



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Grandview

For the period January 1, 2023 through December 31, 2023

Published September 19, 2024

Report No. 1035547



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

September 19, 2024

Council
City of Grandview
Grandview, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Grandview'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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Grandview January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Grandview 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 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> |
|------------|--|
| 20.205 | Highway Planning and Construction |
| 21.027 | COVID-19 – 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

See Finding 2023-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Grandview January 1, 2023 through December 31, 2023

2023-001 The City’s internal controls were inadequate for ensuring compliance with federal requirements for procurement and suspension and debarment.

| | |
|---|--|
| Assistance Listing Number and Title: | 21.027, COVID – 19 – Coronavirus State and Local Fiscal Recovery Funds |
| Federal Grantor Name: | U.S. Department of the Treasury |
| Federal Award/Contract Number: | N/A |
| Pass-through Entity Name: | Yakima County |
| Pass-through Award/Contract Number: | ARPA-1012 |
| Known Questioned Cost Amount: | \$0 |
| Prior Year Audit Finding: | N/A |

Background

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic’s negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected and make necessary investments in water, sewer or broadband infrastructure. In 2023, the City spent \$1,029,238 in program funds for government services and investments in infrastructure from its direct award. The City also spent \$61,560 from an award passed through from Yakima County to purchase a camera system.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Procurement

Federal regulations require recipients to follow their own documented procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR § 200.318-327. When using federal funds to procure goods and services, governments must apply the most restrictive federal requirements, state law or local policies by obtaining quotes or following a competitive procurement process, depending on the estimated cost of the procurement activity.

Suspension and Debarment

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors are not suspended, debarred or otherwise excluded. The City may verify this by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The City must verify this before entering into the contract or purchasing goods and services, and it must maintain documentation demonstrating compliance with this federal requirement.

Description of Condition

Procurement

Although the City has an established written procurement policy that includes procurement thresholds, it does not include all required methods and procedures to follow when procuring architectural and engineering services. Additionally, the City's policy does not include other required procedures for procuring transactions, such as contracting with small and minority business owners, women's business enterprise and labor surplus area firms, domestic preferences, recovered materials, contract cost or price analysis and more.

Our audit found the City did not have adequate controls to ensure it complied with procurement requirements. Specifically, the City did not follow the most restrictive requirements when using federal funds to procure an architect and engineer, public works project and equipment. The City:

- Used its on-call engineer for two public works projects totaling \$436,017, rather than advertising for each proposal
- Received quotes from multiple subcontractors instead of formally procuring the police facility upgrade public works project, totaling \$131,153, as one project
- Did not formally procure the purchase of playground equipment totaling \$101,122 and camera system upgrade totaling \$61,560

Suspension and Debarment

Our audit found the City did not have adequate controls to verify that three of five contractors it paid more than \$25,000 in federal funds were not suspended or debarred from participating in federal programs.

We consider these deficiencies in internal controls to be material weaknesses, which lead to material noncompliance.

Cause of Condition

Procurement

The City had turnover in the departments responsible for procuring goods and services and updating procurement policies, and the City does not regularly receive federal audits. Although the City established a procurement policy, staff were unaware of all elements from Uniform Guidance that they should include in the policy. Without clear and complete procedures, staff misunderstood the requirements when procuring architectural and engineering services, public works, and equipment and did not follow the most restrictive requirements.

Additionally, City staff were unaware that they needed to procure the camera system and believed the pass-through agency required them to use a certain contractor for the purchase.

Suspension and Debarment

City staff were unaware they needed to check for suspension and debarment for contractors used for the purchase of goods and services and believed they only had to check for those contractors performing public works projects.

Effect of Condition

Procurement

Without effective internal controls, the City cannot ensure it allowed for full and open competition, selected the most qualified contractors and received the best price for purchases. Additionally, the City cannot ensure it complied with federal procurement requirements.

Suspension and debarment

The City did not obtain written certifications from the contractors, insert a clause into the contracts or check for exclusion records at SAM.gov to verify that three contractors it paid \$203,379 using federal funds were not suspended or debarred before contracting. Without adequate internal controls, the City cannot ensure the contractors it paid with federal funds were eligible to participate in federal programs. Any program funds the City used to pay contractors that were suspended or debarred would be unallowable, and the awarding agency could potentially recover them. Because we subsequently verified the contractors were not suspended or debarred, we are not questioning costs.

Recommendation

We recommend the City:

- Update its procurement policies to conform with federal procurement requirements
- Establish internal controls over its procurement of architectural and engineering services, public works contracts and purchases to ensure compliance with federal requirements
- Strengthen internal controls to ensure all contractors it pays \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs before contracting with or purchasing from them

City's Response

Procurement

The City of Grandview will update our procurement policies to comply with federal procurement requirements. The procurement policy update will include other required procedures for procuring transactions, such as contracting with small and minority business owners, women's business enterprise and labor surplus area firms, domestic preferences, recovered materials, contract cost or price analysis and more. Going forward, the City will establish internal administrative controls to ensure that city staff receive the proper training and are aware of all procurement policies and guidelines.

Suspension and Debarment

The City of Grandview will establish internal controls on contract proposals exceeding \$25,000, must be reviewed to ensure that contractors are not suspended or debarred. The City will verify this by adding a clause or condition into the contract that states the contractor is not suspended or debarred. The City will verify this before entering into a contract or purchasing goods and services, and it will maintain documentation demonstrating compliance with federal requirements.

Auditor's Remarks

We thank the City for its cooperation and assistance during the audit and acknowledge its commitment to improving the condition described. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures and requirements for maintaining records sufficient to detail the history of procurement.

Title 2 CFR Part 200, Uniform Guidance, section 320, Methods of procurement to be followed, establishes requirements for procuring with Federal funds by non-federal entities.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

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 Grandview January 1, 2023 through December 31, 2023

City Council
City of Grandview
Grandview, 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 Grandview, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 12, 2024.

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

September 12, 2024

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 Grandview January 1, 2023 through December 31, 2023

City Council
City of Grandview
Grandview, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Grandview, 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, 2023. 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, 2023.

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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-001 that we consider to be a material weakness.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Pat McCarthy, State Auditor

Olympia, WA

September 12, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Grandview January 1, 2023 through December 31, 2023

Council
City of Grandview
Grandview, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Grandview, as of and for the year ended December 31, 2023, 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 Grandview, and its changes in cash and investments, for the year ended December 31, 2023, 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 Grandview, as of December 31, 2023, 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 September 12, 2024 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 that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

September 12, 2024

**City of Grandview
January 1, 2023 through December 31, 2023**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023
Notes to Financial Statements – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023
Schedule of Expenditures of Federal Awards – 2023
Notes to the Schedule of Expenditures of Federal Awards – 2023

City of Grandview
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | Total for All Funds (Memo Only) | 001 Current Expense Fund | 106 Yakima Cnty Law & Justice Tax | 110 Street Fund |
|---|--------------------------------|--|-------------------------------------|--|------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 24,287,735 | 3,159,913 | 382,477 | 419,297 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 7,104,494 | 5,583,636 | 410,841 | 382,717 |
| 320 | Licenses and Permits | 416,461 | 416,461 | - | - |
| 330 | Intergovernmental Revenues | 4,091,020 | 418,833 | - | 3,008,344 |
| 340 | Charges for Goods and Services | 10,672,442 | 189,680 | - | - |
| 350 | Fines and Penalties | 79,299 | 79,299 | - | - |
| 360 | Miscellaneous Revenues | 1,313,965 | 228,555 | 11,130 | 12,548 |
| Total Revenues: | | <u>23,677,681</u> | <u>6,916,464</u> | <u>421,971</u> | <u>3,403,609</u> |
| Expenditures | | | | | |
| 510 | General Government | 1,175,497 | 1,175,497 | - | - |
| 520 | Public Safety | 5,152,907 | 4,474,577 | 406,373 | - |
| 530 | Utilities | 7,710,146 | - | - | - |
| 540 | Transportation | 1,151,304 | - | - | 567,813 |
| 550 | Natural/Economic Environment | 324,574 | 324,574 | - | - |
| 560 | Social Services | 25,984 | 25,984 | - | - |
| 570 | Culture and Recreation | 974,270 | 974,270 | - | - |
| Total Expenditures: | | <u>16,514,682</u> | <u>6,974,902</u> | <u>406,373</u> | <u>567,813</u> |
| Excess (Deficiency) Revenues over Expenditures: | | 7,162,999 | (58,438) | 15,598 | 2,835,796 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | 3,450,067 | - | - | - |
| 397 | Transfers-In | 804,007 | - | - | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 4,000 | 2,650 | - | - |
| Total Other Increases in Fund Resources: | | <u>4,258,074</u> | <u>2,650</u> | <u>-</u> | <u>-</u> |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 7,251,301 | 466,664 | 75,931 | 2,866,730 |
| 591-593, 599 | Debt Service | 1,039,456 | 91,649 | - | - |
| 597 | Transfers-Out | 804,007 | 764,000 | - | 23,300 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | 3,300 | 2,700 | - | - |
| Total Other Decreases in Fund Resources: | | <u>9,098,064</u> | <u>1,325,013</u> | <u>75,931</u> | <u>2,890,030</u> |
| Increase (Decrease) in Cash and Investments: | | <u>2,323,009</u> | <u>(1,380,801)</u> | <u>(60,333)</u> | <u>(54,234)</u> |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | 390,842 | - | - | - |
| 50831 | Restricted | 5,536,623 | 904,979 | 322,143 | 55,000 |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 19,819,147 | 10,000 | - | 310,064 |
| 50891 | Unassigned | 864,139 | 864,139 | - | - |
| Total Ending Cash and Investments | | <u>26,610,751</u> | <u>1,779,118</u> | <u>322,143</u> | <u>365,064</u> |

The accompanying notes are an integral part of this statement.

City of Grandview
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | 115 Transportation Benefit District | 130 Cemetery Fund | 210 SIED Loan - Euclid/WCR Fund | 301 Capital Improvements Fund |
|---|--------------------------------|--|------------------------------|--|--|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 519,657 | 249,791 | 14 | 1,033,048 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 195,208 | 103,039 | - | 291,395 |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | - | - |
| 340 | Charges for Goods and Services | - | 156,297 | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 16,082 | 14,790 | - | 34,235 |
| Total Revenues: | | <u>211,290</u> | <u>274,126</u> | <u>-</u> | <u>325,630</u> |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | 265,375 | - | - |
| 540 | Transportation | 56,773 | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | <u>56,773</u> | <u>265,375</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) Revenues over Expenditures: | | <u>154,517</u> | <u>8,751</u> | <u>-</u> | <u>325,630</u> |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | - | 23,300 | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | <u>-</u> | <u>-</u> | <u>23,300</u> | <u>-</u> |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 260,528 | - | - | 218,911 |
| 591-593, 599 | Debt Service | - | - | 23,298 | - |
| 597 | Transfers-Out | - | 16,707 | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | <u>260,528</u> | <u>16,707</u> | <u>23,298</u> | <u>218,911</u> |
| Increase (Decrease) in Cash and Investments: | | <u>(106,011)</u> | <u>(7,956)</u> | <u>2</u> | <u>106,719</u> |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 413,646 | - | 15 | - |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | - | 241,835 | - | 1,139,768 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | <u>413,646</u> | <u>241,835</u> | <u>15</u> | <u>1,139,768</u> |

The accompanying notes are an integral part of this statement.

City of Grandview
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | 335 WCR & McCreadie Utilities | 340 WCR & Higgins Improvements | 345 OIE (Welch's) & 5th Sewer Imp | 405 Emergency Medical Services |
|--|--|--|---|--|---|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | - | - | - | 145,268 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | - | - | 137,658 |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | 259,050 | - | - | 5,862 |
| 340 | Charges for Goods and Services | - | - | - | 301,450 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | - | - | 400,000 | 7,153 |
| | Total Revenues: | 259,050 | - | 400,000 | 452,123 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | 271,957 |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| | Total Expenditures: | - | - | - | 271,957 |
| | Excess (Deficiency) Revenues over Expenditures: | 259,050 | - | 400,000 | 180,166 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | 259,050 | 766,208 | 1,000,000 | - |
| 397 | Transfers-In | - | 414,000 | - | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| | Total Other Increases in Fund Resources: | 259,050 | 1,180,208 | 1,000,000 | - |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 465,557 | 249,810 | 195,799 | - |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| | Total Other Decreases in Fund Resources: | 465,557 | 249,810 | 195,799 | - |
| | Increase (Decrease) in Cash and Investments: | 52,543 | 930,398 | 1,204,201 | 180,166 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 52,544 | 930,398 | 1,204,201 | 325,432 |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | - | - | - | - |
| 50891 | Unassigned | - | - | - | - |
| | Total Ending Cash and Investments | 52,544 | 930,398 | 1,204,201 | 325,432 |

The accompanying notes are an integral part of this statement.

City of Grandview
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | <u>410 Water Fund</u> | <u>415 Sewer Fund</u> | <u>420 Irrigation Fund</u> | <u>430 Solid Waste Fund</u> |
|---|--------------------------------|-------------------------|-------------------------|----------------------------|-----------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 7,560,895 | 7,684,762 | 89,047 | 765,323 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | 398,931 | - | - |
| 340 | Charges for Goods and Services | 2,834,353 | 4,702,828 | 578,342 | 1,293,432 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 262,722 | 251,678 | 1,194 | 24,378 |
| Total Revenues: | | <u>3,097,075</u> | <u>5,353,437</u> | <u>579,536</u> | <u>1,317,810</u> |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | 1,985,088 | 3,491,481 | 597,114 | 1,371,088 |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | <u>1,985,088</u> | <u>3,491,481</u> | <u>597,114</u> | <u>1,371,088</u> |
| Excess (Deficiency) Revenues over Expenditures: | | 1,111,987 | 1,861,956 | (17,578) | (53,278) |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | 1,424,809 | - | - |
| 397 | Transfers-In | 350,000 | - | - | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 1,350 | - | - | - |
| Total Other Increases in Fund Resources: | | <u>351,350</u> | <u>1,424,809</u> | <u>-</u> | <u>-</u> |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 270,591 | 1,985,441 | 6,527 | 21,449 |
| 591-593, 599 | Debt Service | 218,052 | 700,915 | - | - |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | 600 | - | - | - |
| Total Other Decreases in Fund Resources: | | <u>489,243</u> | <u>2,686,356</u> | <u>6,527</u> | <u>21,449</u> |
| Increase (Decrease) in Cash and Investments: | | <u>974,094</u> | <u>600,409</u> | <u>(24,105)</u> | <u>(74,727)</u> |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 716,665 | 611,600 | - | - |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 7,818,323 | 7,673,571 | 64,943 | 690,596 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | <u>8,534,988</u> | <u>8,285,171</u> | <u>64,943</u> | <u>690,596</u> |

The accompanying notes are an integral part of this statement.

City of Grandview
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | 510 Equipment Rental Fund | 710 Cemetery Endowment Fund |
|---|--------------------------------|------------------------------|-----------------------------------|
| Beginning Cash and Investments | | | |
| 308 | Beginning Cash and Investments | 1,906,949 | 371,294 |
| 388 / 588 | Net Adjustments | - | - |
| Revenues | | | |
| 310 | Taxes | - | - |
| 320 | Licenses and Permits | - | - |
| 330 | Intergovernmental Revenues | - | - |
| 340 | Charges for Goods and Services | 616,060 | - |
| 350 | Fines and Penalties | - | - |
| 360 | Miscellaneous Revenues | 46,659 | 2,841 |
| Total Revenues: | | 662,719 | 2,841 |
| Expenditures | | | |
| 510 | General Government | - | - |
| 520 | Public Safety | - | - |
| 530 | Utilities | - | - |
| 540 | Transportation | 526,718 | - |
| 550 | Natural/Economic Environment | - | - |
| 560 | Social Services | - | - |
| 570 | Culture and Recreation | - | - |
| Total Expenditures: | | 526,718 | - |
| Excess (Deficiency) Revenues over Expenditures: | | 136,001 | 2,841 |
| Other Increases in Fund Resources | | | |
| 391-393, 596 | Debt Proceeds | - | - |
| 397 | Transfers-In | - | 16,707 |
| 385 | Special or Extraordinary Items | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - |
| Total Other Increases in Fund Resources: | | - | 16,707 |
| Other Decreases in Fund Resources | | | |
| 594-595 | Capital Expenditures | 167,363 | - |
| 591-593, 599 | Debt Service | 5,542 | - |
| 597 | Transfers-Out | - | - |
| 585 | Special or Extraordinary Items | - | - |
| 581, 582, 589 | Other Uses | - | - |
| Total Other Decreases in Fund Resources: | | 172,905 | - |
| Increase (Decrease) in Cash and Investments: | | (36,904) | 19,548 |
| Ending Cash and Investments | | | |
| 50821 | Nonspendable | - | 390,842 |
| 50831 | Restricted | - | - |
| 50841 | Committed | - | - |
| 50851 | Assigned | 1,870,047 | - |
| 50891 | Unassigned | - | - |
| Total Ending Cash and Investments | | 1,870,047 | 390,842 |

The accompanying notes are an integral part of this statement.

City of Grandview
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | Total for All Funds (Memo Only) | Investment Trust | Private-Purpose Trust | Custodial |
|-----------|--|--|-----------------------------|----------------------------------|------------------|
| 308 | Beginning Cash and Investments | 87,570 | 70,358 | 6,190 | 11,022 |
| 388 & 588 | Net Adjustments | - | - | - | - |
| 310-390 | Additions | 108,802 | 2,147 | 180 | 106,475 |
| 510-590 | Deductions | 109,846 | - | 885 | 108,961 |
| | Net Increase (Decrease) in Cash and Investments: | (1,044) | 2,147 | (705) | (2,486) |
| 508 | Ending Cash and Investments | 86,526 | 72,504 | 5,485 | 8,537 |

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grandview was incorporated on September 21, 1909, and operates under the laws of the State of Washington applicable to a Non-Charter Code City with a mayor-council form of government. The city is a general-purpose government and provides public safety, fire prevention, street improvement, parks and recreation, health and social services, and general administrative services. In addition, the city owns and operates water and sewer systems, an irrigation water system, refuse collection system, and cemetery.

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

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

A. Fund Accounting

Financial transactions of the city 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'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 are the fund types used by the city:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the city.

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 designated for the acquisition or construction of general government capital projects.

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.

FIDUCIARY FUND TYPES:

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

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 for 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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

C. Cash and Investments

See Note 3, Deposits and Investments.

D. Capital Assets

Capital assets are long-lived assets of the city and are recorded as expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 20 days, plus one day for each year of service over 20 years. Upon resignation or termination of employment, unused accumulated vacation is payable to the employee.

Sick leave may accumulate up to 1,800 hours for all personnel, except Police Department Patrol/Sergeant Union. They can accumulate up to 1,920.60 hours. Upon separation or retirement, employees hired prior to 1/1/2007 receive payment for 50% of unused sick leave. Employees hired after 1/1/2007 receive 25% of unused sick leave. These amounts are paid out if the employee has accumulated a minimum of 360 hours.

F. Long-Term Debt

See Note 6, Long-Term Debt

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 \$5,623,149 and are reported in the following funds: Current Expense, Yakima County Law & Justice 3/10%, Street, Transportation Benefit District, SIED Loan – Euclid/WCR, WCR & McCreddie Utilities, WCR & Higgins Improvements, OIE (Welch's) & 5th Sewer Improvements, Emergency Medical Service, Water, Sewer, Library Trust, Library Memorial Trust, and State/Court Remittance.

NOTE 2 – BUDGET COMPLIANCE

The city adopts annual appropriated budgets for the following funds: Current Expense, Yakima County 3/10% Law & Justice Tax, Street, Transportation Benefit District, Cemetery, SIED Loan Euclid/Wine Country Road, Capital Improvement, WCR & McCreddie Utilities, WCR & Higgins Improvements, OIE (Welch's) & 5th Sewer Improvements, Emergency Medical Services, Water, Sewer, Irrigation, Solid Waste and Equipment Rental. These budgets are appropriated at the fund 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 City Administrator is authorized to transfer budgeted amounts 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 Council.

There have been no material violations of finance-related legal or contractual provisions.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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

| Fund | Final Appropriated Amounts | Actual Expenditures | Variance |
|---|-----------------------------------|----------------------------|----------------------|
| Current Expense | \$ 8,945,840 | \$ 8,299,915 | \$ 645,925 |
| Yakima Co. 3/10% L. & J. Tax | \$ 556,000 | \$ 482,304 | \$ 73,696 |
| Street | \$ 6,730,185 | \$ 3,457,843 | \$ 3,272,342 |
| Transportation Benefit District | \$ 469,550 | \$ 317,301 | \$ 152,249 |
| Cemetery | \$ 318,520 | \$ 282,082 | \$ 36,438 |
| SIED Loan – Euclid/WCR Debt | \$ 23,300 | \$ 23,298 | \$ 2 |
| Capital Improvement | \$ 1,055,000 | \$ 218,911 | \$ 836,089 |
| WCR & McCreddie Utilities | \$ 518,100 | \$ 465,557 | \$ 52,543 |
| WCR & Higgins Improvements | \$ 1,947,000 | \$ 249,810 | \$ 1,697,190 |
| OIE (Welch’s) & 5 th Sewer Imp | \$ 2,400,000 | \$ 195,799 | \$ 2,204,201 |
| E.M.S. | \$ 508,690 | \$ 271,957 | \$ 236,733 |
| Water | \$ 5,378,625 | \$ 2,474,331 | \$ 2,904,294 |
| Sewer | \$ 7,267,260 | \$ 6,177,837 | \$ 1,089,423 |
| Irrigation | \$ 639,195 | \$ 603,641 | \$ 35,554 |
| Solid Waste | \$ 1,419,070 | \$ 1,392,537 | \$ 26,533 |
| Equipment Rental | \$ 1,042,810 | \$ 699,623 | \$ 343,187 |
| Totals | \$ 39,219,145 | \$ 25,612,746 | \$ 13,606,399 |

The American Rescue Plan Act (ARPA) fund is a sub-fund of the Current Expense fund and is rolled up into that fund for reporting purposes.

NOTE 3 – DEPOSITS AND INVESTMENTS

Investments are reported at cost. Deposits and investments by type at December 31, 2023, are as follows:

| Type of Investment | City Owned | Held by City as Custodian |
|----------------------------------|-------------------------|----------------------------------|
| Bank Deposits | \$ 1,779,163.99 | \$ 86,526.23 |
| Local Government Investment Pool | 11,207,417.06 | 0 |
| Municipal Bonds | 874,710.00 | 0 |
| U.S. Government Securities | 12,749,458.77 | 0 |
| Total | \$ 26,610,749.82 | \$ 86,526.23 |

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

The city is a voluntary participant in the Local Government Investment Pool (LGIP), 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 or online at www.tre.wa.gov.

The city's deposits are mostly covered by the Federal Deposit Insurance Corporation and the Washington State Public Deposit Protection Commission.

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

In 2023, a US Treasury Note and a GO Bond, Snohomish Co. School District #2, matured. During the year, the city purchased a Federal Farm Credit Bank bond. The city's investment totals increased approximately \$1.7 million and brought in \$738,500 of interest revenue to the city.

NOTE 4 – INTERFUND LOANS

The city had no interfund loans during 2023.

NOTE 5 – LEASES (LESSEES)

During the year ended December 31, 2022, the City of Grandview 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 leases two copiers from Ricoh for \$339.99 and \$33.34 per month with both having 5-year lease agreements. The city leases a third copier from Wells Fargo, which also has a 5-year lease. The monthly payment on this one was \$440.92 from January 2023 – March 2023 and then \$468.80 from April 2023 onward.

The total amount paid for leases in 2023 was \$9,682. This amount included only eleven payments on the Ricoh lease for \$339.99. The twelfth payment was made in 2024. As of December 31, 2023, the future lease payments are as follows:

Year ended December 31
2024 - \$10,446
2025 - \$9,906
2026 - \$5,486

NOTE 6 – LONG-TERM DEBT

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the city and summarizes the city's debt transactions for year ended December 31, 2023.

The future debt service requirements for general obligation bonds, general obligation debt and revenue debt, including interest, are as follows:

| Year | Principal | Interest | Total |
|-----------|---------------|--------------|---------------|
| 2024 | 434,142.10 | 343,453.84 | 777,595.94 |
| 2025 | 470,857.00 | 285,247.94 | 756,104.94 |
| 2026 | 503,448.27 | 426,374.04 | 929,822.31 |
| 2027 | 596,840.42 | 317,680.10 | 914,520.52 |
| 2028 | 615,479.11 | 296,348.55 | 911,827.66 |
| 2029-2033 | 3,338,270.38 | 1,128,875.07 | 4,467,145.45 |
| 2034-2038 | 2,585,540.32 | 594,605.28 | 3,180,145.60 |
| 2039-2043 | 2,030,000.92 | 321,492.81 | 2,351,493.73 |
| 2044-2048 | 608,077.66 | 168,312.34 | 776,390.00 |
| 2049-2053 | 605,578.15 | 83,286.22 | 688,864.37 |
| 2054-2058 | 258,289.99 | 9,066.01 | 267,356.00 |
| 2059-2063 | 0.00 | 0.00 | 0.00 |
| Totals | 12,046,524.32 | 3,974,742.20 | 16,021,266.52 |

Included on Schedule 09 in 2023 are the Long-Term Liabilities of Compensated Absences. Outstanding compensating absences are those amounts due to employees to buy-out vested leave balances if employment had been discontinued at fiscal year-end. Also included in the 2023 schedule is the city's liability to the Department of Retirement Systems and Social Security/Medicare. The City of Grandview has policies in place that provide for buy-out of accrued and unused vacation and sick leave time. The liability to Government Funds on 12/31/2023 is \$415,027. The Proprietary Funds liability is \$342,057.

In 2022, the city applied for and received a Department of Health Drinking Water Revolving Fund (DWSRF) loan in the amount of \$3,578,329 to fund Source Well Improvements. Construction will not start until fall of 2024. Repayment on the loan will not begin until 2025. The city also received grant funding from Yakima County ARPA funds for this project.

In 2024, the city will begin planning for a new 3.0 MG Storage Reservoir. This project will have the majority of funding come from a Department of Ecology DWSRF loan in the amount of \$9,000,000. Repayment of the loan will mostly likely begin in 2027.

Also in 2024, the city will begin planning for wastewater treatment plant improvements. The city plans to use Department of Ecology (SRF) funds for this project. The amount for this will be around \$4,500,000. The anticipated date to have a funding agreement in place is February 2025.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The city has a commitment to pay for post-employment benefits for retired employees that belong to LEOFF1. LEOFF1 is a closed single employer defined benefit plan administered by the City of Grandview per RCW 41.26. These benefits include medical, vision and long-term care. This is on a pay as you go basis and the plan pays 100% of eligible retiree's healthcare. Seven retirees received benefits during the year and \$56,668.31 was paid out for those benefits. The OPEB liability, which was calculated using the alternative measurement method and shown on Schedule 09, is \$3,726,878.

NOTE 8 – STATE SPONSORED PENSION PLANS

Substantially all City of Grandview full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems, 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 (DRS), a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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 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.

The City of Grandview 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 ACFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2023 (the measurement date of the plans), the City of Grandview's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

| | Employer Contributions | Allocation % | Liability (Asset) |
|------------------|------------------------|--------------|-------------------|
| PERS 1 | \$19,380.70 | 0.002844 | \$64,921 |
| PERS 1 UAAL | \$94,935.92 | 0.013932 | \$318,030 |
| PERS 2/3 | \$157,832.03 | 0.017951 | (\$735,755) |
| LEOFF 1 | | 0.012607 | (\$374,179) |
| LEOFF 2 | \$120,366.91 | 0.053327 | (\$1,279,100) |
| VFFRPF - Fire | \$780.00 | 0.447890 | (\$89,269) |

Only the net pension liabilities are reported on Schedule 09.

The city offers its employees two deferred compensation plans (DCP) created in accordance with Internal Revenue Codes. One plan is with ICMA Retirement Trust. The second plan offered is through the Washington State Department of Retirement Systems (DRS). The DRS administers the Washington State DCP and contracts with a third party (currently ING) for record keeping and other administrative services. The Washington State Investment Board selects and monitors the state DCP's investment options. These plans are available to all employees. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City of Grandview does not contribute to this plan.

NOTE 9 - PROPERTY TAXES

The 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 when taxes are levied.

The city's regular levy for 2023 was \$2.085 per \$1,000 on an assessed valuation of \$864,518,319 for a total regular levy of \$1,802,260.

In addition to the regular levy, the city received Excess Levy property taxes from the County for Emergency Medical Services. The levy rate in 2023 was \$0.17127753 per \$1,000 on an assessed valuation of \$864,518,319 for a total E.M.S. excess levy of \$148,073.

NOTE 10 – RISK MANAGEMENT

The City of Grandview 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 169 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors, or omissions, stop gap, employment practices, 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 \$1,000,000, 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 11 - OTHER DISCLOSURES

TRANSPORTATION BENEFIT DISTRICT

The City of Grandview created the Grandview Transportation Benefit District (TBD) in 2011 and collection of license tab fees began in 2012. The Grandview City Council acted as the board of directors of the Grandview TBD until December 31, 2015. Ordinance No. 2015-19 was passed, and the City of Grandview assumed all rights, powers, immunities, functions, and obligations of the Grandview TBD, pursuant to the authority of Second Engrossed Substitute Senate Bill 5987 (2ESSB 5987), abolishing the Grandview TBD and repealing Section 2 of Ordinance No. 2011-9.

Total fees collected in 2023 were \$195,208. Revenues from the license tab fees will be used for planned and defined transportation system purposes.

WASTEWATER TREATMENT PLANT AREA FIRE

In 2022, a landowner located outside Grandview city limits on Canyon Road was doing some welding on a windy day around a dry weeded area and as a result, caught the dry weeds on fire. The fire started on the north side of the Yakima River and because of the high winds that day, the fire jumped the river onto the City of Grandview's Wastewater Treatment Plant area. The city owns approximately 800 acres along with an additional 600 acres owned by the Department of Wildlife which are also dry vegetation. The city operates a spray field irrigation system that was constructed with pvc piping and the fire damaged the entire spray field infrastructure. The spray field piping is a particularly important element of the land disposal process therefore the city filed an insurance claim and was awarded \$750,000 for replacing this piping. The work to replace the piping was completed in 2023.

AWC HEALTH INSURANCE

The City of Grandview 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, 2023, 264 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 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 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.

**City of Grandview
Schedule of Liabilities
For the Year Ended December 31, 2023**

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---|--|------------|----------------------|------------------|------------------|-------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 263.96 | Wa.St.Treas. L.O.C.A.L | 12/1/2031 | 340,000 | - | 35,000 | 305,000 |
| 263.85 | Yakima County SIED Loan | 6/1/2025 | 66,618 | - | 21,673 | 44,945 |
| 251.11 | USDA GO Bond - Fire Truck | 9/7/2040 | 472,677 | - | 19,860 | 452,817 |
| 263.56 | PD Copier Lease | 12/31/2026 | 16,320 | - | 3,740 | 12,580 |
| 263.56 | FD Copier Lease | 7/1/2025 | 1,000 | - | 400 | 600 |
| 263.56 | City Hall Copier Lease | 3/26/2026 | 17,196 | 1,004 | 5,542 | 12,658 |
| Total General Obligation Debt/Liabilities: | | | 913,811 | 1,004 | 86,215 | 828,600 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 263.82 | D.W.St.R.F. Loan Well Rehab | 10/1/2023 | 140,017 | - | 140,017 | - |
| 263.82 | D.W.St.R.F. Loan OIE Water Imp. | 10/1/2036 | 636,936 | - | 45,495 | 591,441 |
| 263.62 | USDA Promisory Note - Water Improvements | 11/16/2049 | 378,348 | - | 8,831 | 369,517 |
| 263.62 | USDA Promisory Note - WWPF | 2/13/2055 | 2,904,389 | - | 55,891 | 2,848,498 |
| 263.82 | DOE SRF Loan 2019 - Sewer Trunk | 6/1/2043 | 323,215 | - | 9,754 | 313,461 |
| 263.82 | DOE SRF Forgivable Loan 2019 - Sewer Trunk | 12/31/2023 | 298,931 | - | 298,931 | - |
| 263.82 | DOE SRF Loan 2020- Sewer Trunk | 6/1/2043 | 3,829,332 | 1,424,809 | 158,553 | 5,095,588 |
| 263.82 | DOE SRF Forgivable Loan 2020 - Sewer Trunk | 12/31/2023 | 100,000 | - | 100,000 | - |
| 263.86 | Yak Co SIED - WCR/McCreadie | 6/1/2033 | - | 259,050 | - | 259,050 |
| 263.86 | Yak Co SIED - WCR/Higgins | 6/1/2034 | - | 766,208 | - | 766,208 |
| 263.86 | Yak Co SIED - OIE (Welch's) & 5th | 6/1/2035 | - | 1,000,000 | - | 1,000,000 |
| 259.12 | Compensated Absences | | 404,750 | 10,277 | - | 415,027 |
| 259.12 | Compensated Absences | | 315,150 | 26,907 | - | 342,057 |
| 264.30 | Net Pension Liability | | 490,773 | - | 107,822 | 382,951 |
| 264.40 | OPEB Liability | | 3,559,214 | 167,664 | - | 3,726,878 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 13,381,055 | 3,654,915 | 925,294 | 16,110,676 |
| Total Liabilities: | | | 14,294,866 | 3,655,919 | 1,011,509 | 16,939,276 |

**City of Grandview
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

| Federal Agency (Pass-Through Agency) | Federal Program | ALN Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---|---|---------------|-----------------------|---------------------------------|-----------------------|----------------|---------------------------------------|-------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Department of Natural Resources) | Cooperative Forestry Assistance | 10.664 | N/A | 450 | - | 450 | - | 1,4 |
| Community Facilities Loans and Grants Cluster | | | | | | | | |
| RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF | Community Facilities Loans and Grants | 10.766 | - | - | 452,817 | 452,817 | - | 1,3,4 |
| Total Community Facilities Loans and Grants Cluster: | | | | - | 452,817 | 452,817 | - | |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUS-8052 (003) | 902,609 | - | 902,609 | - | 1,4 |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation) | Highway Planning and Construction | 20.205 | RAIL-8059(003) | 22,965 | - | 22,965 | - | 1,4 |
| Total ALN 20.205: | | | | 925,574 | - | 925,574 | - | |
| DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Yakima County) | COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | 21.027 | ARPA-1012 | 61,560 | - | 61,560 | - | 1,4 |
| DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE | COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | 21.027 | - | - | 1,029,238 | 1,029,238 | - | 1,4 |

The accompanying notes are an integral part of this schedule.

**City of Grandview
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

| Federal Agency (Pass-Through Agency) | Federal Program | ALN Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---|---|---------------|--------------------------|---------------------------------|-----------------------|------------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| | | | Total ALN 21.027: | 61,560 | 1,029,238 | 1,090,798 | - | |
| EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Northwest HIDTA/Yakima County Sheriff's Office) | High Intensity Drug Trafficking Areas Program | 95.001 | N/A | 13,039 | - | 13,039 | - | 1,4 |
| Total Federal Awards Expended: | | | | 1,000,623 | 1,482,055 | 2,482,678 | - | |

The accompanying notes are an integral part of this schedule.

YAKIMA COUNTY, WASHINGTON
CITY OF GRANDVIEW

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

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 single-entry, cash basis form of accounting. In governmental and fiduciary funds, revenues are recognized only when received in cash, rather than when measurable and available, and expenditures are recognized when checks are issued rather than when the expenditures are incurred. Purchases of fixed assets are expensed during the year acquired, but no general fixed assets account group is established. This prescribed accounting system also permits the City to account for certain enterprise funds on the cash basis of accounting rather than on the full accrual basis, which is a departure from generally accepted accounting principles. For such funds, this results in no capitalization of fixed assets, no allocation of depreciation expense and inventory is expensed when purchased rather than consumed.

NOTE 2 – INDIRECT COST RATE

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

NOTE 3 – FEDERAL LOANS

The City was approved by USDA Rural Development to receive a loan totaling \$550,000 to purchase a new Fire Truck. The amount listed for this loan includes the beginning of the period loan balance minus payments made during the year. The balance owing at the end of the period is \$452,817.

NOTE 4 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant or loan portion of the program costs. Entire program costs, including the City's portion, may be 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.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**City of Grandview
January 1, 2023 through December 31, 2023**

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

| | |
|--|---|
| Finding ref number: 2023-001 | Finding caption: The City’s internal controls were inadequate for ensuring compliance with federal requirements for procurement and suspension and debarment. |
| Name, address, and telephone of City contact person: Matt Cordray, City Treasurer 207 W. 2nd, Grandview, WA 98930 (509) 830-9511 | |
| Corrective action the auditee plans to take in response to the finding: <u>Procurement</u> <i>The City of Grandview will update our procurement policies to comply with federal procurement requirements. The procurement policy update will include other required procedures for procuring transactions, such as contracting with small and minority business owners, women’s business enterprise and labor surplus area firms, domestic preferences, recovered materials, contract cost or price analysis and more. Going forward, the City will establish internal administrative controls to ensure that city staff receive the proper training and are aware of all procurement policies and guidelines.</i> <u>Suspension and Debarment</u> <i>The City of Grandview will establish internal controls on contract proposals exceeding \$25,000, must be reviewed to ensure that contractors are not suspended or debarred. The City will verify this by adding a clause or condition into the contract that states the contractor is not suspended or debarred. The City will verify this before entering into a contract or purchasing goods and services, and it will maintain documentation demonstrating compliance with federal requirements.</i> | |
| Anticipated date to complete the corrective action: 11/29/2024 | |

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.

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