



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of South Bend

For the period January 1, 2021 through December 31, 2021

Published March 9, 2023

Report No. 1032166



Find out what's new at SAO
by scanning this code with
your smartphone's camera



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

March 9, 2023

Mayor and City Council
City of South Bend
South Bend, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of South Bend'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,

Pat McCarthy, State Auditor
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.

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Summary Schedule of Prior Audit Findings	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	11
Independent Auditor's Report on the Financial Statements.....	15
Financial Section.....	19
About the State Auditor's Office.....	39

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of South Bend January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of South Bend 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 no deficiencies that we consider to be material weaknesses.

We noted no 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 each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
10.760	Water and Waste Disposal Systems for Rural Communities
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants

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

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



Office of the Clerk/Treasurer
P.O. Drawer 9
South Bend, WA 98586
Phone: 360-875-5571
FAX: 360-875-4009
TDD: 1-800-833-6388
E-mail: zoe.sowa@southbend-wa.gov
Website: www.southbend-wa.gov

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of South Bend

January 1, 2021 through December 31, 2021

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

Audit Period: January 1, 2019 through December 31, 2020	Report Ref. No.: 1029527	Finding Ref. No.: 2020-001
Finding Caption: The City's internal controls over preparing financial statements were inadequate for ensuring accurate reporting.		
Background: In 2020, The City did not record all of its financial activity in the general ledger, did not perform complete monthly reconciliations between cash and investment accounts and accounting records and did not perform an effective review to detect omissions and errors in the bank reconciliations and financial statements submitted for audit.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The investment accounts are reconciled monthly and a balancing spreadsheet with all the accounts is kept.</i>		

Audit Period: January 1, 2020 through December 31, 2020	Report Reference No: 1029527	Finding Ref. No.: 2020-002	CFDA Number(s): 10.760
Federal Program Name and Granting Agency: Water and Waste Disposal Systems for Rural Communities, Department of Agriculture		Pass-Through Agency Name: None	
Finding Caption: The City lacked adequate internal controls for ensuring compliance with federal procurement requirements			
Background: <p>The City did not have internal controls in place to ensure its written procurement procedures were reflective of the most restrictive applicable federal, state or local laws. These procedures must conform to federal procurement standards to ensure recipients follow the most restrictive thresholds and methods when using federal funds. The City's written procurement policy did not include federal, state or local procurement requirements specifically outlining federal regulations for public works contracts.</p>			
Status of Corrective Action: (check one)			
<input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The City updated the procurement policies to address many of the federal requirements in 2022. The City will have the attorney who updated the policy to once again update it including the additional Federal requirements as required by the auditors.</i>			

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 South Bend January 1, 2021 through December 31, 2021

Mayor and City Council
City of South Bend
South Bend, 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 South Bend, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 2, 2023.

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.

REPORT ON 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) as a basis for designing 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.

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.

Our consideration of internal control was for the limited purpose described above 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

March 2, 2023

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 South Bend January 1, 2021 through December 31, 2021

Mayor and City Council
City of South Bend
South Bend, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of South Bend, with the types of compliance requirements identified as subject to audit 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, 2021. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 2, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of South Bend January 1, 2021 through December 31, 2021

Mayor and City Council
City of South Bend
South Bend, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of South Bend, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of South Bend, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

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 South Bend, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The accompanying 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2023 on our consideration of the City's internal control over financial reporting and on the 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 the effectiveness of the City's 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 2, 2023

FINANCIAL SECTION

City of South Bend January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021
Schedule of Expenditures of Federal Awards – 2021
Notes to the Schedule of Expenditures of Federal Awards – 2021

City of South Bend
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	001 Current Expense	101 Street Fund	106 Capital Fund-Docks
Beginning Cash and Investments					
308	Beginning Cash and Investments	2,650,664	633,490	7,705	82,889
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,041,973	1,006,662	-	35,311
320	Licenses and Permits	81,198	81,198	-	-
330	Intergovernmental Revenues	3,694,916	532,975	1,120,065	131
340	Charges for Goods and Services	1,768,013	24,112	-	-
350	Fines and Penalties	51,389	51,389	-	-
360	Miscellaneous Revenues	140,800	63,521	10,771	13,762
Total Revenues:		6,778,289	1,759,857	1,130,836	49,204
Expenditures					
510	General Government	339,749	339,749	-	-
520	Public Safety	722,025	722,025	-	-
530	Utilities	1,346,861	-	-	-
540	Transportation	261,004	-	208,358	52,646
550	Natural/Economic Environment	96,401	9,300	-	-
560	Social Services	1,324	1,324	-	-
570	Culture and Recreation	72,368	72,368	-	-
Total Expenditures:		2,839,732	1,144,766	208,358	52,646
Excess (Deficiency) Revenues over Expenditures:		3,938,557	615,091	922,478	(3,442)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	207,494	11,821	195,673	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	3,500	-	-	-
Total Other Increases in Fund Resources:		210,994	11,821	195,673	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,514,914	499,586	1,125,854	-
591-593, 599	Debt Service	708,581	-	-	-
597	Transfers-Out	207,494	207,494	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	7,235	-	-	-
Total Other Decreases in Fund Resources:		4,438,224	707,080	1,125,854	-
Increase (Decrease) in Cash and Investments:		(288,673)	(80,168)	(7,703)	(3,442)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	250,110	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	1,558,558	-	-	79,446
50891	Unassigned	553,323	553,323	-	-
Total Ending Cash and Investments		2,361,991	553,323	-	79,446

The accompanying notes are an integral part of this statement.

City of South Bend
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		401 Water Operating Fund	404 Sewer Operating Fund	405 Mosquito Control	701 HUD Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,467,992	141,609	57,869	259,110
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,874,252	89,958	77,535	-
340	Charges for Goods and Services	700,944	1,042,957	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	37,421	15,325	-	-
Total Revenues:		2,612,617	1,148,240	77,535	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	735,774	610,714	373	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	78,101	9,000
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		735,774	610,714	78,474	9,000
Excess (Deficiency) Revenues over Expenditures:		1,876,843	537,526	(939)	(9,000)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	3,500	-	-	-
Total Other Increases in Fund Resources:		3,500	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,827,830	61,644	-	-
591-593, 599	Debt Service	145,238	563,343	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	7,235	-	-	-
Total Other Decreases in Fund Resources:		1,980,303	624,987	-	-
Increase (Decrease) in Cash and Investments:		(99,960)	(87,461)	(939)	(9,000)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	250,110
50841	Committed	-	-	-	-
50851	Assigned	1,368,034	54,149	56,929	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,368,034	54,149	56,929	250,110

The accompanying notes are an integral part of this statement.

City of South Bend
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	Pension/OPEB Trust Fund	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	26,720	7,224	22,110	(2,614)
388 & 588	Net Adjustments	725	-	-	725
310-390	Additions	120,846	62	-	120,784
510-590	Deductions	127,227	-	4,559	122,668
	Net Increase (Decrease) in Cash and Investments:	(6,381)	62	(4,559)	(1,884)
508	Ending Cash and Investments	21,064	7,285	17,552	(3,773)

The accompanying notes are an integral part of this statement.

City of South Bend
NOTES TO FINANCIAL STATEMENTS
January 1, 2021 through December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of South Bend was incorporated on September 9, 1890 and operates under the law of the State of Washington applicable to a Mayor/Council form of government. The city is a general-purpose government and provides general administrative services, public safety, a volunteer fire department, street improvement, parks and recreation, & water and sewer services.

The City of South Bend reports financial activity in accordance with the *Cash Basis Budgeting, Account, 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 for propriety and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the City of South Bend 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 City of South Bend'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 City. 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 and services to the general public and are supported primarily through user charges.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent 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 account 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. Deposits and Investments (See Note 2)

It is the City of South Bend's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statement of fund resources and uses arising from cash transactions. The interest on these investments – Local Government Investment Pool ONLY – is posted to the Current Expense Fund.

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 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 25 days (200 hours) and is payable in full upon separation from the City. Additionally, if employees have reached the 200-hour maximum, additional vacation accumulation is paid to the employee monthly.

Sick pay, which may be accumulated up to 90 days (720 hours), is payable at a rate of ½ of the amount accumulated upon separation from the City. Additionally, if employees have reached the 720-hour maximum, additional sick time accumulation (up to 8 hours a month) is paid to the employee monthly. Payments are recognized as expenditures when paid.

F. Long-Term Debt (See Note 4)

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed 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 the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of Street Fund Revenues, Hotel/Motel Tax Fund, Robert Bush Park Fund, Mary Rogers Park Fund and the Miscellaneous Fee Fund.

NOTE 2 – DEPOSITS AND INVESTMENTS

Investments are reported at original cost. Deposits and investments by type as of December 31, 2021 are as follows:

Type of Investment	Balance
The Bank of the Pacific-Operating Account	\$539,273.89
The Bank of the Pacific-Municipal Court	4,430.50
The Bank of the Pacific-Police Reserves	4,739.96
US Bank – Investor Account	33,817.86
TVI Investments	1,824,589.27
Local Government Investment Pool	305,058.20
Total	<hr/> \$2,711,909.68

It is the City of South Bend’s policy to invest all temporary cash surpluses. The interest on these investments accumulates in the Investor Account at US Bank and then are reinvested.

Investments in the State Local Government Investment Pool (LGIP)

The City of South Bend 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.

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 deposits and certificates of deposit are covered by federal depository insurance 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 3 – PROPERTY TAXES

The Pacific County Treasurer acts as an agent to collect property taxes 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 taxes are levied.

The City's regular tax levy for 2021 was \$2.294328 per \$1,000 of assessed valuation of \$111,134,054 for a total regular levy of \$254,978.

NOTE 4 – LONG TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides more details of the outstanding debt and liabilities of the City of South Bend and summarizes the city's debt transactions for year ended December 31, 2021.

Debt service requirements for general obligation bonds, revenue bonds and other debt, including both principal and interest, are as follows:

	General Obligation Debt	Revenue Debt	Total Debt
2021	Ø	791,581	791,581
2022	Ø	723,556	723,556
2023	Ø	721,278	721,278
2024	Ø	719,000	719,000
2025		666,230	666,230
2026-2030	Ø	2,709,432	2,709,943
2031-2035	Ø	1,890,688	1,890,688
2036-2040	Ø	1,867,896	1,867,896
2041-2045	Ø	1,788,940	1,788,940
2046-2050	Ø	1,788,940	1,788,940
2051-2055	Ø	1,087,996	620,700

2056-2060	Ø	496,560	496,560
TOTAL		\$15,252,097	\$15,252,097

The city was approved by the USDA Rural Development to receive a loan totaling \$3,000,000 to upgrade a water treatment plant. Interim loan financing is being used for the construction period. Total draws on the interim loan are reported on the Schedule 9. The interim financing will be paid off using the USDA loan once construction is complete.

NOTE 5 - PENSION PLAN

Substantially all of the City of South Bend's full-time employees and qualifying part-time employees participate in 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 Public Employees (PERS) and Law Enforcement and Fire Fighters (LEOFF).

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 98504-8380

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

The City of South Bend also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board of 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.

On June 30, 2021 the City of South Bend proportionate share of the collective net pension liabilities, as reported on the Schedule 9 was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$29,674	0.003984%	\$48,654
PERS 2 and 3	\$48,433	0.005113%	-\$509,337
LEOFF 1	Ø	0.003216%	-\$110,166

LEOFF 2	\$15,188	0.007619%	-\$442,543
---------	----------	-----------	------------

LEOFF Plan 1

The City of South Bend also participates in the 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 have contributed zero percent. As of December 31, 2020, there was one *retired* LEOFF 1 individual drawing benefits consisting of a city-paid long-term care policy, reimbursement of the Medicare portion from their Social Security plus medical costs not reimbursed by health insurance (The City of South Bend pays health insurance premiums to Washington Counties Insurance Fund).

LEOFF Plan 2

The City of South Bend 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 6 – OTHER POSTEMPLOYMENT BENEFITS

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by Pacific County 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, 2021, the plan had 1 retiree member. As of December 31, 2021, the City of South Bend's total OPEB liability was \$439,094 as calculated using the alternative measurement method. For the year ended December 31, 2021, the City of South Bend paid \$10,395.

NOTE 7 – BUDGET COMPLIANCE

The City of South Bend adopts annual appropriated budgets for all funds. These budgets are adopted at the fund level current expense fund where the budget is adopted at the department 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 budget were as follows:

Fund	Final Appropriated Amount	Actual Expenditures	Variance
001 Current Expense	\$1,596,772	1,469,323	127,448
101 Street Fund	1,655,144	1,334,214	320,931
103 Library	9,000	1,980	7,020
106 Capital Fund-Docks	52,732	52,646	86
110 Hotel/Motel Tax Fund	649,315	473,585	175,730
401 Water Operating Fund	4,949,500	2,725,568	2,223,932
404 Sewer Operating Fund	1,235,735	1,235,701	34
405 Mosquito Fund	130,000	78,475	51,525
610 Robert Bush Park Fund	5,500	0.00	5,500
620 Mary Rogers Pioneer Park Trust Fund	22,111	4,559	17,552
630 Municipal Court	215,600	122,190	93,410
634 Miscellaneous Fee Fund	1,000	502	498
701 HUD	10,000	9,000	1,000
	\$10,532,409	7,507,743	3,024,665

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

NOTE 8 – Risk Management-AWC RMSA

The City of South Bend 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 Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2021, 105 entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, 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, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier. Pollution, and

cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and 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 National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC, and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2021, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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 Interlocal 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.

NOTE 9 – Risk Management-AWC Health & Welfare

The City of South Bend 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 Interlocal 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 Interlocal 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 Interlocal 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, 2021, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, 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: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington 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 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims. Participating employers' contract to remain in the AWC Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust 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. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office

NOTE 10 – COVID-19

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel and in-person interactions.

The City of South Bend did not see a significant financial impact due to COVID-19. In response to the pandemic city hall has been closed to the public for over a year. The city continues to operate all major functions and meet its public mandates. The city proactively implemented safety measures and operations have continued with all staff reporting to work daily. The city has remained economically stable and continues to adopt to the changing conditions.

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

NOTE 11 – OTHER DISCLOSURES

- The City of South Bend and the City of Raymond jointly accepted an approximately \$30,000,000 funding package from USDA Rural Development for a new Regional Wastewater Treatment Plant (RWWTP). The funding package was 40% grant and 60% loan. The City of South Bend is responsible for 35.62% of the total cost of the project. The lead city is Raymond. The project went out for bid in 2010. The groundbreaking was March 26, 2011. Even though the City of Raymond is reporting the full amount of debt on their financial statements each year the City of South Bend's portion of the debt is reflected in Note 6 – Debt Service and it is included on Schedule 9.

- The City of South Bend owns and operates several wet wells that are associated with the city's water and sewer system. These wells will never be decommissioned as long as the city continues to operate their water and sewer systems.

The city reports all financial activity for all accounts, including those investment accounts that were excluded in 2019 and 2020, every month.

**City of South Bend
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PWTF Loan	7/1/2021	57,507	-	57,507	-
263.84	DOE Loan	1/1/2024	201,968	-	50,493	151,475
263.88	Martin Creek Dam	7/1/2027	147,366	-	21,053	126,313
263.84	Reservoir Tanks	6/1/2027	809,999	-	115,714	694,285
263.84	WWTP Improvements (Old)	3/31/2028	212,864	-	27,018	185,846
263.88	Regional WWTP	7/1/2028	421,807	-	53,363	368,444
263.84	RWWTP Design	1/1/2031	638,909	-	57,999	580,910
263.82	RWWTP Construction	12/1/2052	2,626,075	-	61,028	2,565,047
263.82	RWWTP Construction	12/1/2052	2,778,207	-	58,411	2,719,796
263.92	The Bank of the Pacific-Interim Financing (USDA RD Funded)	6/1/2059	800,264	1,048,067	-	1,848,331
263.84	Central Ave Completion Project	6/1/2038	281,478	-	20,265	261,213
264.30	Net Pension Liability		211,125	48,654	-	259,779
264.40	OPEB		428,699	10,395	-	439,094
259.12	Compensated Absences		1,200,303	186,042	5,093	1,381,252
Total Revenue and Other (non G.O.) Debt/Liabilities:			10,816,571	1,293,158	527,944	11,581,785
Total Liabilities:			10,816,571	1,293,158	527,944	11,581,785

City of South Bend
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760	Drinking Water	-	1,048,067	-	1, 2, 4
CDBG - Entitlement Grants Cluster							
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Dept of Commerce)	Community Development Block Grants/Entitlement Grants	14.218	19-22210-041	671,390	-	-	1, 2, 4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Dept of Commerce)	Community Development Block Grants/Entitlement Grants	14.218	18-62210-035	322,810	-	-	1, 2, 4
Total CDBG - Entitlement Grants Cluster:				994,200	-	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Dept of Justice)	Violence Against Women Formula Grants	16.588	Stop Grant	1,900	-	1,900	1, 2,
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	Coronavirus Relief Fund	21.019	WA1195	-	237,229	-	10
Total Federal Awards Expended:				996,100	1,285,296	1,900	

The accompanying notes are an integral part of this schedule.

City of South Bend

NOTES TO THE FEDERAL SCHEDULE OF FINANCIAL ASSISTANCE (Schedule 16)

January 1, 2021 through December 31, 2021

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of South Bend's financial statements. The city uses the cash basis of accounting.

NOTE 2 - FEDERAL DE MINIMIS INDIRECT COST RATE

The City of South Bend has elected not use the 10-percent de minimis cost rate allowed under the Uniform Guidance

NOTE 3 - 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 of South Bend's portion, are more than shown.

NOTE 4 - FEDERAL LOANS

The City of South Bend is in partnership (Interlocal Agreement) with the City of Raymond in the operation of a Regional Wastewater Treatment Plant. The City of Raymond was the lead city and all funding packages were administered through Raymond. The majority of the cost of the project (\$36,123,319) was funded by USDA Rural Development. The funding package was as follows: \$17,614,000 Loan and \$10,983,000 Grant. The project went out for bid in 2010. The groundbreaking was March 26, 2011. The plant went on-line in February 2014.

In 2019 the City of South Bend began a project upgrading our Water Treatment Plant. The project cost is \$3,000,000 and it is being funded by USDA RD. The project required interim financing which is being provided by the Bank of the Pacific. The account was activated on March 13, 2019 and as of December 31, 2021 has expended \$1,793,636 on the project. As of December 31, 2021, the city has paid \$57,883.21 in interest directly to the Bank of the Pacific on a monthly basis. This includes a \$5,000.00 bond renewal fee due to project delays. This project is expected to be complete by June 2022. This project has been delayed due to the inability to obtain parts and supplies for the project.

NOTE 5 – COVID-19

The Coronavirus State and local Fiscal Recovery Funds (SLFRF) program, a part of the American Rescue Plan delivered \$350 billion to state, local and Tribal governments across the country in 2021 to support their response to and recovery from the COVID-19 public health emergency.

The City of South Bend received \$237,229 in SLFRF Funds in 2021. Much of the funding was used for several infrastructure projects, including water meter replacements, which was a much needed. It also included revenue replacement for wages spent on COVID-19 compliance work that the city was required to do.

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.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov