



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Prosser

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

Published September 19, 2024

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

September 19, 2024

Mayor and City Council
City of Prosser
Prosser, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Prosser'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 Prosser January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
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

None reported.

INDEPENDENT AUDITOR'S REPORT

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

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

Mayor and City Council
City of Prosser
Prosser, 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 Prosser, 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 13, 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, reading "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

September 13, 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 Prosser
January 1, 2023 through December 31, 2023

Mayor and City Council
City of Prosser
Prosser, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Prosser, 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.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

September 13, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Prosser
Prosser, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Prosser, 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 Prosser, 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 Prosser, 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.

Matters of Emphasis

Matters of Emphasis As discussed in Note 12 to the financial statements, in 2023, the City adopted new accounting guidance for Subscription Based Information Technology Arrangements (SBITA) as required by the BARS Manual. Our opinion is not modified with respect to this matter.

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 13, 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 13, 2024

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

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

		Total for All Funds (Memo Only)	001 General Fund	102 Street Fund	114 American Rescue Plan Act (ARPA)
Beginning Cash and Investments					
308	Beginning Cash and Investments	17,080,976	6,949,087	1,988,291	1,769,708
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	7,190,269	6,160,098	895,742	-
320	Licenses and Permits	261,961	258,647	3,314	-
330	Intergovernmental Revenues	2,677,023	766,315	166,467	-
340	Charges for Goods and Services	8,149,693	381,549	1,772	-
350	Fines and Penalties	131,641	50,923	-	-
360	Miscellaneous Revenues	906,070	474,716	89,739	9,112
Total Revenues:		19,316,657	8,092,248	1,157,034	9,112
Expenditures					
510	General Government	1,595,021	1,595,021	-	-
520	Public Safety	2,738,487	2,738,487	-	-
530	Utilities	6,513,287	-	-	-
540	Transportation	787,817	-	787,817	-
550	Natural/Economic Environment	244,282	244,282	-	-
560	Social Services	401,352	401,352	-	-
570	Culture and Recreation	1,379,818	1,379,818	-	-
Total Expenditures:		13,660,064	6,358,960	787,817	-
Excess (Deficiency) Revenues over Expenditures:		5,656,593	1,733,288	369,217	9,112
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,117,683	-	-	-
397	Transfers-In	2,807,934	65	332,869	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	97,812	66,465	8,400	-
Total Other Increases in Fund Resources:		4,023,429	66,530	341,269	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,760,417	342,071	48,751	-
591-593, 599	Debt Service	1,506,434	263,404	49,665	-
597	Transfers-Out	2,807,934	60,000	525,000	1,770,000
585	Special or Extraordinary Items	49,025	49,025	-	-
581, 582, 589	Other Uses	82,797	67,097	-	-
Total Other Decreases in Fund Resources:		9,206,607	781,597	623,416	1,770,000
Increase (Decrease) in Cash and Investments:		473,415	1,018,221	87,070	(1,760,888)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	5,100,408	3,350,601	214,504	8,820
50841	Committed	2,083,111	-	-	-
50851	Assigned	7,417,474	1,663,306	1,860,859	-
50891	Unassigned	2,953,406	2,953,406	-	-
Total Ending Cash and Investments		17,554,399	7,967,313	2,075,363	8,820

The accompanying notes are an integral part of this statement.

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

		140 Confiscated & Seizures Fund	221 LID Guarantee Fund	233 2011 GO Bond - Pool	234 Local Improvement Dist. 10-23
Beginning Cash and Investments					
308	Beginning Cash and Investments	-	61,114	14,302	12,413
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	229	2,393	2,488	1,259
Total Revenues:		229	2,393	2,488	1,259
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		229	2,393	2,488	1,259
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	130,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	130,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	130,250	1,689
597	Transfers-Out	65	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		65	-	130,250	1,689
Increase (Decrease) in Cash and Investments:		164	2,393	2,238	(430)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	164	63,507	16,539	11,982
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		164	63,507	16,539	11,982

The accompanying notes are an integral part of this statement.

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

		301 REET - First Quarter %	302 OIE Improvement Project Fund	303 Police Station and City Hall	304 Alexander Court Improvement
Beginning Cash and Investments					
308	Beginning Cash and Investments	499,643	3,329	117,395	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	134,429	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	1,492,363	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	18,808	34,650	4,547	1,811
Total Revenues:		153,237	1,527,013	4,547	1,811
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		153,237	1,527,013	4,547	1,811
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	525,000	-	50,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	525,000	-	50,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	1,651,241	10,282	5,177
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	120,000	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		120,000	1,651,241	10,282	5,177
Increase (Decrease) in Cash and Investments:		33,237	400,772	(5,735)	46,634
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	532,880	-	-	46,634
50841	Committed	-	404,101	111,660	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		532,880	404,101	111,660	46,634

The accompanying notes are an integral part of this statement.

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

		309 Wine Country Rd Overlay	403 Water Fund	407 Sewer Fund	448 Garbage Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	334,797	2,568,063	2,730,907	31,927
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	5,024	179,427	67,427	-
340	Charges for Goods and Services	-	3,248,641	2,683,678	1,834,053
350	Fines and Penalties	-	42,226	8,818	29,674
360	Miscellaneous Revenues	1,808	157,945	100,186	6,379
Total Revenues:		6,832	3,628,239	2,860,109	1,870,106
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	2,373,632	2,276,733	1,862,922
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	2,373,632	2,276,733	1,862,922
Excess (Deficiency) Revenues over Expenditures:		6,832	1,254,607	583,376	7,184
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	1,117,683	-	-
397	Transfers-In	-	1,300,000	470,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	9,375	2,322	11,250
Total Other Increases in Fund Resources:		-	2,427,058	472,322	11,250
Other Decreases in Fund Resources					
594-595	Capital Expenditures	8,761	1,850,377	843,757	-
591-593, 599	Debt Service	-	677,771	383,298	357
597	Transfers-Out	332,869	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	3,950	-	11,750
Total Other Decreases in Fund Resources:		341,630	2,532,098	1,227,055	12,107
Increase (Decrease) in Cash and Investments:		(334,798)	1,149,567	(171,357)	6,327
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	703,677	151,100	-
50841	Committed	-	1,429,048	136,302	2,000
50851	Assigned	-	1,584,906	2,272,148	36,255
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	3,717,631	2,559,550	38,255

The accompanying notes are an integral part of this statement.

CITY OF PROSSER, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1, 2023 THROUGH DECEMBER 31, 2023

Note 1: Summary of Significant Accounting Policies

The City of Prosser was incorporated in 1899 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 a full range of municipal services which include, police, parks, street, solid waste, and administrative services. In addition, the City owns and operates water, sewer and irrigation systems.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements. (*see Note 6: Component Units, Joint Ventures, and Related Parties*)
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification in GAAP

A. **Fund Accounting**

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

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.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3: Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. The capital assets of the City's are recorded as expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 720 hours or 960 hours depending upon the applicable collective bargaining agreement or personnel policy. Upon resignation or retirement employees do receive payment for unused sick leave at 50% if the employee has accumulated a minimum of 360 hours to a maximum of 720 hours, and if two weeks' notice of resignation or retirement has been given. In the event of the death of an employee, 100%

of sick leave is paid out to the beneficiary. Payments are recognized as expenditures when paid.

Please see Schedule 9: Liabilities

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 is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first.

Restrictions and Commitments of Ending Cash and Investments consist of the following:

Fund	Ending Restricted & Committed Cash	Ending Restricted Cash	Ending Committed Cash	Purpose
001-General Fund	\$3,350,600.45	\$ 514,867.82		Real Estate Excise Tax
		\$ 533,828.05		Hotel/Motel Tax
		\$ 279,964.72		Tourism Promotion Area
		\$ 25,765.39		Public Safety Enhancement (Liquor Board Profits)
		\$ 26,685.57		Drug Enforcement
		\$ 43,645.65		Police Investigative
		\$1,593,532.71		Criminal Justice
		\$ 190,753.09		Public Safety Sales Tax
		\$ 15,774.07		Drug Free Communities Grant
		\$ 125,783.38		Community Involvement & Action Fund
102 - Street Fund	\$ 214,504.42	\$ 214,504.42		Transportation Benefit District
114 - ARPA Funds	\$ 8,820.49	\$ 8,820.49		American Rescue Plan Act
140 - Confiscated and Seizures Fund	\$ 163.80	\$ 163.80		Confiscated and Seizure Fund
221 LID Guarantee	\$ 63,507.38	\$ 63,507.38		LID Debt Requirement
233- GO Bond-Pool	\$ 16,539.07	\$ 16,539.07		Debt Service
234 - LID 10-23	\$ 11,981.86	\$ 11,981.86		Debt Service
301- REET 1	\$ 532,880.13	\$ 532,880.13		Real Estate Excise Tax
302 - OIE Impv Project	\$ 404,100.59		\$404,100.59	Project Funds
303 - PD/CH Rebuild	\$ 111,660.08		\$111,660.08	PD/CH Fire Rebuild Project
304 - Alexander Ct Improvements	\$ 46,634.05		\$ 46,634.05	Alexander Court Improvement Project
309 - WCR Overlay	\$ -		\$ -	WCR Overlay Project
403-Water Fund	\$2,132,726.48	\$ 99,718.39		North Prosser Water System Debt Redemptions
		\$ 215,643.43		North Prosser Water System Debt Reserve
		\$ 93,333.08		2015 Water Revenue Bond Red
		\$ 294,983.40		2015 Water Revenue Bond Res
			\$ -	Utility Crossing I-82 Project-Water
			\$1,227,876.20	Well 2 &3
			\$ 198,521.98	Zone 2.5 Water Line Extension
			\$ 2,650.00	Consumer Utility Deposit Fund
407- Sewer Fund	\$ 287,402.91	\$ 4,608.26		2015 Sewer Revenue Bond Red
		\$ 146,492.42		2015 Sewer Revenue Bond Res
			\$ -	Utility Crossing I-82 Project-Sewer
			\$ 136,302.23	WWTP Primary Clarifier Effluent Piping
448- Garbage Fund	\$ 2,000.00		\$ 2,000.00	Consumer Utility Deposit Fund
TOTAL	\$ 7,183,521.71	\$5,053,776.58	\$2,129,745.13	

Note 2: Budget Compliance

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

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

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

Fund	Budget (w/amendments)	Actual Expenditures	Variance
001 – General Fund	\$ 14,315,179.13	\$ 7,140,553.19	\$ 7,174,625.94
102 – Street Fund	\$ 3,868,066.08	\$ 1,411,230.12	\$ 2,456,835.96
114- American Rescue Plan Act	\$ 2,010,477.88	\$ 1,770,000.00	\$ 240,477.88
140- Confiscated and Seizures Fund	\$ 6,800.00	\$ 64.58	\$ 6,735.42
221 – LID Guarantee Fund	\$ 61,490.13	\$ -	\$ 61,490.13
233 – 2011 GO Bond Fund	\$ 143,684.13	\$ 130,250.00	\$ 13,434.13
234 – Local Improvement District 10-23 Fund	\$ 13,722.74	\$ 1,689.00	\$ 12,033.74
301 - REET 1	\$ 543,431.69	\$ 120,000.00	\$ 423,431.69
302 - OIE Improvement Project	\$ 1,882,193.39	\$ 1,651,240.57	\$ 230,952.82
303 - PD/CH Fire Rebuild	\$ 120,100.00	\$ 10,282.01	\$ 109,817.99
304 - Alexander Ct	\$ 261,441.00	\$ 5,177.37	\$ 256,263.63
309-Wine Country Rd Overlay	\$ 405,000.00	\$ 341,629.49	\$ 63,370.51
403 – Water Fund	\$ 10,255,368.46	\$ 4,905,728.50	\$ 5,349,639.96
407 – Sewer Fund	\$ 6,980,657.19	\$ 3,503,787.42	\$ 3,476,869.77
448 – Garbage Fund	\$ 2,012,149.52	\$ 1,875,027.75	\$ 137,121.77
TOTAL	\$ 42,879,761.34	\$ 2,866,660.00	\$ 20,013,101.34

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

Note 3: Deposits and Investments

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

Type of deposit or investment	City's own deposits and investments	Deposits and investments held by the City as custodian for other local governments, individuals, or private organizations	Total
Bank deposits	\$1,827,540.11	\$0.00	\$1,827,540.11
Certificates of deposit	\$4,263,429.05	\$0.00	\$4,263,429.05
Local Government Investment Pool	\$12,505,268.18	\$0.00	\$12,505,268.18
U.S. Government securities	\$0.00	\$0.00	\$0.00
Cash On Hand	\$1,750.00	\$0.00	\$1,750.00
(Other)		\$0.00	
Total	\$18,597,987.34	\$0.00	\$18,597,987.34

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

Please note that the PAR value of the US Bank Investments are \$4,330,000 and the market value of the investment was \$4,094,997.78 as of December 31, 2023.

Investments in the State Local Government Investment Pool (LGIP)

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

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

Custodial Credit Risk

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

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

Other Disclosures:

- **Compensated Balances:** Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 720 hours or 960 hours depending upon the applicable collective bargaining agreement or personnel policy. Upon resignation or retirement employees do receive payment for unused sick leave at 50% if the employee has accumulated a minimum of 360 hours to a maximum of 720 hours, and if two weeks' notice of resignation or retirement has been given. In the event of the death of an employee, 100% of sick leave is paid out to the beneficiary. Payments are recognized as expenditures when paid. *Please see Schedule 9: Liabilities*

Note 4: Joint Ventures, Component Units, and Related Parties

1. Benton County Emergency Services (BCES) - BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County. This agreement will continue indefinitely unless terminated by a participant. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City and a Benton County Commissioner. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES. The total amount paid by BCEM in 2023 for these services was \$52,281. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.
2. Benton County Emergency Management (BCEM) - BCEM provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCEM: Radiological Emergency Preparedness, DOE Emergency Preparedness, State Homeland Security Program and Emergency Management Program. The six (6) participating jurisdictions of the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County participate in the grant programs through the Interlocal Agreement for Emergency Management. Financial position is allocated based on equal shares of a predetermined basic charge and a variable charge calculated using population percentages and assessed valuations. The City of Prosser's equity interest in BCEM as of December 31, 2023 was \$31,436, which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected under Public Safety in the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

Complete and separate financial statements for all operations of Benton County Emergency Services may be obtained at the City of Richland, 625 Swift Blvd, Richland, Washington.

3. Interlocal Agreement Regarding Solid Waste Management Benton County. The Agreement unites Benton County and the Cities within Benton County to fulfill the requirement for a solid waste plan under Chapters 70.95 and 70.105 RCW. The Agreement is overseen by a committee comprising a representative from each participating entity. The committee (with the Approval of the County Commissioners) proposes a budget and establishes an annual fee for each participant. The Agreement is for six years. Any entity may terminate their participation upon one year's prior notice. Assets will be distributed as agreed between the entities upon dissolution/termination or as determined by arbitration if the parties cannot agree.

4. Articles of Association Benton-Franklin Council of Governments. The Articles provide the framework for an association to which the City belongs. The City makes an annual contribution based upon the budget of the Association. The Agreement is ongoing and provides regional planning services for Benton and Franklin Counties and the cities within those two counties.
5. Inter-Local Agreement for the formation of a Special Investigations Unit. Resolution 11-1347 adopted, February 22, 2011 approved an inter-local agreement between Benton and Franklin counties and the municipalities of Kennewick, Richland, West Richland, Prosser, Pasco, and Connell. The parties established a Special Investigations Unit consisting of law enforcement officers from the various local law enforcement agencies to help facilitate orderly, thorough and objective investigations of incidents involving law enforcement officers that result in grievous or fatal injury to another person or to an officer resulting from acts of another person.
6. Inter-Local Agreement regarding child abuse investigations. Resolution 12-1376, adopted January 24th, 2012 approved an inter-local agreement between Benton and Franklin counties and the municipalities of Pasco, Kennewick, Richland, West Richland, Prosser, and Connell. The participating agencies desire the service of the child interviewer qualified and trained to provide objective, forensic interviews of children to determine if abuse occurred and the details of any abuse for their own investigations and prosecution, have agreed to pay for a portion of the salary and associated costs of the child interviewer. The child abuse investigation agreement with other cities and Benton County approved by Resolution 12-1376.
7. Bi-County Police Information Network (BI-PIN). The Bi-County Police Information Network (BI-PIN) was established November 24, 1982, when an Interlocal Agreement was entered into by eight participating municipal corporations; the cities of Kennewick, Pasco, Richland, Connell, West Richland and Prosser, and Benton and Franklin Counties. BI-PIN was established to assist the participating police and sheriff's departments in the deterrence and solution of criminal incidents. BI-PIN is served by an Executive Committee composed of the City Manager of each of the cities and a member from each of the Boards of County Commissioners of Benton and Franklin Counties. A liaison from the Bi-County Chiefs and Sheriffs is an ex officio, non-voting member.

The allocation of financial participation among the participating jurisdictions is based upon the approved budget for that year and is billed quarterly in advance to each agency. On dissolution of the Interlocal Agreement, the net position will be shared based upon participant contribution.

The City of Prosser's equity interest in BI-PIN was \$51,800 on December 31, 2023. The City does not anticipate any income distributions from BI-PIN since charges are assessed only to

recover anticipated expenses.

Complete separate financial statements for BI-PIN may be obtained at the City of Kennewick, 210 W. 6th Ave., Kennewick, Washington, 99336.

Note 5: Leases

During the year ended 12/31/2023, the city 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 property at 1002 Dudley from Benton County for \$1,500 per month. The leases began in July, 2021 and was extended in 2023 to expire on July 31, 2025.
- The City leases property at 205 Hagarty Lane from the Port of Benton, From January through July, 2023 the monthly lease amount was \$6,695. It increased in August, 2023 to \$6,695.85 and this amount was paid through December 31, 2023. It is expected that each August the lease amount will increase pursuant to the terms in the lease agreement. The leases began in August, 2021 and is currently set to expire July 31, 2025.
- The City leases 2 postage meters from Pitney Bowes. One for the Police Department and one for City Hall. In 2023, we paid \$854.24 for these leases. These leases began in October, 2021 and are set to expire October, 2029.
- The City leases 4 printer/copiers from LEAF. These leases include the Front Desk copier/printer, Copy Room copier/printer, Police Department copier/printer, and Building Department plotter/printer. In 2023, we paid \$10,644.00 for these leases. These leases began in August, 2021 and are set to expire August, 2026.
- The City leases body cameras and in car cameras from Axon Enterprises. In 2023, we paid \$71,553.30 for these leases. These leases began in October, 2021 and are set to expire September, 2026.

The total amount paid for leases in 2023 was \$182,395.79. As of December 31, 2023, the future lease payments are as follows:

Year	Amount
2024	\$ 263,855.75
2025	\$ 131,466.22
2026	\$ 42,730.80
2027	\$ 1,560.40
2028	\$ 706.16
2029	\$ 0.00
TOTAL	\$440,319.33

Note 6: Long Term Debt

The accompanying Schedule of Long-Term Debt (Schedule 9) provides more details of the outstanding debt and liabilities of the City of Prosser and summarizes the City's debt transactions for the year ending December 31, 2023.

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

Year	Principal	Interest	Total Debt
2023	\$872,149.04	\$361,609.60	\$1,233,758.64
2024	\$879,168.64	\$344,496.67	\$1,223,665.31
2025	\$896,041.10	\$324,260.76	\$1,220,301.86
2026	\$913,464.69	\$303,461.31	\$1,216,926.00
2027	\$925,705.88	\$282,481.77	\$1,208,187.65
2028-2032	\$4,321,834.90	\$1,100,882.05	\$5,422,716.95
2033-2037	\$2,410,591.17	\$573,372.43	\$2,983,963.60
2038-2042	\$1,052,001.49	\$325,098.72	\$1,377,100.21
2043-2047	\$710,713.93	\$216,197.43	\$926,911.36
2048-2052	\$644,140.83	\$124,769.17	\$768,910.00
2053-2057	\$436,156.04	\$26,595.46	\$462,751.50
2058-2062	\$0.00	\$0.00	\$0.00
TOTAL	\$14,061,967.71	\$3,983,225.37	\$18,045,193.08

Note 7: Other Disclosures

A. Interfund Transfers

The following table displays interfund transfer activity during 2023:

Transfers To:	Transfer From:	Amount Transferred:
Street Fund (102)	WCR Overlay (309)	\$ 332,868.71
Drug Enforcement Fund (146)	Confiscated and Seizures Fund (140)	\$ 34.85
Forfeitures Fund (150)	Confiscated and Seizures Fund (140)	\$ 29.73
2011 Pool Bond (233)	General Fund (001)	\$ 60,000.00
2011 Pool Bond (233)	REET 1 (301)	\$ 70,000.00
OIE Hwy Improvements (302)	Street Fund (102)	\$ 525,000.00
Alexander Court Project (304)	REET 1 (301)	\$ 50,000.00
Well 7 Project (463)	American Rescue Plan Act ARPA (114)	\$ 1,300,000.00
WWTP Clarifier Project (464)	American Rescue Plan Act ARPA (114)	\$ 470,000.00
TOTAL		\$ 2,807,933.29

B. Contingencies & Litigations

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

There have been no expenditures exceeding legal appropriations in any of the funds of the City.

The City has the following claims that are open and active litigated or non-litigated claims:

1. The City received a tort claim from Alexandria Hart in the amount of \$5,000,000 for damages related to the conduct of a police officer. A lawsuit has been filed. The City of Prosser is represented by Rachel Platt of Evans Craven and Lackie and the officer is being represented by Tom Miller of the Christie Law Group.
2. The City received a tort claim and subsequent suit from Isaiah Colley, Dakota Street, Bernice Colley, Lydia Resendez, David Martinez, and Dion Galvan in a total amount of \$4,800,000. The claim relates back to the 2019 arrest of Isaiah Colley for a officer involved shooting in Prosser. The City is being represented by Tom Miller of the Christie Law Group.

C. Other Disclosure Items

1. Tourism Promotion Area: Resolution 12-1405 adopted November 13, 2012, established the City of Prosser's intent to create a Tourism Promotion Area (TPA) pursuant to RCW 35.101. Subsequently on January 8, 2013, the City Council adopted Ordinance 13-2810 establishing the Prosser Tourism Promotion Area (TPA) and entered into an agreement with Washington State Department Revenue for the administration of the Prosser Tourism Promotion Area lodging charge. Implementation of the TPA and charge began April 1, 2013.
2. Transportation Benefit District: The City of Prosser formed a Transportation Benefit District (TBD) on January 20, 2009. On June 25, 2019 the Prosser City Council passed Ordinance 19-3090 absorbing the Prosser TBD effective July 8, 2019.

D. Extraordinary Events

On May 8, 2021 the City of Prosser City Hall (601 7th Street) and adjoined Police Station (1227 Bennett Ave) were damaged by fire. The origin of the firing was a neighboring business which was a complete loss. Mayor Taylor declared a local emergency (Resolution 21-1674) and City operations continued without interruption. City Hall temporary operated out of the Community Center located at 1231 Dudley, until leasing space from Benton County located at 1002 Dudley. Likewise the Police Department temporarily operated out of a mobile trailer unit at 210 Hagarty Lane, until a lease was secured with the Port of Benton at 205 Hagarty Lane.

City staff continue to work with officials from the Cities Insurance Association of Washington insurance pool to replace property lost in the fire, water, and smoke damage and to determine re-construction plans.

Note 8: Other Post-Employment Benefits (OPEB)

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the city as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2023, the plan had two members, all retirees.

Fiscal Year 2023	
Number of Retired Plan Members	2
Benefits paid	\$41,604.50
*Total OPEB Liability	\$981,338.00

*Measured using the alternative measurement method

Note 9: Pension Plans

State Sponsored Pension Plans

Substantially all City of Prosser's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees Retirement Systems 2 and 3 (PERS 2 and 3) and Law Enforcement Officers and Fire Fighters Retirement System 2 (LEOFF 2).

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available 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 city also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

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

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)

The city also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington 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's proportionate share of the collective net pension liabilities and/or assets was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$89,924	0.013196%	\$301,229
PERS 2/3	\$149,896	0.017049%	(\$698,784)
LEOFF 1	n/a	0.004101%	(\$121,719)
LEOFF 2	\$65,661.80	0.029090%	(\$697,752)
VFFRPF	\$60.00	0.03%	\$6,866.84

Only the net pension liabilities are reported on the Schedule of Liabilities.

Note 10: Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed by electronic fund transfers into the City's bank account during each month.

Property Tax Calendar	
January 1	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax bills are mailed
April 30	First of two equal installment payments are due
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due

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

The City's regular levy for the year 2023 was \$2.1216916453 per \$1,000 on an assessed valuation of \$704,659,583 for a total regular levy of \$1,495,070.

For informational purposes only, the City statutory maximum levy rate is \$3.60 which would result in a levy amount of \$2,536,774.50.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

Note 11: Risk Management

The City of Prosser is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **As of November 30, 2023, membership includes 196 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, Crime Protection and Liability, including General, Automobile, Wrongful Acts, and Cyber, which are included to fit the member's various needs.

The program acquires reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to a **group aggregate limit of \$50,000,000** with a **self-insured retention (SIR) of \$750,000**. Members are responsible for a \$1,000 to \$50,000 deductible for each claim (can vary by member), while the program is responsible for the **\$750,000 SIR**. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the **\$750,000 SIR**, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of \$8,347,047**, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence **SIR of \$750,000**. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the **\$750,000 SIR**, in addition to the deductible.

Crime insurance is subject to a per occurrence **SIR of \$25,000**. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the **\$25,000 SIR**, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence **SIR of \$50,000**. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining **\$40,000 SIR**.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending **December 1, 2023, were \$3,172,936.78.**

A board of ten members is selected by the membership from three geographic areas of the state on a staggered-term basis and the Board is responsible for conducting the business affairs of the program.

Note 12: Subscription Based Information Technology Arrangements (SBITA)

During the year ended December 31, 2023, the city adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in the addition of a subscription liability reported on the Schedule of Liabilities (Schedule 9).

The city makes the following subscription payments:

- \$689.70 per month is paid to Pacific Office Automation for access to Verkada Security Camera System. The City current owns 47 devices and each is billed at the monthly rate of \$13.50.
- \$63,000 per year is paid to FLOCK Safety for use of license plate recognition (LPR)cameras and software. The City is in the process of installing 20 LPR strategical within the City limits of Prosser.
- \$1,204.32 per month is paid to Class5 for voice over internet (VOIP) phone services.
- \$1,800 per year is paid to SmartSights for WIN-911which is a telemetry alarm calling service.
- \$16,771.84 per year is paid to Brightly Software for Building Permitting, Code Enforcement, Licensing, and Planning Permit software.

The total amount paid for SBITAs in 2023 was \$89,558.94. As of December 31, 2023, the future SBITA payments are as follows:

Year ended December 31st	Total
2024	\$ 145,427.48
2025	\$ 48,543.76
2026	\$ 20,691.00
2027	\$ 12,414.60
2028	\$ 4,138.20
2029-2033	\$ 0.00
2034-2038	\$ 0.00
Total	\$ 231,215.04

City of Prosser
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						
251.11	PROLTGO11	12/1/2035	1,195,000	-	70,000	1,125,000
251.11	USDA 97-14	9/1/2033	149,922	-	12,475	137,447
263.51	Axon Enterprise		92,491	30,933	30,856	92,568
263.51	Axon Enterprise		-	201,962	40,697	161,265
263.56	Benton County	7/31/2023	9,000	37,500	18,000	28,500
263.56	Port of Benton	7/31/2024	129,615	85,233	81,344	133,504
263.56	Pitney Bowes	1/1/2022	1,833	-	262	1,571
263.56	Pitney Bowes	10/1/2021	3,998	-	592	3,406
263.56	LEAF	7/31/2026	38,141	-	10,644	27,497
263.96	PRO 0205-1-1 (102-53%)	6/1/2027	143,100	-	26,500	116,600
263.96	PRO 0205-1-1 (403-42%)	6/2/2027	113,400	-	21,000	92,400
263.96	PRO 0205-1-1 (407-5%)	6/3/2027	13,500	-	2,500	11,000
263.56	Pacific Office Automation	6/30/2028	-	42,072	4,828	37,244
263.56	Flock Safety		-	133,701	68,481	65,220
263.56	Class 5		-	19,269	14,452	4,817
263.56	Smart Signs (Win911)		-	5,394	1,798	3,596
263.56	Brightly		-	34,550	-	34,550
Total General Obligation Debt/Liabilities:			1,890,000	590,614	404,429	2,076,185
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	PROWATREF15	12/1/2035	2,200,000	-	145,000	2,055,000
252.11	PROWATREF15	12/1/2039	1,200,000	-	50,000	1,150,000
259.12	Compensated Absences - Proprietary Funds		110,703	16,762	-	127,465
259.12	Compensated Absences- General Fund		269,749	-	61,334	208,415
263.12	Claims & Judgements- General Fund		9,800,000	-	-	9,800,000
263.12	Claims & Judgements- Proprietary Funds		-	-	-	-
263.82	USDA 91-07	2/25/2056	3,192,460	-	58,008	3,134,452
263.84	DM11-952-030	10/1/2034	1,199,880	-	99,990	1,099,890
263.84	DM13-952-140	10/1/2037	526,216	-	40,478	485,738

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
263.84	DWL24917	10/1/2045	1,201,319	1,117,683	77,551	2,241,451
263.88	PC12-951-068	6/1/2034	2,406,534	-	267,393	2,139,141
264.30	Pension Liabilities		378,340	-	77,111	301,229
264.40	OPEB Note 9		1,004,211	-	85,873	918,338
Total Revenue and Other (non G.O.) Debt/Liabilities:			23,489,412	1,134,445	962,738	23,661,119
Assessment Debt/Liabilities (with commitments)						
253.63	USDA 91-05	9/11/2033	15,827	-	1,254	14,573
Total Assessment Debt/Liabilities (with commitments):			15,827	-	1,254	14,573
Total Liabilities:			25,395,239	1,725,059	1,368,421	25,751,877

City of Prosser
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		
Community Facilities Loans and Grants Cluster								
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Community Facilities Loans and Grants	10.766		-	137,447	137,447	-	1,2,3. A,4
Total Community Facilities Loans and Grants Cluster:				-	137,447	137,447	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation)	Highway Planning and Construction	20.205	LA8286	1,428,323	-	1,428,323	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation)	Highway Planning and Construction	20.205	LA10150	24,455	-	24,455	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation)	Highway Planning and Construction	20.205	LA10740	4,388	-	4,388	-	1,2,4
Total ALN 20.205:				1,457,166	-	1,457,166	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	629,568	629,568	-	1,2,4
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	380,434	380,434	-	1,2,4

The accompanying notes are an integral part of this schedule.

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

				Expenditures				Passed through to Subrecipients	Note
				ALN Number	Other Award Number	From Pass-Through Awards	From Direct Awards		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Benton County, WA)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS		21.027		2023-479	165,349	-	-	1,2,4
					Total ALN 21.027:	165,349	1,010,002	1,175,351	
CDC NATIONAL CENTER FOR CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Drug-Free Communities Support Program Grants		93.276			-	106,909	-	1,2,4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Department of Social And Human Services)	Block Grants for Prevention and Treatment of Substance Abuse		93.959		1764-94244	77,892	-	-	1,2,4
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Educational Services District 105)	High Intensity Drug Trafficking Areas Program		95.001		990018000044-01	33,609	-	-	1,2,4
					Total Federal Awards Expended:	1,734,016	1,254,358	2,988,374	-

The accompanying notes are an integral part of this schedule.

CITY OF PROSSER, WASHINGTON

**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 of Prosser's financial statements. The City uses cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

NOTE 2 – FEDERAL INDIRECT COST RATE

The City has elected to use the 10% de minimis indirect cost rate allowed under the uniform guidance. It might be helpful to note that for the following grant awards, the indirect cost rate (or administrative rate) is set at a maximum amount of 8%, per the grant conditions.

- Block Grants for Prevention and Treatment of Substance Abuse – ALN #93.959
- High Intensity Drug Trafficking Areas Program – ALN#95.001

NOTE 3 – FEDERAL LOANS

- A. Street Sweeper Loan: In 2020, the City of Prosser was approved by USDA's Community Facilities Program to receive a loan totaling \$177,000 for the purchase of a Street Sweeper. The amount listed for this loan includes the beginning of the period loan balance. The balance owing at the end of the period is \$137,446.78. also for the purchase of the same Street Sweeper. The current loan is also reported on the City of Prosser Schedule 9: Liabilities.

NOTE 4 - PROGRAM COSTS

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

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.

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