deductions	10,900	-	10,900
	Net Increase (Decrease) in Cash and Investments:	5	-	5
508	Ending Cash and Investments	7	-	7

*The accompanying notes are an integral part of this statement.*



**City of Mabton**  
**Notes to Financial Statement**  
**For the year ended December 31, 2020**

**Note 1 - Summary of Significant Accounting Policies**

The City of Mabton was incorporated on November 8, 1905 and operates under the laws of the state of Washington applicable to a non-charter code city. The City is a general-purpose local government and provides water, sanitary sewer, garbage, police, fire protection, street improvements, parks, cemetery, and general administrative services.

The City of Mabton 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 presented using classifications that are similar to the ending balance classification 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 interfund 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 a custodian on behalf of others.

##### Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

##### Investment Trust Funds

These funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust.

#### Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

#### 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 of Mabton 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 5 - Deposits and Investments.

#### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets and inventory are recorded as capital expenditures when purchased.

#### E. Compensated Absences

Vacation leave for employees covered by a collective bargaining agreement may be accumulated up to 240 hours per year, and is payable upon separation or retirement. Sick leave for employees covered by a collective bargaining agreement may be accumulated up to 960 hours, and is payable upon resignation after 10 years of continuous service, death or retirement at a rate of 33.33% of the accrued time. Administrative staff not covered by the collective bargaining unit earn paid time off to cover Vacation, Personal, and Sick Leave in the amount of 20 days per year. Any unused time carries over each year and is payable upon the employee's separation from employment. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 3 – Long Term Debt.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted or committed 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 of Mabton intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

- Fund 001 – General Fund/Criminal Justice & Public Safety:  
The City receives certain sales tax revenues and state shared revenues that are restricted for Public Safety and Criminal Justice expenditures by the State of Washington. The restricted portion of the General Fund ending fund balance for 2020 is \$40,151.32 for Criminal Justice and Public Safety expenditures.
- Fund 102 – Cemetery Fund:  
Revenues collected from the sale of cemetery plots and burial fees are committed by ordinance of the City Council to support the operation of the cemetery. The ending fund balance for the Cemetery fund for 2020 is \$24,758.27, which is classified as committed.
- Fund 113 – Capital Improvements Fund/ Real Estate Excise Tax:  
The City receives a 0.25% tax of the sale of real estate within the City that is restricted by the State of Washington for financing capital projects specified in the Capital Facilities portion of the City's Comprehensive Plan. The ending fund balance for 2020 is \$61,747.76, which is classified as restricted.
- Fund 115 – Emergency Medical Services Fund:  
The City collects the voter-approved EMS Property Tax Levy, that is restricted for the use of Emergency Medical Services. The ending fund balance for 2020 is \$241,371.23, which is classified as restricted.
- Fund 401 – Water Fund:  
The City has received various loan and grant funding from the United States Department of Agriculture for improvements in the water system. USDA requires that the City put aside reserves for debt service and short-lived assets. The restricted portion of the Water Fund ending fund balance for 2020 is \$12,435.00, which meets the USDA's reserve requirements.

## **Note 2 – Budget Compliance**

The City of Mabton adopts annual appropriated budgets for all non-custodial 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 follow:

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
General Fund 001	\$1,075,000.00	\$1,061,430.72	\$13,569.28
Cemetery Fund 102	\$71,000.00	\$70,959.57	\$40.43
Street Fund 103	\$326,000.00	\$325,480.53	\$519.47
Capital Improvements Fund 113	\$0.00	\$0.00	\$0.00
EMS Fund 115	\$11,150.00	\$10,294.95	\$855.05
2005 CDBG Well Fund	\$0.00	\$0.00	\$0.00
Water Fund 401	\$745,000.00	\$713,095.79	\$31,904.21
Sewer Fund 402	\$597,000.00	\$596,000.86	\$999.14
Garbage Fund 404	\$237,000.00	\$234,143.43	\$2,856.57
Equipment Replacement Fund 501	\$0.00	\$0.00	\$0.00
Cemetery Perpetual Care Fund 701	\$0.00	\$0.00	\$0.00
<b>Grand Totals</b>	<b>\$3,062,150.00</b>	<b>\$3,011,405.85</b>	<b>\$50,744.15</b>

Budgeted amounts are authorized to be transferred between departments within any fund; 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.

### **Note 3 – Long Term Debt**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Mabton and summarizes the City's debt transactions for year ended December 31, 2020.

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

	Principal	Interest	Total
2021	\$ 287,302.76	\$ 91,509.44	\$ 378,812.20
2022	\$ 289,735.17	\$ 86,771.79	\$ 376,506.96
2023	\$ 292,219.63	\$ 81,982.08	\$ 374,201.71
2024	\$ 294,709.11	\$ 77,187.37	\$ 371,896.48
2025	\$ 297,348.04	\$ 72,243.19	\$ 369,591.23
2026-2030	\$ 1,527,555.64	\$ 285,821.86	\$ 1,813,377.50
2031-2035	\$ 1,515,524.85	\$ 154,551.56	\$ 1,670,076.41
2036-2040	\$ 418,330.33	\$ 63,931.27	\$ 482,261.60
2041-2045	\$ 163,033.19	\$ 46,760.59	\$ 209,793.78
2046-2050	\$ 128,992.46	\$ 32,887.54	\$ 161,880.00
2051-2055	\$ 144,313.06	\$ 17,566.94	\$ 161,880.00
2056-2060	\$ 79,418.67	\$ 2,623.33	\$ 90,136.00
2061-2065	\$ -	\$ -	\$ -
Totals	\$ 5,438,482.91	\$ 1,013,836.96	\$ 6,460,413.87

### **Unused Lines of Credit**

At fiscal year end, the City had \$20,000 available in unused lines of credit.

### **Note 4 - Interfund Loans**

The following table displays interfund loan activity during 2020:

<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Balance 1/1/2020</b>	<b>New Loans</b>	<b>Repayments</b>	<b>Balance 12/31/2020</b>
Cemetery Fund 102	Perpetual Care Fund 701	\$ 60,000.00	\$ -	\$ 20,000.00	\$ 40,000.00

## **Note 5 – Deposits and Investments**

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2020 are as follows:

### **Type of Deposit or Investment**

Type of Deposit or Investment	City's Own Deposits and Investments
Bank Deposit	\$ 757,338.57
Local Government Investment Pool	\$ 83,859.36
Total	\$ 841,197.93

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

### **Investments in the State Local Government Investment Pool (LGIP)**

The City 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](http://www.tre.wa.gov).

### **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 6 – Pension Plans**

Substantially all City of Mabton 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, PERS 3, 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](http://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](http://www.ofm.wa.gov).

At June 30, 2020 (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:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$17,174.00	0.002370%	\$83,674.00
PERS 2/3	\$28,312.00	0.003073%	\$39,302.00
LEOFF 2	\$ 7,177.06	0.003669%	(\$74,842.00)
VFFRPF	\$ 90.00	0.05%	\$16,327.41

### **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 7 - Property Tax**

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 the 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 2020 was \$2.76217116 per \$1,000 on an assessed valuation of \$63,261,391 for a total regular levy of \$174,738.79.

## **Note 8 – Risk Management**

The City of Mabton is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

#### **Note 9 – 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 known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, and non-essential activities.

Additionally, the Governor put a prohibition on charging late penalties or disconnecting services for many essential utilities, including water. Due to this prohibition, the City has been unable to enforce payment of outstanding utility accounts. This has had an impact in the revenue of the City's Water, Sewer, and Garbage funds, which all use penalty fees and disconnection of water services as a means for collections. As of December 31, 2020, the City's outstanding accounts receivables have increased by 45% over the outstanding amounts prior to the pandemic.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the City is unknown at this time.

## **Note 10 – Other Disclosures**

### **Corrections of Material Errors**

The City's Cemetery Perpetual Care Fund has been incorrectly accounted for as a Fiduciary Fund instead of a Permanent Fund. The correction of this error required an expenditure in account 5881000 from the previous fund 601, and a revenue into new fund 701 in account 3881000 as a prior period adjustment.

### **Significant Commitments or Obligations**

The City has active projects as of December 31, 2020. The projects include the following:

1. Main Street improvement between Washington Street and South Street. This project is in the design process and doesn't anticipate construction until 2022. This project is funded through STP and TIB.
2. Washington Street Overlay from 1<sup>st</sup> Avenue to 6<sup>th</sup> Avenue. This project is expected to start construction in the spring of 2021. This project is funded through TIB.
3. Water System Plan. This project is underway and is expected to be complete by summer of 2021. This project is funded by the City's Water Fund.
4. Well #7 Drilling. This project is in design and is expected to be completed by fall of 2021. This project is being funded by CDBG and USDA-RD.

At year-end the City's commitments with contractors are as follows:

<b>Project</b>	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Main Street Improvement	\$151,616.49	\$2,152,783.51
Washington Street Overlay	\$24,261.21	\$264,578.79
Water System Plan	\$1,511.39	\$58,188.61
Well #7 Drilling	\$0.00	\$1,748,195.00

**City of Mabton**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2020**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.51	Kyocera Copier	12/23/2021	12,052	-	5,764	6,288
263.51	Ricoh Copier	9/30/2025	-	18,540	1,236	17,304
263.51	Sharp Video Conferencing System	9/30/2025	-	9,918	348	9,570
263.51	Xerox Copier	12/31/2022	4,589	-	1,572	3,017
<b>Total General Obligation Debt/Liabilities:</b>			<b>16,641</b>	<b>28,458</b>	<b>8,920</b>	<b>36,179</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		17,561	10,411	-	27,972
263.82	USDA RD \$92,000	8/24/2056	87,210	-	1,541	85,669
263.82	USDA RD \$760,000	8/8/2058	745,144	-	12,171	732,973
263.84	DWSRF DM15-952-044	10/1/2034	1,285,051	-	85,670	1,199,381
263.84	DWSRF DM13-952-181	10/1/2037	1,155,831	-	67,239	1,088,592
263.84	Ecology SRF L1300024	3/31/2036	1,903,922	-	97,586	1,806,336
263.88	PWTF Loan PC13-961-027	6/1/2042	548,950	-	23,867	525,083
264.30	Pension Liabilities		125,012	-	2,036	122,976
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>5,868,681</b>	<b>10,411</b>	<b>290,110</b>	<b>5,588,982</b>
<b>Total Liabilities:</b>			<b>5,885,322</b>	<b>38,869</b>	<b>299,030</b>	<b>5,625,161</b>

**City of Mabton**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760	105070	-	8,201	8,201	1, 2
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760	105070	-	832,354	832,354	1, 2, 3
<b>Total CFDA 10.760:</b>				-	<b>840,555</b>	<b>840,555</b>	-
<b>Highway Planning and Construction Cluster</b>							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STPR-K390(002)	33,869	-	33,869	1, 2, 4
<b>Total Highway Planning and Construction Cluster:</b>				<b>33,869</b>	-	<b>33,869</b>	-
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-234	104,400	-	104,400	1, 2
<b>Total Federal Awards Expended:</b>				<b>138,269</b>	<b>840,555</b>	<b>978,824</b>	-

*The accompanying notes are an integral part of this schedule.*

## **City of Mabton**

### **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020**

**Note 1 – Basis of Accounting**

This Schedule is prepared on the same basis of accounting as the City's financial statements. The City of Mabton uses the cash basis form of accounting.

**Note 2 – Indirect Cost Rate**

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3 – Federal Loans**

The City was approved by the USDA Rural Utilities Service to receive a loan totaling \$760,000.00 and a loan totaling \$92,000.00, both to improve water infrastructure. Interim loan financing was received for the construction period. The amount listed for this loan includes the beginning of the period loan balance, plus the proceeds used during the year, less the loan payments. There were no additional loan proceeds used during the year. The balance owing at the end of the period is \$832,354.00.

**Note 4 – Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**City of Mabton**  
**January 1, 2020 through December 31, 2020**

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2020-001	<b>Finding caption:</b> The City's internal controls over preparing financial statements and monitoring financial activity were inadequate for ensuring accurate reporting and compliance with state law.
<b>Name, address, and telephone of City contact person:</b> Jamison Horner, City Treasurer P.O. Box 655 Mabton, WA 98935 (509) 894-4096	
<b><i>Corrective action the auditee plans to take in response to the finding:</i></b> <i>The City has had significant staff turnover in key positions for many years, which has directly lead to the City's inability to ensure compliance with regard to authorized expenditures and maintaining adequate fund balances, and to correct previous noncompliance issues. City staff has recommended to the Council options for corrective action to the Street and Sewer funds to restore fund balances. These options have included authorizing interfund loans and/or increasing rates for service where applicable. At this time the City Council has not acted on any of the suggested corrections, but understands that the City is not in compliance with state law.</i>	
<b>Anticipated date to complete the corrective action:</b> Unknown, subject to Council adopting a plan to correct the fund deficiencies.	

## 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](http://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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