



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Selah

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

Published March 20, 2025

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

March 20, 2025

Mayor and City Council
City of Selah
Selah, Washington

Report on Financial Statements and Federal Single Audit

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Selah 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 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>
20.205	Highway Planning and Construction

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 2023-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

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

2023-001 The City did not have adequate internal controls ensuring accurate reporting of its financial statements.

Background

State and federal agencies, City management 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 its financial reporting is reliable and the financial statements, schedules and notes to the financial statements are accurate.

The City prepares its financial statements in accordance with the cash-basis accounting method prescribed in the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) Manual.

Our audit found 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 material weaknesses as a finding.

Description of Condition

The City did not perform a detailed review of the financial statements, notes and schedules to ensure amounts it reported were in accordance with the BARS Manual. Specifically, the City did not ensure it eliminated interfund transactions on the final financial statements, did not perform an analysis of ending fund classification, and did not ensure its loan balances were accurate on its Schedule of Liabilities.

Cause of Condition

The City experienced turnover in the Finance Director position, Payroll and Utility clerk. Additionally, the city underwent a general ledger software system conversion. The new Finance Director was covering for multiple responsibilities, as a result, the City was unable to dedicate sufficient time and resources to ensure accurate financial reports. Further, the City does not have experienced staff to implement a thorough and meaningful secondary review of the financial statements.

Effect of Condition

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

- Overreported transfers-in and transfers-out by \$2,619,400
- Incorrectly classified restricted cash and investments as assigned. As a result, the City underreported restricted cash and investments by \$2,716,196 and overreported assigned balance by the same amount in the fire control fund.
- Incorrectly classified U.S. Department of Agriculture loan additions as the beginning balance on the Schedule of Liabilities. As a result, the City overreported beginning balance by \$2,111,000 and underreported additions by the same amount.
- Underreported the water service loan additions by \$621,194 on the Schedule of Liabilities

The City corrected the material errors on the financial statements.

We also identified other immaterial errors on the statements, notes and schedules that we communicated to management during the audit.

Recommendation

We recommend the City establish and follow effective internal controls over financial statement preparation. This should include an independent secondary review from a staff member familiar with applicable reporting requirements.

City's Response

The City has completed all significant corrections to the annual report per the Auditors' requests. The City has retained a forensic accountant with the new financial software which will provide sufficient audit of the City's financials and the proper security and audit of transactions through the new software. The City's Finance Director will be meeting monthly with the City Council Finance Committee. Due to the lack of proper documentation in reporting the 2023 financials, the new Finance Director rebuilt reporting year 2023 in the system conversion to try and report accurately. Due to the unforeseen absence of employees and the training of new employees, the inaccurate transactions from the old software, the conversion took longer than expected. Going forward the City will be able to report in a timely and accurate manner in the future. The City's Finance Director is also implementing financial controls over the cash and fund accounting.

Interfund transfers for the General Fund have been eliminated, the administration will organize the separate funds back under the General Fund and have sub-funds that will assist with the roll up for General Fund and for proper future reporting budgeting purposes. Thank you to the State Auditor's Office for understanding the conversion process and delays. Financial conversions take time and expose deficiencies in processes and controls that need to be changed and rectified. The City recognizes that there are changes that need to be made and implemented and will strive for accuracy and more detailed information for future reporting.

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the City's corrective action during our next 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 provisions 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.

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.

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

The Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.8, Beginning and Ending Cash and Investment Classification.

The Budgeting, Accounting and Reporting System (BARS) Manual, 4.14.13, Liabilities (Schedule 09).

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS****City of Selah****January 1, 2023 through December 31, 2023**

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

Audit Period: January 1, 2022 through December 31, 2022	Report Ref. No.: 1033876	Finding Ref. No.: 2022-001	Assistance Listing Number(s): 2.027
Federal Program Name and Granting Agency: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds; U.S. Department of the Treasury		Pass-Through Agency Name: Washington State Department of Commerce	
Finding Caption: The City's internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment.			
Background: The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. In 2022, the City spent \$1,043,933 in program funds for the provision of government services and investments in sewer infrastructure. The City received \$111,174 of these funds directly from U.S. Department of the Treasury. Our audit found the City's internal controls were inadequate for ensuring staff verified the suspension and debarment status of contractors for purchases exceeding \$25,000, paid all or in part with federal funds. Specifically, the City did not verify that one contractor was not suspended or debarred from participating in federal programs before paying them \$107,174 in 2022.			
Status of Corrective Action: (check one) <div><input checked="checked" type="checkbox"/> Fully Corrected</div> <div><input type="checkbox"/> Partially Corrected</div> <div><input type="checkbox"/> Not Corrected</div> <div><input type="checkbox"/> Finding is considered no longer valid</div>			
Corrective Action Taken: <i>The City of Selah has implemented a checklist to ensure compliance with federal requirements for suspension and debarment.</i>			

INDEPENDENT AUDITOR'S REPORT

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

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

Mayor and City Council
City of Selah
Selah, 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 Selah, 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 March 11, 2025.

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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, 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*. However, we noted certain matters that we have reported to the management of the City in a separate letter dated March 11, 2025.

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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 11, 2025

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 Selah
January 1, 2023 through December 31, 2023

Mayor and City Council
City of Selah
Selah, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Selah, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

Other Matters

We noted certain matters related to compliance that we have reported to the management of the City in a separate letter dated March 11, 2025.

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 March 11, 2025.

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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 11, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Selah
Selah, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Selah, 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 Selah, 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 Selah, as of December 31, 2023, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2025 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.

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Pat McCarthy, State Auditor

Olympia, WA

March 11, 2025

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023
Notes to the 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 Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		Total for All Funds (Memo Only)	001 General Fund	103 Fire Control	110 City Street
Beginning Cash and Investments					
308	Beginning Cash and Investments	18,865,014	5,167,232	2,848,183	347,174
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	7,107,545	5,164,909	870,298	306,116
320	Licenses and Permits	163,487	163,487	-	-
330	Intergovernmental Revenues	3,028,592	207,222	19,194	150,710
340	Charges for Goods and Services	8,270,490	315,780	1,637,144	-
350	Fines and Penalties	69,110	68,907	-	-
360	Miscellaneous Revenues	939,938	421,202	58,734	9,977
Total Revenues:		19,579,162	6,341,507	2,585,370	466,803
Expenditures					
510	General Government	1,027,488	1,027,488	-	-
520	Public Safety	5,080,994	3,061,947	2,019,047	-
530	Utilities	5,402,820	-	-	-
540	Transportation	1,010,384	-	-	535,609
550	Natural/Economic Environment	556,480	556,480	-	-
560	Social Services	906	906	-	-
570	Culture and Recreation	974,910	974,910	-	-
Total Expenditures:		14,053,982	5,621,731	2,019,047	535,609
Excess (Deficiency) Revenues over Expenditures:		5,525,180	719,776	566,323	(68,806)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	3,213,061	-	-	-
397	Transfers-In	1,685,579	416,304	984	143,290
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	549,720	467,742	-	-
Total Other Increases in Fund Resources:		5,448,360	884,046	984	143,290
Other Decreases in Fund Resources					
594-595	Capital Expenditures	6,668,391	957,340	16,895	58,649
591-593, 599	Debt Service	2,598,196	-	-	-
597	Transfers-Out	1,688,810	512,040	-	58,100
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	190,334	190,334	-	-
Total Other Decreases in Fund Resources:		11,145,731	1,659,714	16,895	116,749
Increase (Decrease) in Cash and Investments:		(172,191)	(55,892)	550,412	(42,265)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	7,180,250	1,416,659	3,306,367	-
50841	Committed	-	-	-	-
50851	Assigned	7,817,884	-	92,228	304,912
50891	Unassigned	3,694,681	3,694,681	-	-
Total Ending Cash and Investments		18,692,815	5,111,340	3,398,595	304,912

The accompanying notes are an integral part of this statement.

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

		111 Street Improvement	113 Paths & Trails	115 Local Access Street Improv.	119 Transit
Beginning Cash and Investments					
308	Beginning Cash and Investments	115,880	4,212	197,857	639,431
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	686,658
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,539,771	-	-	3,523
340	Charges for Goods and Services	-	-	-	2,186
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	45	5	26,501	9,770
Total Revenues:		2,539,816	5	26,501	702,137
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	474,775
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	474,775
Excess (Deficiency) Revenues over Expenditures:		2,539,816	5	26,501	227,362
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	389,826	-	80,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		389,826	-	80,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,909,736	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	110,634	314,192
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,909,736	-	110,634	314,192
Increase (Decrease) in Cash and Investments:		19,906	5	(4,133)	(86,830)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	135,783	4,218	193,724	552,602
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		135,783	4,218	193,724	552,602

The accompanying notes are an integral part of this statement.

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

		171 Public Works Equipment	180 Drugs & Alcohol Community	181 Crime Prevention Accum. Res.	301 Capital Improvement
Beginning Cash and Investments					
308	Beginning Cash and Investments	600,821	4,429	3,490	888,632
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	79,564
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	103	100	-
360	Miscellaneous Revenues	2,535	50	22	12,359
Total Revenues:		2,535	153	122	91,923
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:		2,535	153	122	91,923
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	88,100	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		88,100	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	109,309	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		109,309	-	-	-
Increase (Decrease) in Cash and Investments:		(18,674)	153	122	91,923
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	582,148	4,582	3,612	980,555
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		582,148	4,582	3,612	980,555

The accompanying notes are an integral part of this statement.

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

		308 Civic Center Capital Project	310 CE Building/Proper ty Reserve	411 Water	415 Sewer
Beginning Cash and Investments					
308	Beginning Cash and Investments	13,088	1,103,899	4,387,406	2,300,038
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	108,172
340	Charges for Goods and Services	-	-	2,393,440	2,683,110
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	230	17,610	107,620	271,729
Total Revenues:		230	17,610	2,501,060	3,063,011
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	1,655,480	2,411,402
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	1,655,480	2,411,402
Excess (Deficiency) Revenues over Expenditures:		230	17,610	845,580	651,609
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	621,195	2,591,866
397	Transfers-In	-	-	35,145	531,930
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	81,978	-
Total Other Increases in Fund Resources:		-	-	738,318	3,123,796
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	840,270	1,885,501
591-593, 599	Debt Service	-	-	328,721	2,269,475
597	Transfers-Out	3,231	1,716	65,000	479,588
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,231	1,716	1,233,991	4,634,564
Increase (Decrease) in Cash and Investments:		(3,001)	15,894	349,907	(859,159)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	10,087	1,119,792	4,737,310	1,440,872
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		10,087	1,119,792	4,737,310	1,440,872

The accompanying notes are an integral part of this statement.

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

		<u>420 Solid Waste</u>
Beginning Cash and Investments		
308	Beginning Cash and Investments	243,242
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	1,238,830
350	Fines and Penalties	-
360	Miscellaneous Revenues	1,549
Total Revenues:		<u>1,240,379</u>
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	1,335,938
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>1,335,938</u>
Excess (Deficiency) Revenues over Expenditures:		<u>(95,559)</u>
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<u>-</u>
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	35,000
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<u>35,000</u>
Increase (Decrease) in Cash and Investments:		<u>(130,559)</u>
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	112,683
50891	Unassigned	-
Total Ending Cash and Investments		<u>112,683</u>

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	18,786
388 & 588	Net Adjustments	-
310-390	Additions	299,331
510-590	Deductions	316,019
	Net Increase (Decrease) in Cash and Investments:	(16,688)
508	Ending Cash and Investments	2,099

The accompanying notes are an integral part of this statement.

City of Selah
Notes to the Financial Statements
For the year ended December 31, 2023

Note 1 - Summary of Significant Accounting Policies

The City of Selah was incorporated on March 17, 1919 and operates under the laws of the state of Washington applicable to a non-charter code city. The city is a general-purpose local government and provides Public Safety, Solid Waste Disposal, Fire Protection & EMS Services, Street Maintenance & Improvement, Parks & Recreation, Municipal Court and General Administrative Services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- 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 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 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.

City of Selah
Notes to the Financial Statements
For the year ended December 31, 2023

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.

FIDUCIARY FUND TYPES:

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

Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the town 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 long-lived assets of the city and are recorded as expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Sick leave accrued after January 1, 2000 will be accounted for such that employees may, upon retirement (which shall be defined as immediately receiving PERS or LEOFF payments), exercise an option to convert any of this unused sick leave at a rate equal to one (1) full day of the employee's monetary compensation for each four (4) full days accrued sick leave up to a maximum of 180 days converted to a maximum of 45 days' pay.

City of Selah
Notes to the Financial Statements
For the year ended December 31, 2023

Upon separation or retirement employees do not receive payment for unused sick leave. Total value of compensated absences as reported on Schedule 9 as of December 31, 2023 is \$594,897.

F. Long-Term Debt

See Note 5 – *Long-Term*

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City of Selah's legislative body by ordinance. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined
General Fund	1,416,659		1,350,000
Fire Control	3,306,367	92,228	3,398,595
Street Improvement	135,783		135,783
Paths & Trails	4,217		4,217
Local Access Street Improvements	193,724		168,223
Transit	552,602		552,602
Public Works Equipment Reserve	582,148		582,148
Drugs & Alcohol Community Res	4,582		4,582
Crime Prevention Accum Res	3,612		3,611
Capital Improvements	980,555		980,555
<i>Totals</i>	7,180,249	92,228	7,272,478

Note 2 - Budget Compliance

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level except the general (current expense) fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets were as follows:

City of Selah
Notes to the Financial Statements
For the year ended December 31, 2023

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 General Fund			
Legislative	60,225	59,090	1,135
Judicial	170,648	172,933	(2,285)
Executive	239,385	216,177	23,208
Financial/Recording/Elections	197,792	204,311	(6,519)
Legal Services	401,756	318,254	83,502
Centralized Services	48,373	55,972	(7,599)
Law Enforcement	3,032,924	2,913,487	119,437
Detention/Corrections	137,571	143,151	(5,580)
Emergency Disaster Services	5,368	5,308	60
Conservation	3,294	3,294	0
Environmental Services	65,702	64,099	1,603
Planning & Community Development	430,923	418,735	12,188
Substance Abuse	2,000	906	1,094
Education & Recreation	255,336	194,386	60,950
Park Facilities	642,071	573,021	69,050
Transfers	1,532,094	1,247,257	284,837
Capital Expenditures	2,305,398	940,369	1,365,029
Total General Fund	9,530,860	7,530,752	2,000,108
103 Fire Control	5,004,700	2,006,131	2,998,569
110 City Street	1,319,029	652,355	666,674
111 Street Improvement	3,456,654	2,909,738	546,916
113 Paths & Trails	4,762	0	4,762
115 Local Access Street Improv.	278,857	110,634	168,223
118 Civic Center	252,551	227,475	25,076
119 - Transit	1,329,231	788,967	540,264
121 Tourism	104,559	86,333	18,226
140 Contingency Reserve	1,782,300	263,601	1,518,699
150 Fire Equipment Reserve	709,459	16,894	692,565
153 EMS Equipment Reserve	27,150	0	27,150
170 Current Expense Equipment Reserve	812,979	151,859	661,120
171 - Public Works Equipment Reserve	690,921	109,309	581,612
180 Drug & Alcohol Community Reserve	4,610	0	4,610
181 Crime Prevention Reserve	3,688	0	3,688
301 Capital Improvements	1,064,121	0	1,064,121
303 Fire Control Building Reserve	65,518	0	65,518
308 Civic Center Capital Project	13,188	3,231	9,957
310 CE Building/Property Reserve	1,105,000	1,716	1,103,284
411 - Water	5,014,571	2,393,472	2,621,099
415 - Sewer	7,929,498	6,938,016	991,482
420 - Solid Waste	1,476,277	1,370,937	105,340
461 Water Reserve	3,577,170	173,364	3,403,806
465 Sewer Reserve	2,205,696	1,315,448	890,248

City of Selah
Notes to the Financial Statements
For the year ended December 31, 2023

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

Note 3 – Deposits and Investments

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

Type of Deposit or Investment	City of Selah's own deposits & investments	Deposits & investments held by the City of Selah as custodian for other local governments, individuals, or private organizations.	Combined
Bank Deposits	(223,968)	2,099	(221,869)
Local Government Investment Pool	7,511,499		7,511,499
Money Market Account	3,384,053		3,384,053
Certificate of Deposit	2,000,000		2,000,000
FHLB/Government Obligations	6,022,349		6,022,349
<i>Totals</i>	18,693,933	2,099	18,696,032

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.

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

Note 4 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Long-Term Liabilities provides more details of the outstanding debt and liabilities of the town and summarizes the town's debt transactions for year ended December 31, 2023.

City of Selah
Notes to the Financial Statements
For the year ended December 31, 2023

The debt service requirements for future payment requirement, including interest, are as follows:

Year	Principal	Interest	Total Debt Service
2024	370,089	45,697	415,786
2025	348,585	65,309	413,894
2026	347,892	58,878	406,770
2027	209,938	55,151	265,089
2028	210,534	52,349	262,883
2029-2033	1,063,795	217,517	1,281,312
2034-2038	600,860	148,951	749,811
2039-2043	250,815	118,400	369,215
2044-2048	273,505	95,710	369,215
2049-2053	298,361	70,854	369,215
2054-2058	325,409	43,806	369,215
2059-2063	354,910	14,305	369,215
<i>Totals</i>	4,654,693	986,927	5,641,620

Note 5 – Other Postemployment Benefits (OPEB Plans)

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the town. 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 one member, all retirees. As of December 31, 2023, the town's total OPEB liability was \$57,077, as calculated using the alternative measurement method. For the year ended December 31, 2023, the town paid \$22,728 in benefits.

Plan Name	Plan Administrator	Type (DBP or DCP)	Plan Description	# of Active Employees	# of Retired Employees	Employer Contribution
Regence	Washington Teamsters Welfare Trust	DBP	Medical	69	1	1147691
Delta Dental	Washington Teamsters Welfare Trust	DCP	Dental	69		99774
VSP	Washington Teamsters Welfare Trust	DCP	Vision	75		15390
Disability	Trusteed Service Plan	DBP	Disability	17		0
Life Insurance	Principal Life Insurance	DCP	Life Insurance	12		3600
Life Insurance	Washington Teamsters Welfare Trust	DCP	Life Insurance	17		708
					Total	1267163

Note 6 – Pension Plans

A. State Sponsored Pension Plans

City of Selah
Notes to the Financial Statements
For the year ended December 31, 2023

Substantially all the town'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 (list only applicable plans).

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 town 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.

As of June 30, 2023, the town's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	120445.81	0.01767500%	2,282,732,000	403,473	
PERS 2/3	200601.65	0.02281600%	(4,098,683,000)		(935,156)
LEOFF 1		0.00182200%	(2,968,024,000)		(54,077)
LEOFF 2	117761.51	0.05217200%	(2,398,598,000)		(1,251,397)
VFFRPF	840	0.048000%			(96,136)
		<i>Totals</i>		\$ 403,473	\$ (2,336,765)

LEOFF Plan 1

The town 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.

City of Selah
Notes to the Financial Statements
For the year ended December 31, 2023

LEOFF Plan 2

The town 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 7 - Property Tax

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

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

The city's regular levy for the year 2023 was \$2.19 per \$1,000 on an assessed valuation of \$1,059,536,093 for a total regular levy of \$2,322,243.

Note 8 – Risk Management

The City is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 166 members.

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

Liability coverage is written on an occurrence basis, without deductibles other than Property which is \$ 25,000 and Auto is \$ 5,000. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimit. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$ 1 million and subject to member deductibles, sublimit, and a \$ 5 million pool aggregate. Premises pollution liability provides Members with a \$ 2 million incident limit and \$ 10 million pool aggregate subject to a \$ 100,000 per incident Member deductible.

City of Selah
Notes to the Financial Statements
For the year ended December 31, 2023

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimit. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimit.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.56	Police Dept Building Lease		120,000	-	60,000	60,000
263.81	USDA Interim Loan	4/25/2023	1,630,134	480,866	2,111,000	-
263.81	USDA Loan	4/25/2063	-	2,111,000	-	2,111,000
Total General Obligation Debt/Liabilities:			1,750,134	2,591,866	2,171,000	2,171,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		296,660	298,237	-	594,897
264.30	Net Pension Liability		421,163	-	17,690	403,473
264.40	OPEB Liabilities		1,023,155	491,957	-	1,515,112
263.84	2016 WA State Energy Loan	12/1/2025	156,591	-	50,535	106,056
263.84	9/15/2006 2005 DWSRF Loan	10/1/2026	337,238	-	84,310	252,928
263.84	3/20/2013 DWSRF DM12-952-093	10/1/2034	845,238	-	70,436	774,802
263.84	9/24/2014 DWSRF DM13-952-130	10/1/2036	500,380	-	35,741	464,639
263.84	10/3/2016 DWSRF DM16-952-030	10/1/2036	901,748	-	64,410	837,338
263.88	7/14/2003 PWTF Loan	6/1/2023	68,297	-	68,297	-
263.88	11/1/21 Water Service Meter PC22-96103-046	6/1/2046	313,279	621,194	38,552	895,921
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,863,749	1,411,388	429,971	5,845,166

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
		Total Liabilities:	6,613,883	4,003,254	2,600,971	8,016,166

City of Selah
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		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	(STPUS-HIPUS -4709(001))	1,835,473	-	1,835,473	-	1,2,3
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	37,241	37,241	-	1,2,3
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	634,076	634,076	-	1,2,3
Total ALN 21.027:				-	671,317	671,317	-	
Total Federal Awards Expended:				1,835,473	671,317	2,506,790	-	

The accompanying notes are an integral part of this schedule.

CITY OF SELAH

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

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

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

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- 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, may be 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.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Selah

January 1, 2023 through December 31, 2023

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

Finding ref number: 2023-001	Finding caption: The City did not have adequate internal controls ensuring accurate reporting of its financial statements.
Name, address, and telephone of City contact person: Kimberly Grimm, Finance Director; 115 W Naches, Selah, WA 98942; (509) 698-7334	
Corrective action the auditee plans to take in response to the finding: <i>The City has completed all significant corrections to the annual report per the Auditors' requests. The City has retained a forensic accountant with the new financial software which will provide sufficient audit of the City's financials and the proper security and audit of transactions through the new software. The City's Finance Director will be meeting monthly with the City Council Finance Committee. Due to the lack of proper documentation in reporting the 2023 financials, the new Finance Director rebuilt reporting year 2023 in the system conversion to try and report accurately. Due to the unforeseen absence of employees and the training of new employees, the inaccurate transactions from the old software, the conversion took longer than expected. Going forward the City will be able to report in a timely and accurate manner in the future. The City's Finance Director is also implementing financial controls over the cash and fund accounting. Interfund transfers for the General Fund have been eliminated, the administration will organize the separate funds back under the General Fund and have sub-funds that will assist with the roll up for General Fund and for proper future reporting budgeting purposes. Thank you to the State Auditor's Office for understanding the conversion process and delays. Financial conversions take time and expose deficiencies in processes and controls that need to be changed and rectified. The City recognizes that there are changes that need to be made and implemented and will strive for accuracy and more detailed information for future reporting.</i>	
Anticipated date to complete the corrective action: 12/31/2024	

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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