



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Toppenish

For the period January 1, 2022 through December 31, 2022

Published September 5, 2023

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

September 5, 2023

Mayor and City Council
City of Toppenish
Toppenish, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Toppenish'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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Toppenish January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Toppenish 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 no 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
21.027	Coronavirus State and Local Fiscal Recovery Funds

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.

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 Toppenish January 1, 2022 through December 31, 2022

Mayor and City Council
City of Toppenish
Toppenish, 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 Toppenish, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 29, 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

August 29, 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 Toppenish
January 1, 2022 through December 31, 2022

Mayor and City Council
City of Toppenish
Toppenish, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Toppenish, 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, 2022. 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, 2022.

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, reading "Pat McCarthy". The signature is written in a cursive, flowing style with a large initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

August 29, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Toppenish **January 1, 2022 through December 31, 2022**

Mayor and City Council
City of Toppenish
Toppenish, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Toppenish, as of and for the year ended December 31, 2022, 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 Toppenish, and its changes in cash and investments, for the year ended December 31, 2022, 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 Toppenish, as of December 31, 2022, 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 August 29, 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

August 29, 2023

FINANCIAL SECTION

City of Toppenish January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022
Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

City of Toppenish
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	15,816,015	7,084,857	12,538
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	5,932,947	5,646,356	-
320	Licenses and Permits	173,726	148,423	3,305
330	Intergovernmental Revenues	4,660,546	738,000	178,245
340	Charges for Goods and Services	7,561,538	153,589	2,298
350	Fines and Penalties	51,733	47,901	-
360	Miscellaneous Revenues	361,132	39,993	7,779
Total Revenues:		18,741,622	6,774,262	191,627
Expenditures				
510	General Government	1,248,333	1,248,333	-
520	Public Safety	3,945,261	3,942,561	-
530	Utilities	5,126,347	-	-
540	Transportation	335,615	-	335,615
550	Natural/Economic Environment	322,214	126,393	-
560	Social Services	9,210	9,210	-
570	Culture and Recreation	404,651	404,651	-
Total Expenditures:		11,391,631	5,731,148	335,615
Excess (Deficiency) Revenues over Expenditures:		7,349,991	1,043,114	(143,988)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	5,986,958	-	-
397	Transfers-In	1,461,926	-	148,800
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	192,334	119,826	-
Total Other Increases in Fund Resources:		7,641,218	119,826	148,800
Other Decreases in Fund Resources				
594-595	Capital Expenditures	8,520,953	1,410,083	-
591-593, 599	Debt Service	3,002,550	-	-
597	Transfers-Out	1,461,926	431,800	10,000
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	48,135	44,535	-
Total Other Decreases in Fund Resources:		13,033,564	1,886,418	10,000
Increase (Decrease) in Cash and Investments:		1,957,645	(723,478)	(5,188)
Ending Cash and Investments				
50821	Nonspendable	355,911	-	-
50831	Restricted	5,182,776	1,538,208	4,522
50841	Committed	274,990	-	-
50851	Assigned	7,136,820	-	2,828
50891	Unassigned	4,823,177	4,823,177	-
Total Ending Cash and Investments		17,773,674	6,361,385	7,350

The accompanying notes are an integral part of this statement.

103 Vehicle License Fee Fund	106 Tourism Development Fund	108 Cemetery Fund	119 Public Safety Grants Fund	Investigative Drug Account Fund	157 Cable TV Fund
217,201	57,055	494	665,889	35,333	337,914
-	-	-	-	-	-
155,727	17,340	-	-	-	55,112
-	21,998	-	-	-	-
-	-	-	-	-	-
-	-	111,643	-	-	43,504
-	-	-	-	3,832	-
-	-	5,000	169,556	2,968	3,658
<u>155,727</u>	<u>39,338</u>	<u>116,643</u>	<u>169,556</u>	<u>6,800</u>	<u>102,274</u>
-	-	-	-	-	-
-	-	-	-	2,700	-
-	-	179,691	-	-	-
-	-	-	-	-	-
-	3,396	-	-	-	160,702
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>3,396</u>	<u>179,691</u>	<u>-</u>	<u>2,700</u>	<u>160,702</u>
<u>155,727</u>	<u>35,942</u>	<u>(63,048)</u>	<u>169,556</u>	<u>4,100</u>	<u>(58,428)</u>
-	-	-	-	-	-
-	-	80,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	30,000	-	4,496
-	-	-	-	-	-
160,000	-	4,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>160,000</u>	<u>-</u>	<u>4,000</u>	<u>30,000</u>	<u>-</u>	<u>4,496</u>
(4,273)	35,942	12,952	139,556	4,100	(62,924)
-	-	-	-	-	-
212,928	34,294	-	805,444	39,433	-
-	-	-	-	-	274,990
-	58,703	13,448	-	-	-
-	-	-	-	-	-
<u>212,928</u>	<u>92,997</u>	<u>13,448</u>	<u>805,444</u>	<u>39,433</u>	<u>274,990</u>

The accompanying notes are an integral part of this statement.

170 Housing Rehabilitation Fund	Economic Development Loan Fun	Capital Improvement Fund	302 Street Capital Fund	401 Water Fund	403 Wastewater Fund
531,977	5,537	812,334	195,285	1,849,771	1,710,293
-	-	-	-	-	-
-	-	58,412	-	-	-
-	-	-	-	-	-
-	-	-	66,383	1,073,740	2,447,210
-	-	-	-	2,627,890	3,366,317
-	-	-	-	-	-
5,375	-	8,138	-	61,899	20,434
5,375	-	66,550	66,383	3,763,529	5,833,961
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,799,887	2,004,832
-	-	-	-	-	-
31,723	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,723	-	-	-	1,799,887	2,004,832
(26,348)	-	66,550	66,383	1,963,642	3,829,129
-	-	-	-	-	5,986,958
-	-	-	50,000	-	-
-	-	-	-	-	-
57,874	-	-	-	14,634	-
57,874	-	-	50,000	14,634	5,986,958
-	-	-	25,545	828,234	6,131,571
-	-	-	-	562,864	2,439,686
-	-	-	-	40,000	776,126
-	-	-	-	-	-
-	-	-	-	3,600	-
-	-	-	25,545	1,434,698	9,347,383
31,526	-	66,550	90,838	543,578	468,704
-	-	-	-	-	-
546,933	-	878,884	51,813	-	1,070,317
-	-	-	-	-	-
16,570	5,537	-	234,311	2,393,349	1,108,683
-	-	-	-	-	-
563,503	5,537	878,884	286,124	2,393,349	2,179,000

The accompanying notes are an integral part of this statement.

405 Solid Waste Fund	510 Vehicle Replacement Fund	701 Perpetual Care Fund
209,819	1,751,823	337,895
-	-	-
-	-	-
-	-	-
-	156,968	-
1,256,297	-	-
-	-	-
-	18,317	18,015
<u>1,256,297</u>	<u>175,285</u>	<u>18,015</u>
-	-	-
-	-	-
1,141,937	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>1,141,937</u>	<u>-</u>	<u>-</u>
<u>114,360</u>	<u>175,285</u>	<u>18,015</u>
-	-	-
-	1,183,126	-
-	-	-
-	-	-
<u>-</u>	<u>1,183,126</u>	<u>-</u>
16,320	74,704	-
-	-	-
40,000	-	-
-	-	-
-	-	-
<u>56,320</u>	<u>74,704</u>	<u>-</u>
58,040	1,283,707	18,015
-	-	355,911
-	-	-
-	-	-
267,861	3,035,530	-
-	-	-
<u>267,861</u>	<u>3,035,530</u>	<u>355,911</u>

The accompanying notes are an integral part of this statement.

City of Toppenish
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		<u>Custodial</u>
308	Beginning Cash and Investments	4,732
388 & 588	Net Adjustments	-
310-390	Additions	47,709
510-590	Deductions	<u>43,116</u>
	Net Increase (Decrease) in Cash and Investments:	4,593
508	Ending Cash and Investments	9,242

The accompanying notes are an integral part of this statement.

CITY OF TOPPENISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 1 - Summary of Significant Accounting Policies

The City of Toppenish was incorporated on April 29, 1907; 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 police, fire, parks, and recreation, planning and zoning, street maintenance and improvements, cemetery, housing rehabilitation, community development, building, code enforcement, water, sewer, and solid waste.

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

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

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 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 4 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours for the Fraternal Order of Police Officers (FOP), Teamsters representing Records Services, Administrative Services, Development Services, and Public Works, and some exempt staff. Up to 360 hours for the International Association of Firefighters (IAFF), and up to 260 hours for Department Directors. Vacation is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours for all employees except the IAFF members who may accumulate up to 1,440 hours. Upon separation and after completing 10 years of service, or retirement through DRS, employees receive payment of 25% of the unused sick leave, with IAFF members limited to a maximum of 360 hours. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 7 – Long-term Debt (*Formerly Debt Service Requirements*).

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 ordinance. 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:

- 001 General Fund: Restricted funds in the amount of \$1,538,208.13 that includes: \$1,258,340.46 which represents funds received from voter approved utility and sales taxes, grant funding and State Shared Revenues to be used for policing, and \$279,867.67 which represents receipts from loan payments for housing rehabilitation loans made available through a Community Development Block Grant.
- 101 Street Fund: Restricted funds in the amount of \$4,521.52 collected from Motor Vehicle Fuel Tax (State Shared Revenue) for funding the maintenance and operations of the streets within the city limits of Toppenish.
- 103 Vehicle License Fee Fund: Restricted funds in the amount of \$212,928.29 collected from Vehicle License Fees pursuant to RCW 36.73.065 and RCW 82.80.140

for the transportation improvements that preserve, maintain, operate, and/or improve the existing transportation infrastructure of the City.

- 106 Tourism Fund: Restricted funds in the amount of \$34,294.35 collected from Lodging Tax for paying all or any part of the cost of tourism promotion, acquisition of tourism-related facilities, or operation of tourism-related facilities per RCW 67.28.181.
- 119 Public Safety Fund: Restricted funds in the amount of \$805,444.23 which represents two and one-half of four annual installments of a grant to the City for the purchase of a ladder truck that will be used for the Yakama Nation Legends Casino hotel.
- 129 Special Investigative Drug Account (SIDA) Fund: Restricted funds in the amount of \$39,433 which represents funds received from the Investigated Fund Assessment paid by persons convicted of criminal misdemeanors per Ord. 2000-6.
- 157 Mid-Valley Television Fund: Committed funds in the amount of \$274,989.66 which represents franchise fees and utility tax revenues received for the support of the cities of Toppenish, Granger, and Wapato public access channels.
- 170 Housing Rehabilitation Fund: Restricted funds in the amount of \$546,933.35 which represents receipts of loan payments for housing rehabilitation loans made available through a Community Development Block Grant. Loan proceeds can be expended on qualifying purchases that benefit the general population.
- 301 Municipal Capital Improvement Fund: Restricted funds in the amount of \$878,883.67 which represents funds collected from the first quarter real estate excise tax per RCW 82.46.10 and are reserved for financing capital projects specified in the Capital Facilities Plan of the City of Toppenish comprehensive plan.
- 302 Street Capital Fund. Restricted Funds in the amount of \$51,812.72 which represents grant proceeds for the Jackson and Juniper and Sidewalk Improvement projects.
- 403 Sewer Capital Fund. Restricted Funds in the amount of \$1,070,317.44 which represents grant and loan proceeds for the City-wide sewer improvement project.
- 631 Custodial Deposits Fund: Restricted funds in the amount of \$9242.37 which represent court funds that will be remitted to the State office of the Court in 2023.
- 701 Perpetual Care Fund: Un-spendable funds in the amount of \$355,910.56 which represents funds that are reserved for future care of the cemetery and collected through perpetual care fees assessed at time of cemetery plot sales; and interest earned on invested un-spendable income.

Note 2 - Budget Compliance

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

Fund	Department	Final Appropriated	Actual Expenditures	Variance
001	General Fund	\$8,352,277.00	\$5,795,512.14	\$2,556,764.86
002	General Fund Capital Reserve Fund	\$909,495.00	\$206,544.00	\$702,951.00
003	Welcome Center Fund	\$68,676.00	\$6,053.12	\$62,622.88
004	Railroad Depot Facility Fund	\$373,585.00	\$322,286.68	\$51,298.32
006	Public Works Building Fund	\$1,138,985.00	\$753,746.54	\$385,238.46
007	Library Fund	\$85,715.00	\$36,226.63	\$49,488.37
21	Urban Development Action Grant Fund	\$31,926.00	\$0.00	\$31,926.00
030	Criminal Justice Fund	\$1,382,815.00	\$503,826.37	\$878,988.63
050	Special Projects Fund	\$347,630.00	\$31,046.76	\$316,583.24
		\$12,691,104.00	\$7,655,242.24	\$5,035,861.76
101	Street Fund	\$352,319.00	\$345,614.98	\$6,704.02
103	Vehicle License Fee Fund	\$362,234.00	\$160,000.00	\$202,234.00
106	Tourism Development Fund	\$123,197.00	\$3,395.70	\$119,801.30
108	Cemetery Fund	\$183,750.00	\$183,690.78	\$59.22
119	Public Safety Grants Fund	\$835,444.23	\$30,000.00	\$805,444.23
129	Special Investigative Drug Account Fund	\$31,883.00	\$2,700.33	\$29,182.67
157	Cable TV Fund	\$453,440.00	\$165,197.71	\$288,242.29
170	Housing Rehabilitation Fund	\$272,451.00	\$31,722.81	\$240,728.19
225	Community Economic Dev. Loan Fund	\$5,537.00	\$0.00	\$5,537.00
301	Municipal Capital Improvement Fund	\$846,004.00	\$0.00	\$846,004.00
302	Street Capital Fund	\$373,945.00	\$25,545.07	\$348,399.93
401	Water Fund	\$3,871,926.00	\$2,604,613.45	\$1,267,312.55
402	Utility Deposit Fund	\$3,600.00	\$3,600.00	\$0.00
403	Wastewater Fund	\$4,683,640.09	\$3,721,385.62	\$962,254.47
405	Solid Waste Fund	\$1,358,219.00	\$1,198,254.90	\$159,964.10
410	Water Capital Fund	\$1,588,092.00	\$828,234.12	\$759,857.88
413	Wastewater Capital Fund	\$9,289,802.81	\$8,168,662.19	\$1,121,140.62
427	DOE Centennial Sewer Loan Reserve Fund	\$192,483.00	\$192,482.66	\$0.34
510	Vehicle Replacement Fund	\$3,149,822.33	\$74,704.31	\$3,075,118.02
611	Pension Trust Fund	\$11,731.00	\$0.00	\$11,731.00
631	Custodial Deposits	\$105,000.00	\$43,116.51	\$61,883.49
701	Perpetual Care Fund	\$354,386.00	\$0.00	\$354,386.00
	Grand Totals	\$41,140,010.46	\$25,438,163.38	\$15,701,847.08

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

Note 4 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type on December 31, 2022, are as follows:

Type of Deposit or Investment	City's Own Deposits & Investments	Total
Bank Deposits	\$ 12,078,795.70	\$ 12,078,795.70
Local Government Investment Pool	\$ 3,429,011.84	\$ 3,429,011.84
U.S. Bank Safekeeping	\$ 2,143,079.00	\$ 2,143,079.00
Smith Barney/Morgan Stanley	\$ 132,014.17	\$ 132,014.17
Total Investments	\$ 17,782,900.71	\$ 17,782,900.71

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.

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 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 5 – Component Unit(s), Joint Ventures, and Related Parties

The Cities of Toppenish, Wapato, and Granger, Washington, have adopted a Cable Television (CATV) franchise ordinance within their respective jurisdictions. The CATV ordinance provides for the payment of franchise fees to each city and town being a party to the Interlocal Agreement for Administration of Finances for the Cable TV Franchises in an amount equal to 5% of the cable television company's gross revenues from all sources attributable to the operations of the cable

television company within the confines of each respective jurisdiction. As an additional source of revenue, each City and Town pays an amount equal to the amount collected as public utility taxes. The fees are used to administer the franchise as well as to further the development of public and community uses of cable television within each of the respective jurisdictions. In order to provide for a cooperative and efficient administration of the franchise among the various jurisdictions, the parties have agreed that the City of Toppenish shall provide financial management services to the Cable Regulation Board and administer the budget. The cities pay the fees to the Cable Television Fund of the City of Toppenish out of which are paid costs, debts, and expenses incurred in the administration of the franchise and local access as approved by the Cable Regulation Board.

Note 6 - Leases

During the year ended December 31, 2022, the City of Toppenish adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The City adopted a Lease Policy allowing the Administrative Services Director the authority to exercise judgment on the materiality of lease liabilities to the financial statements. The lease liability materiality threshold is 10% of total noncurrent liabilities at the fund type level. The dollar amount of the threshold for lease liabilities shall be revaluated each year, as any changes in debt or other payable may affect the materiality of lease liabilities. The capitalization threshold for lease assets will be equal to the threshold for capital assets.

The City of Toppenish leases a building from Mobile Modular for \$12,931.70 per month under a two year lease agreement. The lease began in 2022 and will end 2024 and does not include options to cancel/purchase/etc.

Year Ending December 31	Ending Balance
2022	\$516,085
2023	\$360,905
2024	\$0.00

Note 7 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities (9) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for the year ended December 31, 2022.

Additional Payment

The DOE/Penny Lane LS & Sewers #EL170039 loan balance differs from the expected ending balance based on the amortization schedule, because the January 1, 2023 payment was made in December of 2022.

Interim Financing

The City began drawing on its interim financing in 2022. (See Note 4, Notes to the Schedule of Expenditures of Federal Awards for further information.)

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

Year	Principal	Interest	Total
2023	1,070,830	175,417	1,246,247
2024	1,202,520	169,352	1,371,873
2025	1,199,280	170,868	1,370,147
2026	1,160,631	161,093	1,321,723
2027	1,163,829	151,454	1,315,283
2028-2032	4,434,377	621,687	5,056,064
2033-2037	2,234,119	745,465	2,979,584
TOTAL	12,465,585	2,195,336	14,660,921

Note 8 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Toppenish as required by RCW 45.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2022, the plan had six retired members. The City has an Actuarial Valuation Report is prepared annually. The OPEB liability as of December 31, 2022, is \$1,584,669. In 2021, the City paid \$63,764.82 in retiree benefits.

Note 9 – Pension Plans

A. State Sponsored Pension Plans

All City 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:

- Public Employees' Retirement System (PERS)
- Law Enforcement Officers' and Fire Fighters' Retirement System (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 98540-8380

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

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

On June 30, 2021, (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$73,055	.011920%	\$331,897
PERS 2/3	\$106,235	.013227%	(\$490,560)
LEOFF 1	\$0.00	.013440%	(\$385,542)
LEOFF 2	\$83,171	.040174%	(\$1,091,808)
VFFRPF	\$150	.08%	\$16,968.69

*PERS 1 includes UAAL

LEOFF Plan 1

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

LEOFF Plan 2

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

B. Local Government Pension Plans

The City of Toppenish is the administrator of the Firefighter's Relief and Pension Plan – 1995 Act., a closed, single-employer, defined benefit pension plan established under RCW 41.18. As of

December 31, 2022, membership consisted of one retired firefighter and two widows who are eligible for benefits from both the Firefighter's Relief and Pension Plan and LEOFF 1.

The net Pension Liability as of December 31, 2022, is \$0.00 as reported on the Schedule 9 (Liabilities). This is the result of monthly amount the retirees (one retired firefighter and two widows) receive from their respective LEOFF I retirement exceeding the amount the retiree would have received from the Firefighter's Relief and Pension Plan. If the amount of the Firefighter's Pension were to exceed the amount of the LEOFF I retirement, the City would pay the difference.

In 2022, the City did not pay any pension.

Note 10 - 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 2022 was \$2.23151171 per \$1,000 on an assessed valuation of \$399,638,602 for a total regular levy of \$891.798.22.

Note 11 – Risk Management

The City of Toppenish 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 166 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 [1]. Coverage includes general, automobile, police, errors, or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution

liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown 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 12 – Health & Welfare

The City of Toppenish 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, 2022, 262 cities/towns/non-city entities participate and have enrollment 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, Willamette Dental Group, 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 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. 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 13 – Other Disclosures

A. Construction Commitment

The City has active construction projects as of December 31, 2022. The projects include:

Project	Spent to Date	Remaining Commitment
Jackson Street Extension: Design Funding: STPUS-6423(001)	\$96,403.85	\$77,994.15
Train Depot Roof Rehabilitation: Design Construction Funding: TAP-9939(030)	\$56,100 \$313,044.93	\$0 \$40,807.07
Water Meter Replacement Project Funding: ARPA Funds	\$787,134.89	\$312,865.11
City-Wide Sewer Improvements Construction Funding: <ul style="list-style-type: none"> • Department of Ecology Centennial Grant • State Revolving Fund Loan • Forgivable-Principal State Revolving Fund Loan • USDA Loan/Interim Financing • USDA Grant • ARPA Funds 	\$2,299,228 \$3,760,522 \$310,750 \$4,263,000 \$2,447,210 \$206,464	\$0 \$0 \$0 \$0 \$8,338,500 \$0
Jackson/Juniper Streets Reconstruction. TIB-8-4-178(006)-1	\$18,133	\$1,368,227

B. Projects in Design and/or Awaiting Funding:

1. Jackson Street Extension Project: The Federal Highway Administration (FHWA) awarded the City Surface Transportation Program (STP) grant funds for design of the project in 2012. The funds are 86.5% grant and 13.5% City match. The project includes reconstructing Jackson St. from Juniper St. to the end of the existing roadway and extending Jackson St. from the end of the existing road to Ward Road. The Local Agency Agreement and Local Agency Consultant Agreement Supplements for the additional Highway Infrastructure Program (HIP) funding have been approved by Washington State Department of Transportation (WSDOT) and the Certifying Agency (CA) respectively. This City is in the process of evaluating Right-of-Way (ROW) acquisition required for the new roadway.

The City Council authorized submission of the right-of-way (ROW) phase funding obligation documents November 2021. The funding obligation documents were finalized by WSDOT in January 2022. Through an interlocal agreement, the City is in preliminary discussions with Yakima County ROW department to provide ROW assistance beginning November 2022. Based on the current funding schedule administered by the Yakima Conference of Governments, STP construction funding (\$1,514,000) is anticipated to be available to the City in 2024. Expenditures for this project are shown on Schedule 16, identified as STPUS 6423(001).

2. Jackson Street and Juniper Street Reconstruction: The City received an award from the Transportation Improvement Board (TIB) in support of roadway reconstruction for portions of Jackson Street and Juniper Streets. The roadway will continue the future Jackson Street Extension project. The Fuel Tax Agreement was executed and returned to TIB in February 2022. The roadway improvements require watermain replacement, which is not eligible for funding through TIB, the City applied for a grant from the Yakima County ARPA grant program for funding of the water main replacement. Expenditures for this project will be shown on the 2022 Schedule 15, identified as TIB 8-4-178(006)-1.

C. Construction in Progress

1. City-Wide Sewer Improvements Project: The City of Toppenish owns and operates a wastewater collection system currently serving approximately 822 acres and a wastewater treatment facility which treats approximately 1.2 million gallons per day (MGD). The City's gravity sewer lines were mostly constructed in two periods: prior to 1920, and prior to 1952.

The City's collection system currently allows excessive infiltration, which has a negative impact on the WWTF's ability to treat wastewater. As a result of the excessive I/I, the City's WWTF is operating over its rated capacity and outside of the regulatory standards for treatment. The presence of infiltration also suggests that exfiltration of wastewater when groundwater levels decline is likely.

The project will replace and rehabilitate the City's collection system. The collection system will be evaluated, and the sections of piping determined to be deficient will be replaced with new piping or rehabilitated through both open cut trenching and trenchless methods. The lift stations will be replaced or improved as described in the City's General Sewer Plan. The proposed improvements will greatly reduce the City's I/I issue, which will promote better treatment at the WWTF. Reducing the I/I will likely bring the City's WWTF into compliance with its permit and rated capacity. Replacement of the deteriorated piping will also reduce the likelihood of exfiltration of wastewater into the ground, helping to preserve the area's groundwater quality. The improvements will help to protect the environment and will eliminate several identified problems within the City's collection system. The project has been divided into three major phases of work (II, III, & IV). Phase IV began work January 2020 with project completion August 2021. Phase III began work September 2021 with project completion anticipated August 2022. Phase II Design began July 2022 and is it anticipated to be complete July 2023.

The City has been awarded funding from the Department of Ecology for a Centennial Grant, a State Revolving Fund Loan and a Forgivable-Principal State Revolving Fund Loan and a USDA Loan and Grant. A requirement from USDA RD was funding of \$1.4M of the project by the City. The City utilized \$206,464 of its awarded ARPA towards the City's portion of this project. The ability to utilize ARPA funding in lieu of funding through user rates had a positive financial impact on the City's financially disadvantaged community. Expenditures for this project are shown on Schedule 15, identified as WQC-2019-Toppen-00182, Schedule 16, identified as WA1310, and the Loan will appear on the City's Annual Schedule 9 (Liabilities).

2. Water meter replacement project: The City's automatic meter reading (AMR) water meter reading system began to fail in 2020. The radio transmitters were no longer able to transmit the data through the radio signals. This resulted in the data from the water meters not being transmitted to the utility billing software. The City began replacing water meters on an as needed basis. In 2021, the number of failing meters increased significantly, at a cost and pace the City could not sustain.

In order to generate utility bills, City staff began manually reading 65% (1,500) of the City's approximately 2,300 water meters each month. Manual reading requires that staff read each water meter, hand record the data, and transfer the data into the software. Prior to the ARPA award, the City was in the process of applying for a LOCAL Loan through the Washington State Treasurer. The ability to utilize \$1.1M of ARPA funding in lieu of funding through user rates, had a positive financial impact on the City's financially disadvantaged community. Expenditures for this project are shown on Schedule 16, identified as WA1310.

D. Completed Construction Projects:

1. Train Depot Rehabilitation: The City was awarded a federal-indirect grant funding from the Yakima Valley County Conference of Governments, via the Federal FAST Act, Surface Transportation Block Grant Set-Aside funding program in the amount of \$355,000.00. The project entails removal and replacement of the roof to preserve and rehabilitate the historic train depot. Although the project was bid and awarded in August 2021, due to the national supply-chain interruptions construction was delayed until April 2022. Continued supply-chain interruptions and weather have further delayed resulting in the anticipated completion date for this 35-day project being July 2022. Expenditures for this project are shown on Schedule 16, identified as 20014.

E. Litigation or Potential Litigation:

1. The City has three open liability claims:

- Elizabeth Marquez v. City of Toppenish – water main break; property damage.
- Christine Pace v. City of Toppenish – public safety negligent investigation; monetary loss.
- Sylvia and Rojellio Valdez v. City of Toppenish – water main break; property damage.

F. Other items of interest

The City experienced turnover in several key positions including senior management. Due to appointments, retirements, and resignations. The personnel changes are as follows:

- City Manager retired March 2022
- Administrative Services Director appointed interim city manager March 2022
- Administrative Services Director appointed City manager June 2022
- Public Works Director and Building Official/Zoning Administrator positions combined and reclassified Assistant City Manager. Position hired July 2022
- Accounting Manager resigned September 2022
- New Accounting Manager hired October 2022
- Accounting Manager resigned April 2023
- New Administrative Services Director hired October 2022
- New Accounting Manager hired May 22, 2023

City of Toppenish
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.87	PWTF #5-PW-02-691-058-Grav Pipe Replacement-II	6/1/2022	70,522	-	70,522	-
263.87	PWTF #7-PW-05-694-PRE-138-WWTP Upgrade	7/1/2025	164,186	-	41,047	123,139
263.83	DOE/SRF: WWTP Upgrade # L0800015	10/30/2030	4,022,507	-	446,945	3,575,562
263.83	DOE/Sewer Plan & Camera/Van #EL150107	8/1/2037	65,568	-	3,454	62,114
263.83	DOE/Penny Lane LS & Sewers #EL170039	6/30/2037	790,874	-	53,556	737,318
263.83	DOE/CWSRF #EL190340 Citywide Sewer Rehab	7/1/2042	3,760,521	-	-	3,760,521
263.81	USDA Loan	6/8/1932	-	4,263,000	39,174	4,223,826
263.83	DWSRF #03-65103-051-Telemetry System Impr	10/1/2024	21,299	-	7,100	14,199
263.83	DWSRF #DM07-952-031-Well No. 9	10/1/2028	945,956	-	135,136	810,820
263.83	DWSRF #DM12-952-104-2013 Water System Impr	10/1/2033	712,951	-	59,413	653,538
263.83	DWSRF #DM12-952-105-1.7 MG Reservoir	10/1/2034	2,286,785	-	175,907	2,110,878
263.83	DWSRF #DM13-952-151-2014 Water System Impr	10/1/2036	656,135	-	43,742	612,393
263.83	DWSRF #DWL23489-Well No. 5	10/1/2049	1,386,734	-	81,573	1,305,161
263.56	Building	10/21/2024	-	554,880	38,795	516,085
263.61	USDA BAN Loan Interim Financing	12/31/2022	-	1,723,958	1,723,958	-
Total General Obligation Debt/Liabilities:			14,884,038	6,541,838	2,920,322	18,505,554
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension Liability	12/31/2022	147,696	-	-	147,696
264.30	Pension Liability Pre LEOFF Firefighters	12/31/2022	-	-	-	-
264.40	Other Post Employment Benefits	12/31/2022	1,584,669	-	508,594	1,076,075
259.12	Compensated Absences	12/31/2022	367,696	51,413	95,829	323,280
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,100,061	51,413	604,423	1,547,051
Total Liabilities:			16,984,099	6,593,251	3,524,745	20,052,605

City of Toppenish
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipient s	Note
				From Pass- Through Awards	From Direct Awards	Total		
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF (via Rural Utilities Service)	Water and Waste Disposal Systems for Rural Communities	10.760	LN02 GN03	3,445,873	-	3,445,873	-	1,2,3
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760		-	4,223,826	4,223,826	-	1,2,3
Total ALN 10.760:				3,445,873	4,223,826	7,669,699	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via STBG)	Highway Planning and Construction	20.205	20014	309,098	-	309,098	-	1,2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State DOT)	Highway Planning and Construction	20.205	STPUS(001)	4,508	-	4,508	-	1,2,4
Total Highway Planning and Construction Cluster:				313,606	-	313,606	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via OFM)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	WA1310	783,367	-	783,367	-	1,2
Total Federal Awards Expended:				4,542,846	4,223,826	8,766,672	-	

City of Toppenish

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

Note 1 – Basis of Accounting

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

Note 2 – Federal 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 received an award of a USDA/RD Loan in the amount of \$4,263,000.00, for the Citywide Sewer Rehabilitation Program. As a condition of the USDA/RD Loan, the city secured interim financing through Cashmere Valley Bank. Expenditures shown on the 2022 Schedule 16 include 2022 expenditures of \$3,445,873.49 in grant proceeds and the cumulative 2021 and 2022 expenditures of \$4,223,823 2021 in loan proceeds. Expenditures for this project are shown on Schedule 16, identified as Water and Waste Disposal Systems for Rural Communities CFDA 10.760, and the Loan will appear on the City's Annual Schedule 9 (Liabilities).

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following 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.

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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.

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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.

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