



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Ritzville

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

Published December 12, 2024

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

December 12, 2024

Mayor and City Council
City of Ritzville
Ritzville, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Ritzville'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 Ritzville January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Ritzville 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 identified 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 its major federal program.

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
10.760	Water and Waste Disposal Systems for Rural Communities

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2022-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Ritzville

January 1, 2022 through December 31, 2022

2022-001 **The City's internal controls were inadequate for ensuring accurate financial reporting.**

Background

State and federal agencies, the City Council and the public rely on the information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance the City's financial reporting is reliable and accurate.

The City prepares its financial statements, notes and supplementary schedules in accordance with the cash-basis accounting method prescribed in the *Budgeting, Accounting and Reporting System* (BARS) Manual.

Our audit identified deficiencies in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate significant deficiencies in internal controls as a finding.

Description of Condition

We identified a deficiency in the City's internal controls over financial reporting that represent a significant deficiency.

The City did not have an effective process in place to adequately research accounting requirements over infrequent and complex financial activity, specifically related to the proper classification and reporting of prior period adjustments and federal loan transactions. The City's review of the financial statements, schedules and notes was not effective to identify and correct errors related to these complex transactions.

Cause of Condition

The City uses a financial consultant to review the financial statements. When the City received interim financing for a USDA Rural Development Loan, neither the City nor its consultant knew the correct way to report the Rural Development Loan transactions on the financial statements, Schedule of Liabilities or Schedule of Expenditures of Federal Awards (SEFA). Additionally, the City was unaware of how to record adjustments to cash and investments.

Effect of Condition

The City's financial information contained errors that management did not detect. Specifically, the City:

- Overstated intergovernmental revenues by \$1,236,774 and understated debt proceeds by the same amount
- Did not include liabilities for interim financing for a USDA Rural Development Loan in the Schedule of Liabilities and notes to the financial statements. This resulted in the loan beginning balance being understated by \$621,382, additions by \$1,236,774 and ending balance by \$1,858,156.
- Understated expenditures for ALN 10.760 – Water and Waste Disposal Systems for Rural Communities by \$164,409 and overstated expenditures for ALN 21.027 – COVID-19 Coronavirus State and Local Fiscal Recovery Fund by \$186,718 on the SEFA
- Overstated the beginning cash and investments balance by \$177,383 and understated net adjustments by the same amount

We also identified other immaterial errors in the notes to the financial statements and supplementary schedules. The City subsequently corrected all errors.

Recommendation

We recommend the City:

- Evaluate and strengthen internal controls over its processes for preparing and reviewing the financial statements, notes and supplementary schedules to ensure accurate financial reporting in accordance with the BARS Manual and Uniform Guidance
- Accurately present activity related to federal loans on the financial statements, Schedule of Liabilities and SEFA

City's Response

The misstatements listed in this audit for the USDA Rural Development Loan in the Schedule of Liabilities Schedule 9, Federal SEFA, and the notes to the financial statements began in 2020, when the material amount was \$455,566. There has been one audit since that time where the error was not identified by the State Auditor's office, city's finance consultant or the city Clerk-Treasurer. Since that time, the material amount is now at \$3,465,000 in 2023. Throughout this audit, the city's Clerk-Treasurer received multiple emails from the state auditor's office as they were trying to determine how the USDA Rural Development Loan should be

reported on Schedule 9, SEFA and notes to financials. Since the Clerk-Treasurer was not receiving clear information on how to correct the misstatement, she reached out to the state auditor's office help desk and they provided clear guidance on how to correct the misstatement. The Clerk-Treasurer then updated the schedule 9 for 2020, 2021, 2022, and 2023. This correction was essential in providing the information needed to update the SEFA, and notes to financials. The city staff is now aware of the special reporting requirements related to these unusual transactions.

Auditor's Remarks

It is City management's responsibility to ensure the financial statements, schedules and notes are complete. We reaffirm this finding. We appreciate the City's commitment to resolving this finding and will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provision of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The *Budgeting, Accounting and Reporting System* (BARS) Manual, 3.1.3, Internal Control, required each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

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 Ritzville January 1, 2022 through December 31, 2022

Mayor and City Council
City of Ritzville
Ritzville, 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 Ritzville, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 6, 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. However, we identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001, that we consider to be significant deficiencies.

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*.

CITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 6, 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 Ritzville
January 1, 2022 through December 31, 2022

Mayor and City Council
City of Ritzville
Ritzville, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Ritzville, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

We noted certain other matters that we have reported to the management of the City in a separate letter dated December 6, 2023.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also

serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 6, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Ritzville
Ritzville, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Ritzville, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

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

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Ritzville, and its changes in cash and investments, for the year ended December 31, 2022, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Ritzville, as of December 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

December 6, 2024

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

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

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

		Total for All Funds (Memo Only)	001 Current Expense	103 City Streets	110 Performing Arts/tourism
Beginning Cash and Investments					
308	Beginning Cash and Investments	8,186,538	1,969,200	283,878	90,725
388 / 588	Net Adjustments	(177,383)	4,117	-	-
Revenues					
310	Taxes	1,542,941	1,278,592	98,660	132,500
320	Licenses and Permits	36,075	35,865	210	-
330	Intergovernmental Revenues	1,588,036	340,476	202,875	-
340	Charges for Goods and Services	2,117,854	99,574	-	-
350	Fines and Penalties	25,017	3,813	-	-
360	Miscellaneous Revenues	148,292	53,447	3,223	1,064
Total Revenues:		5,458,215	1,811,767	304,968	133,564
Expenditures					
510	General Government	326,200	326,200	-	-
520	Public Safety	660,666	660,666	-	-
530	Utilities	1,283,357	93,042	-	-
540	Transportation	261,546	1,339	260,207	-
550	Natural/Economic Environment	104,576	92,097	12,479	-
560	Social Services	3,592	3,592	-	-
570	Culture and Recreation	376,246	277,549	-	94,895
Total Expenditures:		3,016,183	1,454,485	272,686	94,895
Excess (Deficiency) Revenues over Expenditures:		2,442,032	357,282	32,282	38,669
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,236,774	-	-	-
397	Transfers-In	156,000	-	150,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	17,870	4,369	147	-
Total Other Increases in Fund Resources:		1,410,644	4,369	150,147	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,758,181	15,474	191,152	-
591-593, 599	Debt Service	429,735	-	-	-
597	Transfers-Out	156,000	156,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	4,651	(563)	-	-
Total Other Decreases in Fund Resources:		2,348,567	170,911	191,152	-
Increase (Decrease) in Cash and Investments:		1,504,109	190,740	(8,723)	38,669
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,235,887	885,318	140,155	129,394
50841	Committed	-	-	-	-
50851	Assigned	6,891,055	892,421	135,000	-
50891	Unassigned	386,312	386,312	-	-
Total Ending Cash and Investments		9,513,254	2,164,051	275,155	129,394

The accompanying notes are an integral part of this statement.

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

		301 Capital Improvement Program	304 Law & Justice Contributions	305 Tree Board	307 Cemetery Reserve
Beginning Cash and Investments					
308	Beginning Cash and Investments	230,459	2,020	4,521	71,619
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	33,189	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	168
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,194	634	-	2,130
Total Revenues:		36,383	634	-	2,298
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	3,802	-
Total Expenditures:		-	-	3,802	-
Excess (Deficiency) Revenues over Expenditures:		36,383	634	(3,802)	2,298
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	5,000	1,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	5,000	1,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
Increase (Decrease) in Cash and Investments:		36,383	634	1,198	3,298
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	266,842	2,654	5,719	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	74,916
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		266,842	2,654	5,719	74,916

The accompanying notes are an integral part of this statement.

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

		401 Water	403 Sanitation	408 Sewer	500 Equipment Rental & Revolving
Beginning Cash and Investments					
308	Beginning Cash and Investments	2,335,599	434,906	1,834,903	928,708
388 / 588	Net Adjustments	-	(9,917)	(171,583)	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	1,044,685	-
340	Charges for Goods and Services	834,165	398,941	633,674	151,332
350	Fines and Penalties	21,204	-	-	-
360	Miscellaneous Revenues	59,831	2,783	11,340	10,646
Total Revenues:		915,200	401,724	1,689,699	161,978
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	494,837	398,213	297,265	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		494,837	398,213	297,265	-
Excess (Deficiency) Revenues over Expenditures:		420,363	3,511	1,392,434	161,978
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,236,774	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	13,182	-	172	-
Total Other Increases in Fund Resources:		1,249,956	-	172	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,399,184	-	111,428	40,943
591-593, 599	Debt Service	230,881	-	198,854	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	1,500	-	3,714	-
Total Other Decreases in Fund Resources:		1,631,565	-	313,996	40,943
Increase (Decrease) in Cash and Investments:		38,754	3,511	1,078,610	121,035
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	128,900	405,938	270,967	-
50841	Committed	-	-	-	-
50851	Assigned	2,245,451	22,560	2,470,963	1,049,744
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		2,374,351	428,498	2,741,930	1,049,744

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	26,467	26,467
388 & 588	Net Adjustments	-	-
310-390	Additions	3,865	3,865
510-590	Deductions	4,417	4,417
	Net Increase (Decrease) in Cash and Investments:	(552)	(552)
508	Ending Cash and Investments	25,915	25,915

The accompanying notes are an integral part of this statement.

City of Ritzville
NOTES TO FINANCIAL STATEMENTS
Year Ending December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ritzville was incorporated in July of 1890 and operates under the laws of the State of Washington applicable to a second-class city with a mayor-council form of government. The City is a general-purpose government and provides general government services for law enforcement, fire protection, land use planning, parks and recreation, cemetery and transportation services associated with streets and roads. In addition, the city provides separate water, sewer, and garbage utility services.

The City of Ritzville 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 for proprietary and fiduciary fund are presented using classifications that are different from the ending net position classifications 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 (Current Expense) Fund 001

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 (100's)

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

Capital Projects Funds (300's)

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 (400's)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds (500's)

These funds account for operations that provide goods or services to other departments or funds of the city on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

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

Custodial Funds

These funds are used to account for assets that the city holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See note 2, 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 1 year or more. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be carried over from one year to the next based on the anniversary date of the employee, any accumulated vacation in excess of the amount earned in a two-year period will be forfeited by the employee. The max amount of vacation is for an employee with 15 years of service or more who is entitled to 21 days of annual leave. Vacation is payable upon separation, retirement, or death for employees with more than one year of service. Sick leave may accumulate up to a maximum of 720 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. Those employees hired before January 1, 1995 receive one half of accumulated sick leave upon resignation, retirement or death. As of December 31, 2020, there is one employee who was hired before 1/1/1995. Any employees hired after 1/1/95 do not receive sick leave payment at the time of retirement or death.

In January of 2001, the city amended its buy-out policy on sick leave for all employees. Sick leave buy-out is offered to all employees once a year to reduce the accumulated sick-leave liability of the city. A minimum of 480 hours will be maintained in the employees' sick leave bank and the employee may request a buy-out that equals one day of regular hourly pay for three days of sick leave (or .334) up to a maximum of 96 hours per year. The Clerk/Treasurer will notify all employees of how many hours from the previous year are eligible to be cashed in and the value of those hours in the first two weeks of January. The employee will tell the Clerk/Treasurer how much of the buy-out they will participate in, if any, by returning the Sick Leave Buy-out Form no later than January 20th. The buy-out if any will be included in the regular January payroll distribution. Payments of compensated absences are recognized as expenditures when paid.

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 ordinance or law. 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 \$2,235,887 as of December 31, 2022 as follows:

	Reserve Balance	Ending Balance	Restricted by
001	Current	\$885,318	By resolution/ordinance for Criminal Justice and Law and Justice Monies, City Beautification funds from Innovia Foundation (family trust), Local Recovery Funds, and Public Safety Tax.
103	Streets	\$140,155	By resolution/ordinance for grant funded projects.
110	Tourism	\$129,394	Hotel/Motel Tax per RCW 67.28
301	Capital Improvement Program	\$266,842	REET per RCW 35.43.40
304	Law and Justice Contributions	\$2,654	By resolution/ordinance for Law and Justice Contributions.
305	Tree Board	\$5,719	By resolution/ordinance for Law and Justice Contributions.
401	Water	\$128,900	By resolution/ordinance for Tree Board activities.
403	Sanitation	\$405,938	By resolution/ordinance for USDA Water Debt Reserve.
408	Sewer	\$270,967	By resolution/ordinance for contractor's bond.
	Grand Totals	\$2,235,887	

NOTE 2 – DEPOSITS AND INVESTMENTS

Investments are reported at fair value. Deposits and investments by type at December 31, 2022 are as follows:

Type of Deposit or Investment	City's Own Deposits and Investments	Deposits and investments held by the City as a custodian for other local governments, individuals or private organizations.	Total
Bank Deposits	\$4,783,659	\$25,915	\$4,809,577
CD: Garbage Contract Bond	\$22,565	\$0	\$22,565
Money Market Accounts	\$1,870,613	\$0	\$1,870,613
Local Government Investment Pool	\$2,836,417	\$0	\$2,836,417
Total	\$9,513,254	\$25,915	\$9,539,169

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

Investments in the State Local Government Investment Pool (LGIP)

The city is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW.

Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

Custodial Credit Risk

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

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

NOTE 3 – BUDGET COMPLIANCE

A. Budget

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 follows:

Fund/Department		Final Appropriation Amounts	Expenditures Budget Basis	Variance
001	Current Expense	\$2,227,735	\$1,625,396	\$602,339
103	Streets	\$522,054	\$463,838	\$58,216
110	Tourism	\$111,527	\$94,895	\$16,632
301	Capital Improvement Program	\$80,000	\$0	\$80,000
304	Law Enforcement Contributions	\$1,500	\$0	\$1,500
305	Tree Board	\$5,000	\$3,802	\$1,198
307	Cemetery Reserve	\$0	\$0	\$0
401	Water	\$4,999,092	\$2,126,402	\$2,872,690
403	Sanitation	\$419,900	\$398,215	\$21,685
408	Sewer	\$1,203,204	\$611,261	\$591,943
500	Equipment Rental	\$487,525	\$40,943	\$446,583
Grand Total		\$10,057,537	\$5,364,750	\$4,692,787

Budget basis differs from expenditures and other decreases in fund resources on the C4 due to certain intra-fund activity as show on the table below.

Fund/Department		C/4	Merge Transfers	Netted Transaction	Expenditures Budget Basis
001	Current Expense	\$1,625,396	\$4,000		\$1,629,396
103	Streets	\$463,838			\$463,838
110	Tourism	\$94,895			\$94,895
301	Capital Improvement Program	\$0			\$0
304	Law Enforcement Contributions	\$0			\$0
305	Tree Board	\$3,802			\$3,802
307	Cemetery Reserve	\$0			\$0
401	Water	\$2,126,402	\$78,750		\$2,205,152
403	Sanitation	\$398,213			\$398,213
408	Sewer	\$611,261	\$270,000		\$881,261
500	Equipment Rental	\$40,943			\$40,943
Grand Total		\$5,364,750	\$352,750	\$0	\$5,717,500

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

There are eleven funds that roll up to the 001 Current Expense fund (002, 003, 004, 006, 007, 105, 106, 112, 120, 121, and 122). There are five funds that roll up to the 401 Water fund (402, 410, 419, and 424). There is one fund that rolls up to 403 fund (404) and lastly, there are two funds that roll up to the 408 Sewer fund (409 and 425).

NOTE 4 – INTERFUND TRANSACTIONS AND TRANSFERS

Transfers in and out of individual funds for the year ended December 31, 2022 are as follows:

Fund	Transfers In	Transfers Out
001 Current Expense		\$156,000
103 Streets	\$150,000	
305 Tree Board	\$5,000	
307 Cemetery Reserve	\$1,000	
Total	\$156,000	\$156,000

Interfund transfers for the Current Expense, water and sewer combined funds have been eliminated. Interfund transfers eliminated for the Current Expense were \$4,000, Water was \$78,750 and Sewer was \$270,000.

Note 5 - PROPERTY TAX

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

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

The city's regular levy for 2022 was \$2.54 per \$1,000 on an assessed valuation of \$137,306,114 for a total regular levy of \$349,424.

NOTE 6 – LONG TERM DEBT

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2022. The debt service requirements for general obligations bonds, revenue bonds and loans, including interest, are as follows:

Year(s)	Principal	Interest	Grand Total
2023	358,324	68,549	426,873
2024	361,679	62,332	424,011
2025	365,100	56,049	421,149
2026	368,590	49,696	418,286
2027	369,325	43,274	412,599
2028-2032	1,693,081	119,649	1,812,730
2033-2037	572,434	17,148	589,581
*Rural Development			1,858,156
Total	4,088,532	416,697	5,936,413

*The Rural Development amortization schedule is not available until completion of project.

NOTE 7 - PENSION PLANS**A. State Sponsored Pension Plans**

Substantially all city full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (LEOFF II, PERS I, or PERS II).

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 obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

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

At June 30, 2022, the city'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	\$15,843	0.002858%	\$71,976
PERS 2/3	\$27,160	0.003381%	\$(125,394)
LEOFF 1	N/A	0.000914%	\$(26,219)
LEOFF 2	\$14,181	0.006850%	\$(186,162)
VFFRPF	\$600	.0032%	\$(89,189)

LEOFF Plan 2

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

NOTE 8 - RISK MANAGEMENT

A. Risk Management

The City of Ritzville 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, 2022, there are 195 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, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of \$50,000,000 with a self-insured retention (SIR) of \$500,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim (can vary by member), while the program is responsible for the \$500,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the \$500,000 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 \$7,110,058, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of \$500,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$500,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence self-insured retention 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, 2022, were \$2,747,183.56.

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

NOTE 9 - OTHER DISCLOSURES

A. FUND REPORTING

Reporting requirements only allow for one general fund and one enterprise fund that represents each of the respective proprietary activities. The city has rolled its various sub-funds into the appropriate fund classification to meet this reporting requirement.

The general fund of the city (Fund 001) consists of the following sub-funds: 002, 003, 004, 006, 007, 105, 106, 112, 120, 121, and 122; the Water Utility consists of fund numbers 401, 402, 410, 419, and 424; and the Sewer Utility consists of fund numbers 408, 409, 423 and 425.

B. COMPENSATED ABSENCES BALANCES

The city's contracted financial advisor, who reviews the annual report each year, noted in her review the compensated balances should only include vacation time and the one employee who is eligible for sick leave pay out, based on hire date as per the personnel policies. Due to this error, the 2021 ending compensated balances of \$103,059 will not be the beginning balance for 2022. The corrected beginning balance is now \$111,501 due to this correction.

C. RECONCILIATION OF BEGINNING CASH

Reported 2022 beginning cash is lower than reported 2021 ending cash by \$177,329. This was due to three adjustments. For fund 408 Sewer and 403 Sanitation we made a correction in the amount of \$171,529 and \$9,917 for checks that were issued and cashed in 2021 but not reported as expenditures in 2021. For Fund 001 General Fund we made a correction in the amount of \$4,117 for software conversion adjustment.

D. LIABILITIES

The schedule of liabilities did not include the Rural Development Loan Line of Credit (ID No. 263.92) for years 2020, 2021, and 2022. The corrected schedule of liabilities is included in the attachments and the corrected ending balance of \$1,858,156 is shown on the 2022 schedule of liabilities. This error is due to the confusion of the USDA Rural Development grant and loan process where there is an interim financier that holds the loan amount, and the city submits project reimbursements to the interim financier until that loan portion is complete. The loan is then paid by USDA Rural Development and an amortization schedule is then provided at that time. The interim financing/revolving loan portion began in 2020, and the loan portion was paid in December of 2023.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.83	2008 DOE Loan	5/30/2027	29,723	-	5,224	24,499
263.83	2012 DOE Loan	9/30/2027	1,742,488	-	159,001	1,583,487
263.83	DWSRF Loan#031	10/1/2035	1,081,335	-	77,238	1,004,097
263.83	DWSRF Loan#32	10/1/2035	1,590,022	-	113,573	1,476,449
263.94	Rural Development Loan	12/6/2023	621,382	1,236,774	-	1,858,156
Total General Obligation Debt/Liabilities:			5,064,950	1,236,774	355,036	5,946,688
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		111,501	32,216	23,529	120,188
264.30	Pension Liabilities		35,147	36,829	-	71,976
Total Revenue and Other (non G.O.) Debt/Liabilities:			146,648	69,045	23,529	192,164
Total Liabilities:			5,211,598	1,305,819	378,565	6,138,852

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

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760		-	1,399,184	1,399,184	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Office of Financial Management)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	15050271	44,362	-	44,362	-	
Total Federal Awards Expended:				44,362	1,399,184	1,443,546	-	

The accompanying notes are an integral part of this schedule.

CITY OF RITZVILLE

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

Note 1 – Basis of Accounting

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

Note 2 – Federal Indirect Cost Rate

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

Note 3 – Federal Loans

The City was approved by the USDA Rural Utilities Service to receive a loan totaling \$3,497,000.00 for phase two water system improvements. The amount listed for this loan includes the proceeds used during the year as well as proceeds used in a previous year. Interim loan financing was received for the construction period. The remaining funds in 2022, totaling \$1,431,184.00 were dispersed by working directly with USDA. Proceeds used in 2022 include \$3,465,000 of Cashmere Bank Interim Funding Interest that was paid directly to Cashmere Bank from USDA by EFT, when the interim financing was paid off and the bond was issued in December 2023. The amount listed for this loan includes the proceeds used during the year.

Both the current and prior year loans are reported on the city's Schedule of 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's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

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

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: 2022-001	Finding caption: The City's internal controls were inadequate for ensuring accurate financial reporting.
Name, address, and telephone of District contact person: Julie Flyckt, Clerk/Treasurer (509) 659-1930 216 E Main Ave Ritzville, WA	
Corrective action the auditee plans to take in response to the finding: <i>(If the auditee does not concur with the finding, the auditee must list the reasons for disagreement).</i> <i>The city is now aware of how to report the USDA RD loan on Schedule 9, SEFA, and Notes to Financial. The future annual reports will be reviewed by the city's finance consultant to ensure it is reported correctly.</i> <i>The city's Clerk-Treasurer attends all training provided by the State Auditor Office each year and we would suggest the training provides specific guidance on how to report federal loans.</i>	
Anticipated date to complete the corrective action: 12/31/2025.	

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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.

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