

H-23-029 Contact Information

Hotline ID: H-23-029
Date of Submission: 1/24/2023
Submission Method: Web
Submission Type: Citizen
Staff:
Author (Last, First): schons , joe
Address: PO Box 633
City: Naches
State: WA
Zip: 98937
Home Phone: 15099418189
Work Phone:
Mobile Phone: 15099418189
Email: solutions39@msn.com
Can Contact: #CanContact#
Contact Preference: Mobile Phone
Email
Anonymous: #Anonymous#
Waived
Confidentiality: Yes

H-23-029 Details Information

What state or local organization is involved?

Please identify the specific concerns you are hoping the audit will address.

As of January 24 2023 the city of mabton does not have a city clerk or treasurer.

Please provide a detailed description of the assertion or outstanding achievement, including who, when, where, what, how and how much.

Without a clerk or treasurer how will funds received and payable be processed? How will a two signature paycheck be processed?

How did this issue come to your attention?

About 4 weeks ago city of mabton customer service rep contacted me about my pending request for public documents. She mention the financial records will take some time as the treasurer (Josh) was on leave. About a week ago I did a followup call and asked about the record request. She stated the treasurer no longer worked for the city and the city clerk was also no longer employed.This was about 01/17/23.

What employee(s), contractors, etc., were involved in the assertion or achievement?

Please include employee titles if possible.

Joshua Roberson-treasurer, Sylvia-city clerk, Racell Ruelas-city mayor

Please provide the names of any witnesses to the assertion or achievement, if possible.

Michelle-customer service

Please provide any additional details or comments that would help us understand your assertion or achievement.

H-23-029 Referral Information

Hotline ID: H-23-029
Date of Submission: 1/24/2023
Entity Type: Local
Entity Category Type: City/Town
Entity: Mabton, City of
Sub Entity Name:
Category: Accounting/Financial Reporting
1-2 sentence description of concern: As of January 24 2023 the city of mabton does not have a city clerk or treasurer.
Report Issued: No
Reporting Type: Hotline Letter
Report Number:
Investigation Contracted: No
Contract Number:
Contract Name:
Billing Time Code:
Costs:
Public Records Request: No
Flag for Annual Report: No
Substantiated: No
ARRA: No
Action: Referred to Audit Team - Consider Next Audit
Audit Team: Yakima
Audit Team Contact: stranda@sao.wa.gov
cc: #CC1#
cc: #CC2#
cc: #CC3#
cc: #CC4#
Referral Date: 1/24/2023
Action Taken: No
Response Date:
Report Date:
Follow Up Date:
Date Closed: 5/16/2025

H-23-029 Activity Log

05/16/2025

Referral updated by 'JEANA Gillis (gillisj)'.

05/15/2025

We issued a recommendation over cash receipting and billing in regards to the citizen's concern; however, we did not identify a concern with the mayor's pay. See supporting documents tab. We contacted the citizen and provided a link to our audit report for the recommendation. This can be closed. --bungera

12/02/2024

Citizen emailed Mabton budget with concerns. Added email to FAWF and sent to AIC and Manager since we are in the middle of the audit. --bungera

09/12/2024

Last contact citizen emailed 9/12/24 with OPMA concerns. See H-23-302 for updates. --bungera

05/10/2024

Citizen emailed in March 2024 for concerns on OPMA. Attached email to FAWF. --bungera

12/27/2023

The citizen contacted our office of another complaint regarding the increase in the Mayors stipend in April from \$700 to \$1,700 a month. At the Tuesday night meeting the attorney mentioned there was an oversight in how the April increase was made and that it should have been done differently. --stephanie950

12/05/2023

Citizen called about another complaint. He has a Facebook page focusing on water quality and received a message from a citizen saying the utility bills are being sent so late they are getting them on the due date and then getting assessed a late fee. This was discussed during a town council meeting and the city says they aren't doing anything wrong, so they aren't going to do anything about it. After he mentioned the issue on his page other citizens are saying this is a continued problem that they send them too late and many citizens aren't getting their bill until the due date or later and citizens believe they shouldn't be issued late fees if it isn't their fault. --bungera

01/24/2023

Referral updated by 'JEANA Gillis (gillisj)'.

01/24/2023

Task assigned to 'stranda@sao.wa.gov'. Team notification email sent to: stranda@sao.wa.gov, bungera@sao.wa.gov

01/24/2023

Referral updated by 'JEANA Gillis (gillisj)'. Action changed from (not set) to Referred to Audit Team - Consider Next Audit.

01/24/2023

I spoke to the citizen and he is concerned about cash receipting and payroll as well since there are limited number of employees how are things being deposited timely and

how are employees being paid following policies. We will leave this open for follow up on our next accountability audit. --bungera



Office of the Washington State Auditor

Pat McCarthy

Exit Conference: City of Mabton

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Accountability audit for January 1, 2021 through December 31, 2023 – see draft report.
- Financial statement audit for January 1, 2021 through December 31, 2021– see draft report.

Audit Highlights

- We appreciate Sophia Martin's prompt response to our requests for concluding the audit.
- We appreciate the City's dedication to continuous improvement.

Recommendations not included in the Audit Reports

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or noncompliance with laws or regulations that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Status of Prior Management Letter items

Brief Description	Resolved	Unresolved
Disbursements – purchase cards		X

Financial Statement Audit Communication

We would like to bring the following to your attention:

- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements. However, the conditions that led to these misstatements may result in more significant misstatements if not corrected.
- The audit addressed the following risks, which required special consideration:

- Due to the possibility that management may be able to circumvent certain controls, standards require the auditor to assess the risk of management override.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via email in a .pdf file. We also offer a subscription service that notifies you by email when audit reports are released or posted to our website. You can sign up for this convenient service at <https://portal.sao.wa.gov/SAOPortal>.

Management Representation Letter

We have included a copy of representations requested of management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be \$37,040 and actual audit costs will approximately amount to \$44,000 due to additional work necessary to address audit issues identified.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in fall 2025 and will cover the following general areas:

- Financial statement for fiscal year 2022 and 2023

The estimated cost for the next audit based on current rates is \$12,660 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

If expenditures of federal awards are \$750,000 or more in any fiscal year, notify our Office so we can schedule your audit to meet federal Single Audit requirements. Federal awards can include grants, loans, and non-cash assistance like equipment and supplies.

Working Together to Improve Government

Audit Survey

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally, this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation at the Office of the Washington State Auditor offers services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean process improvement, peer-to-peer networking, and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by

providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

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Ann Strand, Assistant Director of Local Audit, (509) 454-7849, Ann.Strand@sao.wa.gov

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Justin Mills, Audit Lead, (509) 517-5628, Justin.Mills@sao.wa.gov



Office of the Washington State Auditor
Pat McCarthy

Preliminary Draft - Please do not duplicate, distribute, or disclose.

Accountability Audit Report

City of Mabton

For the period January 1, 2021 through December 31, 2023

Published (Inserted by OS)

Report No. (Inserted by OS)



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Office of the Washington State Auditor Pat McCarthy

Issue Date – (Inserted by OS)

Mayor and City Council
City of Mabton
Mabton, Washington

Report on Accountability

The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. This report highlights significant risks presented by the City's lack of appropriate financial safeguards. The risks we identified have been realized to the City's financial loss, as detailed in the separate fraud report.

We appreciate your cooperation during this audit, which includes several recommendations to prevent further losses. I strongly encourage you to follow those recommendations and to diligently work to meet the expectations of state law, the Washington public, and your own community.

Sincerely,

Signature Here (Please do not remove this line)

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

REMINDER: Right click “No table of content entries found” below | click “Update Field” -- Do NOT edit the TOC, which will be updated by OS during report processing. If changes are needed, please use the comment field in the Audit Review Library.

Audit Results..... 4

Schedule of Audit Findings and Responses..... 6

Related Reports..... 19

Information about the City..... 20

About the State Auditor's Office..... 21

AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, City operations did not comply, in all material respects, with applicable state laws, regulations, or its own policies. Additionally, the City did not provide adequate controls over safeguarding of public resources in most of the areas we examined.

As referenced above, we identified areas where the City could make improvements. These recommendations are included with our report as findings.

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the City of Mabton from January 1, 2021 through December 31, 2023.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2023, 2022 and 2021, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Annual report filing – timeliness and completeness
- Budget compliance
- Cash receipting – timeliness and completeness of deposits, voids and adjustments at City Hall
- Tracking and monitoring theft sensitive assets such as fuel

- Accounts payable – general disbursements, credit cards and electronic funds transfers
- Accounts receivable – billing and adjustments of utilities
- Payroll – gross wages and electronic funds transfers
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Mabton January 1, 2021 through December 31, 2023

2023-001 The City lacked adequate internal controls over cash receipting and utility billings to safeguard public resources, resulting in a loss of public funds.

Background

The City of Mabton serves about 1,965 residents in Yakima County. A citizen-elected, five-member Council and a Mayor govern the City, which operates on a budget of approximately \$5 million annually and provides services including police, water, sewer and solid waste.

The *Budgeting, Accounting and Reporting System* (BARS) Manual requires governments to develop internal controls that adequately safeguard public resources. As such, management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance that it properly receipts and deposits all funds collected and that utility billings are properly calculated. Additionally, state law (RCW 43.09.240) requires funds to be deposited to the treasurer of the local government within 24 hours of receipt.

Description of Condition

The City’s design and application of internal control processes over cash receipting and billings processes were insufficient and did not adequately safeguard payments it received. As a result of these deficiencies, the City did not ensure the accounting and financial records were an accurate representation of its activity. In addition, it did not ensure it collected, accounted for and deposited all money intact nor verify it billed customers properly. Specifically, we identified the following control deficiencies:

Cash receipting

- The City did not reconcile bank and accounting records promptly. Additionally, City Hall did not perform an on-time or independent review of these reconciliations to verify that all funds collected were recorded and deposited intact within 24 hours.

- The employee responsible for reconciling daily cash receipts was also responsible for bank deposits. All cashiers were able to adjust receipts without any independent review. Adequate segregation of duties is necessary to reduce the risk of misappropriation.
- Multiple cashiers had access to and performed cash handling procedures from the same cash drawer.

Utility billing

- The City did not verify that employees properly entered all manual meter readings into the billing system or that they properly calculated utility billings according to council approved rates.
- Several City Hall employees had the ability to adjust utility accounts without adequate monitoring to verify adjustments were for legitimate purposes or properly supported.
- The City lacked adequate internal controls to ensure that it followed its policy for collecting delinquent accounts, issuing late fees, shutting off water or filing liens.

Cause of Condition

The City experienced significant turnover in staff responsible for cash receipting and billing. Staff did not have the necessary experience or training for understanding the proper controls over segregation of duties and effective oversight of cash handling and billing procedures.

Effect of Condition

Inadequate internal controls over the City's activities and lack of proper oversight increase the risk management could not detect quickly, if at all, a loss or misappropriation of public funds. Specifically, we found the following:

Cash receipting

- The City did not fully reconcile bank statements for 2022 until February 2025, and has not fully reconciled bank statements for 2023 and 2024.
- In October 2024, the City had \$453 in cash and an undeposited check for \$115, dated June 14, 2024, in its safe that had no payee listed. The City did not have documentation to support these funds.

- The City receipted donations for a community event totaling \$4,500 but did not deposit the funds to the bank and instead used the funds to pay vendors for the event.
- The City did not track and record tax revenue in the accounting system that it had electronically received from Yakima County totaling \$210,619 for 2023 and \$180,724 for 2022, understating its annual revenue.
- In 2023, the City recorded two receipts totaling \$54,418 as expenditures that it received electronically from the Washington State of Treasurer and Department of Commerce.
- The City did not deposit 22 out of 36 deposits within the required 24 hours, ranging from two to 11 days late and totaling \$133,189.

Utility billing

- In 2022 and 2023, the City overcharged two accounts by a total of \$487 and undercharged two accounts by a total of \$26.
- The Deputy Clerk did not enter the meter readings into the billing system for one account of a former public works employee from, at earliest, April 2023 to October 2024 even though the public works department recorded the meter readings and submitted them to the City to be uploaded to the system. Therefore, the City only charged the minimum consumption on the account, most likely underbilling the consumption.
- The City adjusted 16 billings for a total of \$100,720 from 2022 through 2024 and did not retain supporting documentation to demonstrate that these adjustments were appropriate
- The City did not establish payment plans, send accounts to collections or file liens for 68 delinquent accounts, including the Mayor's account, totaling \$48,297, as of December 31, 2024. Additionally, the City did not consistently shut off the water for delinquent accounts, including the Mayor's account, as required by municipal code.
- The City overcharged its shut-off and reconnection fees by \$10 for each customer whose account it shut off during the audit period.

Additionally, on June 17, 2024, the City experienced a misappropriation totaling \$22,641 when the Deputy Clerk took a deposit containing cash and checks to the bank. The City had to cancel checks totaling \$9,239 and experienced a loss of \$13,402 in cash. We reviewed and agreed with the results

of the Mabton Police Department's subsequent investigation, as noted under the Related Reports – Special Investigations section of this report.

Recommendation

We recommend the City strengthen internal controls over cash receipting and billings to ensure it adequately safeguards public funds from loss or misappropriation. Specifically, we recommend the City:

- Provide the necessary resources and training to staff responsible for billing and cash receipting to ensure they receipt and safeguard all revenues appropriately
- Establish and follow a policy outlining guidelines for cash handling, segregation of duties, and independent reconciliations of deposits and bank statements. This should include an independent review of daily cash activity and depositing receipts within 24 hours.
- Establish a process for billing utility accounts accurately
- Document the independent review of all adjustments to cash receipts and utility accounts to verify all transactions are for a valid purpose, supported and calculated correctly
- Follow municipal code and policies for delinquent accounts, including shutoffs

City's Response

- *City staff will begin looking for local trainings to attend for billing and cash receipting.*
- *At the end of each day, the cashier/Deputy City Clerk and the treasurer review the day's receipts and record its accuracy. Daily intake of payments received are recorded and sealed in a deposit envelope while both individuals are present. As stated previously, deposits are then sent to the bank the next day by a uniformed police officer, or they are delivered to the bank via the night deposit box by a city staff member.*
- *Utility billing-meter reads will be entered by one city employee and then verified by a second city employee to ensure accuracy.*

- *All adjustments to cash receipts and utility accounts will be reviewed and entered in the system by the City Treasurer after proper documentation has been provided to warrant an adjustment.*
- *City employees will make every effort to be more mindful of municipal codes and policies for delinquent accounts, including shutoffs.*

The above practices have been put in place and formal policies will be forthcoming.

Auditor's Remarks

We appreciate the City's commitment to resolving these issues identified above and emphasize the importance of establishing effective controls over cash receipting and billing procedures. We will follow up on the status of the finding during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 – Local government accounting – Uniform system of accounting.

RCW 43.09.240 – Local government accounting – Public officers and employees – Duty to account and report – Removal from office – Deposit of collections.

Budgeting, Accounting and Reporting System (BARS) Manual – Accounting Principles and Controls, Internal Control, Sections 3.1.3.20 and 3.1.3.30

Budgeting, Accounting and Reporting System (BARS) Manual – Accounting Principles and Controls, Revenues, Cash Receipting, Sections 3.6.1

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Mabton January 1, 2021 through December 31, 2023

2023-002 The City lacks adequate oversight to ensure disbursements, credit card payments and fuel are for allowable and appropriate business expenses.

Background

The City spent about \$2.6 million, \$2.7 million and \$3.7 million on operating expenditures in 2021, 2022 and 2023, respectively. Of this amount, the City spent about \$98,000 using credit cards and about \$93,000 on fuel during this three-year period. State law requires the City review and certify all transactions before making payments. The City is responsible for establishing adequate controls over disbursements to ensure payments are for valid expenses. City management is also responsible for the integrity and retention of the original vouchers and other documents needed to prove the validity of every transaction relating to the use of public funds.

Description of Condition

General disbursements and credit cards

The City did not establish controls over disbursements and credit cards to ensure supporting documentation was maintained for all disbursement transactions, and that someone independently reviewed all purchases before payment. In addition, the City did not have a process to check out its credit cards.

The City did not retain supporting itemized receipts for 23 general disbursements totaling \$228,291, eight employee reimbursements totaling \$2,240 and eight credit card transactions totaling \$990. As a result, the City could not demonstrate that these transactions were for valid business purposes. The City also made an unallowable purchase of a tire for a personal vehicle totaling \$334.

Further, although two people signed the Mayor’s reimbursement checks, the Mayor signed two of their own five checks. We would expect the City to prohibit employees from signing checks written to themselves to ensure adequate oversight and monitoring.

Fuel purchases

The City's public works department had one fuel card shared among multiple staff and did not assign a custodian to assign responsibility for the card or monitor fuel card activity to verify that fuel usage was reasonable. Specifically, City staff did not document the odometer readings or calculate the miles per gallon (MPG) to verify that fuel use and purchases were reasonable based on the vehicles' make and model.

The City's public works department has four vehicles that use unleaded fuel and specialized equipment that appear to use diesel. The department purchased 4,370 gallons of unleaded fuel between February 21, 2023, and July 18, 2024. Based on the public works vehicles' average MPG, we estimated that each vehicle would have to drive 52 miles per workday, which does not appear reasonable as the City limits is about 0.8 square miles. Additionally, the City purchased 38.4 gallons of unleaded fuel on three nonworking days.

Cause of Condition

The City experienced significant turnover during the audit period. Management, the Mayor and the Council did not devote sufficient attention to the accounts payable process, to adequately train staff or to monitor activity.

Effect of Condition

Without adequate internal controls and proper oversight over disbursements, credit cards and fuel cards, the City:

- Is at an increased risk of management not detecting a loss or misappropriation of public funds quickly, if at all
- Cannot demonstrate that general disbursements, credit card transaction and fuel purchases were legitimate and for valid business purposes
- Would not be able to assign responsibility should the fuel card or other City credit cards go missing or if purchases were for unallowable purposes.

In addition, on October 16, 2024, the City notified our Office regarding a loss of public funds, as required by state law. The Mabton Police Department performed an investigation in July 2024 and identified two unauthorized transactions from a former employee totaling \$93 occurring in July 2024. We reviewed the investigation and agree with its conclusions.

Recommendation

We recommend the City:

- Establish policies and procedures over disbursements and credit cards that include keeping itemized receipts for all transactions, and performing an independent review of expenses to ensure they are supported and for valid business purposes
- Adequately train staff responsible for processing accounts payable on the allowable uses of public funds and ensure employees do not sign their own checks
- Safeguard the fuel card and other City credit cards by assigning a custodian and establishing check-out procedures
- Establish a process for verifying the validity of fuel purchases by recording odometer readings, calculating MPG and checking for reasonableness

City's Response

The city has implemented a procedure for both the fuel cards and credit cards. Employees are required to check out the credit card for purchases and submit receipts for those purchases then they return the credit card. Fuel purchases for the Public Works department are logged onto a fuel log sheet and submitted to the City Treasurer monthly to match with fuel purchase receipts.

All credit card purchases are verified with the purchaser to ensure they are being utilized for city business.

Auditor's Remarks

We appreciate the City's commitment to resolving these issues and emphasize the importance of establishing effective policies and monitoring procedures over disbursement activity. We will follow up on the status of the finding during our next audit.

Applicable Laws and Regulations

RCW 42.24.080 – Municipal corporations and political subdivisions – Claims against for contractual purposes – Auditing and payment – Forms – Authentication and certification

RCW 43.09.200 – Local government accounting – Uniform system of accounting

RCW 43.09.2855 – Local Governments – Use of credit cards

RCW 43.09.185 – Loss of public funds – illegal activity – Report to state auditor's office

Budgeting Accounting and Reporting System (BARS) Manual – Accounting Principles and Controls, Internal Control, Sections 3.1.3.20 and 3.1.3.30

Budgeting Accounting and Reporting System (BARS) Manual – Accounting, Expenditures, Purchase Cards, Sections 3.8.4

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Mabton

January 1, 2021 through December 31, 2023

2023-003 The City did not comply with state law and operated without a legally approved budget.

Background

State law requires the City to adopt an appropriated budget, authorizing the City's legal spending limits. Expenditures more than budgeted appropriations are considered void by state law. Further, the Council cannot authorize spending that exceeds available resources.

State law also requires a minimum of three public hearings during the budget adoption process to discuss revenue sources, preliminary budget proposal and final budget proposal. State law requires the City to provide adequate public notice of the public hearings, meet certain deadlines during the budget adoption process and make its preliminary budget available for taxpayer examination.

Description of Condition

The City's elected officials and management did not approve its 2024 budget until November 2024, nor monitor expenses and available fund balance when obligating expenses. Additionally, the City did not properly advertise and hold all required meetings by the appropriate deadlines as required by state law. The City only held the first of three public hearings to discuss the preliminary budget, and held no further hearings in 2023.

Cause of Condition

The City experienced significant turnover during the audit period. Management, the Mayor and the Council did not devote sufficient time and resources to prepare or finalize the annual City budget until the end of 2024.

Effect of Condition

The City operated for 330 days in 2024 without an approved budget, which is a violation of state law. When the City does not establish an approved budget, it puts public funds at risk and cannot ensure all money is used appropriately and for

intended purposes. Any payments made in excess of, or without an approved budget, are unallowable.

Also, the City did not demonstrate that it involved the public in the budgeting process by the required deadlines, as required, by submitting preliminary draft proposals and holding public hearings.

Recommendation

We recommend the City’s elected officials and management comply with state laws related to budgets. Specifically, we recommend the City establish its annual budgets before the beginning of the fiscal year and obligate expenditures only when funds have the available budget. We also recommend the City submit its annual budgets to our Office.

City’s Response

The city is currently working on reconciling 2024 bank statements so that we can be better prepared to begin budget planning mid-June to ensure we have a 2026 budget in place within the required time frame.

Auditor’s Remarks

We appreciate the City’s commitment to resolving the issues identified above and emphasize the importance of establishing effective policies and monitoring procedures over City spending. We will follow up on the status of the finding during our next audit.

Applicable Laws and Regulations

RCW 35A.33.120 – Funds – Limitations on expenditures – Transfers and adjustments

RCW 35A.33.075 – Budget Adoption

The Budgeting, Accounting and Reporting System (BARS) Manual – Accounting Principles and Controls, Internal Control, Sections 3.1.3.20 and 3.1.3.30

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Mabton January 1, 2021 through December 31, 2023

2023-004 **The City lacked adequate internal controls over financial reporting to ensure compliance with state law requiring timely annual report submission.**

Background

Federal and state agencies, the City Council and the public rely on the information included in financial statements and reports to make decisions. The City is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance its financial reporting is reliable.

State law (RCW 43.09.230) requires the City to submit an annual report with accurate, summarized financial information and supporting schedules to the State Auditor's Office within 150 days after the end of its fiscal year

Description of Condition

The City did not submit the required annual reports to our Office within 150 days of fiscal year-end. The City filed its 2022 annual report 616 days late and has not filed its 2023 annual report.

Cause of Condition

Due to staff turnover, the City had not fully reconciled bank statements for 2022 until February 2025 and has not fully reconciled bank statements for 2023. Additionally, City leadership did not dedicate the necessary resources to submit the annual report on time.

Effect of Condition

Delays in the availability of complete financial reports prevent City officials, the public and other interested parties from obtaining timely information. Such delays also hinder public transparency and our Office's efforts to compile statistical and financial information that the Legislature and other parties use. Further, the City's failure to respond impeded our Office's ability to audit the government in a timely manner, as state law requires.

Recommendation

We recommend the City establish internal controls to ensure timely financial reporting in accordance with state law.

City's Response

The city has nearly completed reconciling the bank statements for 2024 and is working on preparing the annual report for submission by the deadline of May 30, 2025.

Auditor's Remarks

We appreciate the City's commitment to resolving this issue and thank them for their cooperation and assistance during the audit. We will follow up on the status of the finding during our next audit.

Applicable Laws and Regulations

RCW 43.09.230, Local government accounting – Annual reports – Comparative statistics.

RELATED REPORTS

Financial

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

That report includes a finding for a material weakness in internal controls over financial reporting regarding the financial statement preparation process and compliance with state law.

Special investigations

We issued a fraud investigation report on activities at the City. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Mabton operates under a mayor-council form of government with a five-member Council and an elected Mayor. The Council is responsible for creating policies and procedures and making financial decisions. The Mayor and the City Council are responsible for overseeing day-to-day operations. The City provides municipal and proprietary services which include public safety, infrastructure maintenance, cemetery facilities, library facilities, emergency response and water, sewer and solid waste utilities. The City’s resources appropriated for expenditures were approximately \$4.5 million for fiscal year 2021 and 2022 and \$6.2 million for 2023.

Contact information related to this report	
Contact:	Sophia Martin, City Treasurer
Telephone:	(509) 894-4096
Website:	www.cityofmabton.com

Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Mabton at <https://portal.sao.wa.gov//ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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Office of the Washington State Auditor
Pat McCarthy

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Financial Statements Audit Report

City of Mabton

For the period January 1, 2021 through December 31, 2021

Published (Inserted by OS)

Report No. (Inserted by OS)



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

Issue Date – (Inserted by OS)

Mayor and City Council
City of Mabton
Mabton, Washington

Report on Financial Statements

Please find attached our report on the City of Mabton's financial statements.

We are issuing this report in order to provide information on the City's financial activities and condition.

Sincerely,

Signature Here (Please do not remove this line)

Pat McCarthy, State Auditor

Olympia, WA

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TABLE OF CONTENTS

REMINDER: Right click “No table of content entries found” below | click “Update Field” -- Do NOT edit the TOC, which will be updated by OS during report processing. If changes are needed, please use the comment field in the Audit Review Library.

Schedule of Audit Findings and Responses..... 4

Summary Schedule of Prior Audit Findings 8

Independent Auditor's 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*..... 9

Independent Auditor's Report on the Financial Statements..... 12

Financial Section..... 16

About the State Auditor's Office..... 17

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Mabton January 1, 2021 through December 31, 2021

2021-001 The City did not have adequate internal controls ensuring accurate reporting of its financial statements and compliance with state law.

Background

State and federal agencies, the City Council, and the public rely on 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 and notes to 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.

The City Council annually approves a budget determining the City's legal spending limits. Under state law (RCW 35A.33.120), spending should not exceed this level without a Council-approved budget amendment. Moreover, the Council cannot authorize spendings that exceeds available funds. When expenditures in a fund exceed the available resources, the City is effectively borrowing from other funds without formally establishing an interfund loan. The Council must approve interfund loans by resolution or ordinance that includes a payment plan and set a reasonable interest rate to pay to the lending fund.

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

We found the following deficiencies in internal controls that represent a material weakness. The City did not have processes in place to:

- Perform a secondary review of the financial reports to ensure they were free from material errors, agreed to underlying accounting records and complied with BARS Manual reporting requirements

- Research and properly classify ending cash and investment balances
- Monitor financial activity, or identify the need to both implement and account for interfund loans as required

We reported this issue as a finding in the prior three audits.

Cause of Condition

The City has experienced turnover in multiple positions and those responsible for financial oversight lacked the necessary experience and training in financial reporting.

Additionally, the City Council authorized paying expenses in the street and sewer funds that were more than the authorized budget and available resources without verifying if there were adequate funds.

Effect of Condition

Inaccurate financial reports limit access to financial information that City officials, the public, state and federal agencies, and other interested parties use.

As a result of the internal control weaknesses, the City:

- Reported the Drinking Water State Revolving Fund loan and the Department of Ecology loan on the Schedule of Liabilities twice, overstating total liabilities by \$3,883,099
- Misclassified \$316,456 of restricted funds and \$434,902 of unassigned funds as assigned in the general fund

The City subsequently corrected these errors.

Also, the City overspent approved budgets and available resources for two funds, reporting negative cash and investment balances totaling \$297,339 in the street fund and \$204,869 in the sewer fund. These funds operated using restricted funds since the general fund did not have an unassigned fund balance to cover these negative balances. The City's noncompliance with state laws had a direct and material effect on its 2021 financial statements.

In addition, we identified other less significant errors on the financial statements, notes and schedules.

Recommendation

We recommend the City's elected officials and management establish and follow effective internal controls over preparing financial statements and schedules. This should include performing a secondary review of the financial statements and researching reporting requirements to ensure cash and investments are properly classified.

We also recommend the City monitor its financial activity to ensure it complies with state law and all funds have the available budget and resources to pay for expenditures. When necessary, we further recommend the City establish an interfund loan that the Council approves.

City's Response

The city agrees with the SAO findings and recommendations. The new staff is working diligently to reconcile all financial statements to provide a clear standing of the cities finances. All expenditures will be reviewed and ensured that it has been included in the budget. It is the City Treasurers goal is to complete quarterly financial reports for council.

Auditor's Remarks

We appreciate the City's commitment to resolving these issues. We will follow up to the finding 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.

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 objective.

The *Budgeting, Accounting and Reporting System* (BARS) Manual, 3.9.1, Loans, sets the requirements for interfund loans and repayments.

RCW 35A.33.120 – Funds – Limitations on expenditures, restricts the Council from authorizing any claim on expenditures in excess of total budgeted amounts for any individual fund



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Mabton January 1, 2021 through December 31, 2021

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

Audit Period: January 1, 2020 through December 2020	Report Ref. No.: 102921	Finding Ref. No.: 2020-001
Finding Caption: The City's internal controls over preparing financial statements and monitoring financial activity were inadequate for ensuring accurate reporting and compliance with state law.		
Background: The City did not implement or account for interfund loans for the Street and Sewer funds. This resulted in the City incorrectly reporting negative fund balances for these funds in the amount of \$155,431 and \$225,671, respectively. These errors remain uncorrected, as the City has not yet properly approved the necessary interfund loans. The City's General fund has unassigned cash and investments of only \$308,912, which is not enough to support the negative fund balances in the Street and Sewer funds. Therefore, the City is effectively using restricted, committed or assigned assets to support these funds. We recommend the City monitor its financial activity to ensure that all funds have the available resources to pay for expenditures and, when necessary, establish an interfund loan that the Council approves.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>We are currently working on reconciliations and reassigning expenditures where appropriate.</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*

I-1

City of Mabton January 1, 2021 through December 31, 2021

Mayor and City Council
City of Mabton
Mabton, 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 Mabton, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated May 15, 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 2021-001, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001. We also noted certain matters that we have reported to the management of the City in a separate special investigation report dated May 15, 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.

Signature Here (Please do not remove this line)

Pat McCarthy, State Auditor

Olympia, WA

May 15, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

F-2

City of Mabton January 1, 2021 through December 31, 2021

Mayor and City Council
City of Mabton
Mabton, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Mabton, as of and for the year ended December 31, 2021, 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 Mabton, and its changes in cash and investments, for the year ended December 31, 2021, 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 Mabton, as of December 31, 2021, 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 Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 May 15, 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

May 15, 2025

FINANCIAL SECTION

City of Mabton January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021

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Summary of Uncorrected Items

Description	Statement / Schedule
Cemetery Fund 102 - Expenses 594-595 Capital Expenditures should be \$0 instead of \$7,762, for an overstatement of \$7,762. (.3%)	C4
City Streets Fund 103 - Revenues 381, 382, 389, 395, 398 Other Resources should be \$0 instead of \$5,220, for an overstatement of \$5,220. (.2%)	C4
Water Fund 401 - Expenses 530 Utilities should be \$587,811 instead of \$584,087, for an understatement of \$3,724 (.1%).	C4
Sewer Fund 402 - Revenues 340 Charges for Goods and Services should be \$616,185 instead of \$606,186, for an understatement of \$9,999 (.3%).	C4
Sewer Fund 402 - Expenses 530 Utilities should be \$445,863 instead of \$444,744, for an understatement of \$1,119 (.01%)	C4
Garbage Fund 404 - Revenues 340 Charges for Goods and Services should be \$271,936 instead of \$270,168, for an understatement of \$1,768. (.01%)	C4
Cemetery Perpetual Care Fund 701 Charges for Goods and Services should be \$1,000 instead of \$0, for an understatement of \$1,000. (.01%)	C4
Streets Fund 103 has a negative ending balance of \$297,339. This is 13% of expenditures.	C4
Sewer Fund 402 has a negative ending balance of \$204,869. This is 9% of expenditures.	C4
ER&R Fund: The City transferred \$38,000 into the fund and only had \$1,000 of capital expenditures. It appears that the other funds do not pay for the use of the equipment rental and the fund does not receive that revenue. Per RCW 35.21.088, the ERR fund is only required if the City has a population over 8,000. The City of Mabton population is about 2,000. It appears that the City is not properly operating the ER&R internal service fund.	C4
<p>Note 1 G, page 4 - Fund 001 restricted balance disclosure is not updated for 2021 and should be \$51,799 for Public Safety and \$316,456 due to SLFRF.</p> <p>Note 1 G, page 4 - Fund 102 restricted balance disclosure is not updated for 2021 and should be \$28,815.</p> <p>Note 1 G, page 4 - Fund 113 restricted balance disclosure is not updated for 2021 and should be \$77,690.</p> <p>Note 1 G, page 4 - Fund 115 restricted balance disclosure is not updated for 2021 and should be \$254,308.</p> <p>Note 1 G, page 4 - Fund 401 restricted balance disclosure is not updated for 2021 and should be \$16,806.</p>	Notes

Summary of Uncorrected Items

Description	Statement / Schedule
<p>Note 2, page 5 - Final budget amounts for Fund 001 should be \$1,169,619 instead of \$997,290, for an understatement of \$172,329.</p> <p>Note 2, page 5 - Final budget amounts for Fund 102 should be \$103,871 instead of \$138,030, for an overstatement of \$34,159.</p> <p>Note 2, page 5 - Final budget amounts for Fund 103 should be \$454,866 instead of \$499,350, for an overstatement of \$44,484.</p> <p>Note 2, page 5 - Final budget amounts for Fund 113 should be \$81,205 instead of \$0, for an understatement of \$81,205.</p> <p>Note 2, page 5 - Final budget amounts for Fund 115 should be \$258,713 instead of \$15,500, for an understatement of \$243,213.</p> <p>Note 2, page 5 - Final budget amounts for CDBG Well Fund should be \$77,428 instead of \$0, for an understatement of \$77,428.</p> <p>Note 2, page 5 - Final budget amounts for Fund 401 should be \$1,669,704 instead of \$1,343,084, for an understatement of \$326,620.</p> <p>Note 2, page 5 - Final budget amounts for Fund 402 should be \$451,979 instead of \$601,000, for an overstatement of \$149,021.</p> <p>Note 2, page 5 - Final budget amounts for Fund 404 should be \$244,577 instead of \$271,560, for an overstatement of \$26,983.</p> <p>Note 2, page 5 - Final budget amounts for Fund 501 should be \$66,000 instead of \$0, for an understatement of \$66,000.</p> <p>Note 2, page 5 - Final budget amounts for Fund 701 should be \$64,674 instead of \$0, for an understatement of \$64,674.</p> <p>Note 2, page 5 - Actual expenditure amounts for Fund 401 should be \$845,186 instead of \$713,096, for an understatement of \$132,090.</p> <p>Note 2, page 5 - Actual expenditure amounts for Fund 404 should be \$257,129 instead of \$234,143, for an understatement of \$22,986.</p> <p>Note 2, page 5 - Actual expenditure amounts for Fund 501 should be \$1,000 instead of \$0, for an understatement of \$1,000.</p> <p>In total The final appropriated amount should be \$4,642,636 instead of \$3,865,814 for a total difference of \$776,822</p> <p>In total the actual expenditure amount should be \$3,224,2022 (agrees to C4) instead of \$3,068,126 for a total difference of \$156,075</p>	Notes

Summary of Uncorrected Items

Description	Statement / Schedule
<p>Note 3, page 6 - Debt service requirements table should be updated from prior year and note include 2021.</p> <p>Note 3, page 6 - Debt service table 2022 principal should be \$291,386 instead of \$289,735, for an understatement of \$1,651.</p> <p>Note 3, page 6 - Debt service table 2022 interest should be \$87,159 instead of \$86,772, for an understatement of \$387.</p> <p>Note 3, page 6 - Debt service table 2023 principal should be \$293,904 instead of \$292,219, for an understatement of \$1,685.</p> <p>Note 3, page 6 - Debt service table 2023 interest should be \$82,335 instead of \$81,982, for an understatement of \$353.</p> <p>Note 3, page 6 - Debt service table 2024 principal should be \$296,427 instead of \$294,709, for an understatement of \$1,718.</p> <p>Note 3, page 6 - Debt service table 2024 interest should be \$77,541 instead of \$77,187, for an understatement of \$354.</p> <p>Note 3, page 6 - Debt service table 2025 principal should be \$299,101 instead of \$297,348, for an understatement of \$1,753.</p> <p>Note 3, page 6 - Debt service table 2025 interest should be \$72,579 instead of \$72,243, for an understatement of \$336.</p> <p>Note 3, page 6 - Debt service table 2026 principal of \$301,784 and interest of \$68,894 should be listed.</p> <p>In total the principal amount in the debt service table should agree to the Schedule of Liability debt for bonds and loans. The note totals \$5,438,483 and the Schedule of Liability amount is \$5,188,879 for a difference of \$249,604 which is mostly from the errors identified above.</p>	Notes
<p>Note 3, page 6 - The Debt service note is missing information about compensated absences per the BARS manual template. The Schedule of Liabilities reports \$15,467.</p>	Notes
<p>Note 4, page 6 - Interfund loan table should be updated to reflect 2021 activity. Currently it reports 2020 amounts.</p>	Notes
<p>Note 5, page 7 - Deposits should be updated as of December 31, 2021, should agree to the C4. The note totals \$841,197.93 and the C4 is \$1,183,816 for a difference of \$342,619. The Notes should also report the total deposits and investments held by the City as a custodian (this would be the C5 amount) of \$108.</p>	Notes
<p>Note 6, page 8 - Should be for measurement date of June 30, 2021.</p> <p>Note 6, page 8 - Allocation percentages should be 0.002423% for PERS 1, 0.003114% for PERS 2/3 and 0.004496% for LEOFF 2.</p> <p>Note 6, page 8 - The Liability/(Asset) should be \$29,590 for PERS 1, -\$310,209 for PERS 2/3 and -\$261,165 for LEOFF 2.</p> <p>Note 6, page 8 - VFFRPF amounts should be updated for 2021. Pension asset amount of (\$10,181). The reported amounts are from 2020.</p>	Notes
<p>Note 7, page 9 - Levy amounts should be updated for 2021. Rate should be \$2.60699269, valuation should be \$69,167,482 and regular levy amount should be \$174,739.</p>	Notes
<p>Note 10, page 11 - City commitments table should be updated to reflect 2021 activity. This is 2020 activity.</p>	Notes
<p>Note 10, page 11 - The City disclosed a correction of a material error related to the cemetery care fund. However, this appears to be prior year information and not prior period adjustments are reported on the current statements therefore this information can be removed.</p>	Notes

Summary of Uncorrected Items

Description	Statement / Schedule
The City reported leases related to copier machines and conferencing system on the Schedule of Liabilities totaling \$24,128 but there is no note disclosure reported for leases as required by the BARS manual.	Notes
The City did not have support for the Ricoh Copier, Sharp Video Conference System, Xerox Copier and Compensated Absences ending balances. It appears that the Compensated Absences was not updated from FY 2021.	Schedule of Liabilities
The Schedule appears to be missing the Kyocera Copier, prior year reported a ending balance of \$6,288.	Schedule of Liabilities
Beginning balances for the Ricoh copier, sharp video conferencing system and xerox copier do not agree to prior year ending balance. Beginning should match 2020 ending. Richoh \$17,304, Sharp \$9,570, Xeroz \$3017.	Schedule of Liabilities
Compensated Absences beginning balance of \$15,467 does not agree to prior year ending \$27,972. Difference of \$12,505	Schedule of Liabilities
Ecology EL 170130 was not reported on the prior year Schedule of Liabilities. If this was new debt for 2021 it should be reported as an addition instead of a beginning balance.	Schedule of Liabilities
The City over reported pension liabilities. The City reported \$120,940 and it should be \$29,590, for an overstatement of \$91,350. This is 4% of total expenditures.	Schedule of Liabilities
Ecology EL170130 - Incorrectly classified Debt ID 239.70 (Registered Warrants); description this appears to be 263.83 or 263.84 (loans from state agency other than LOCAL or PWTF)	Schedule of Liabilities
DWSRF DM13-952-181 - Incorrectly classified Debt ID 239.70 (Registered Warrants); description this appears to be 263.83 or 263.84 (loans from state agency other than LOCAL or PWTF)	Schedule of Liabilities
DWSRF DM15-952-044 - Incorrectly classified Debt ID 239.70 (Registered Warrants); description this appears to be 263.83 or 263.84 (loans from state agency other than LOCAL or PWTF)	Schedule of Liabilities
Ecology SRF L1300024 - Incorrectly classified Debt ID 239.70 (Registered Warrants); description this appears to be 263.83 or 263.84 (loans from state agency other than LOCAL or PWTF)	Schedule of Liabilities

LETTER OF REPRESENTATION TO BE TYPED ON CLIENT LETTERHEAD

May 15, 2025

Office of the Washington State Auditor
3200 Capitol Blvd
P.O. Box 40031
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of the City of Mabton for the period from January 1, 2021 through December 31, 2023. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

1. We have provided you with unrestricted access to people you wished to speak with and made available all relevant and requested information of which we are aware, including:
 - a. Financial records and related data.
 - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
 - d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
 - e. Related party relationships and transactions.
 - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.
2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.

3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. Except as reported by the audit, we have complied with all material aspects of laws, regulations, contracts and grant agreements.
6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
7. Except as reported by the audit, we have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
8. Except as reported to you in accordance with RCW 43.09.185, we have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records, notwithstanding immaterial uncorrected items referenced below.
10. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings, and we have provided you with all the information on the status of the follow-up on prior audit findings.

Additional representations related to the financial statements:

11. We acknowledge our responsibility for fair presentation of the financial statements and believe financial statements are fairly presented in accordance with the *Budgeting, Accounting and Reporting Standards Manual* (BARS Manual), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
12. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.
13. The financial statements properly classify all funds and activities.
14. Revenues are appropriately classified by fund and account in accordance with the BARS Manual.
15. Expenses are appropriately classified by fund and account, and allocations have been made on a reasonable basis.

16. Ending cash and investments are properly classified as nonspendable, restricted, committed, assigned, and unassigned.
17. The methods, data and significant assumptions we used in making accounting estimates and related disclosures are appropriate and free from intentional bias.
18. The following have been properly classified, reported and disclosed in the financial statements, as applicable:
 - a. Interfund, internal, and intra-entity activity and balances.
 - b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - c. Joint ventures and other related organizations.
 - d. Guarantees under which the government is contingently liable.
 - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements and other loss contingencies.
19. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
20. We acknowledge our responsibility to include all necessary and applicable disclosures required by the BARS Manual, including:
 - a. Description of the basis of accounting, summary of significant accounting policies and how this differs from Generally Accepted Accounting Principles (GAAP).
 - b. Disclosures similar to those required by GAAP to the extent they are applicable to items reported in the financial statements.
 - c. Any additional disclosures beyond those specifically required by the BARS Manual that may be necessary for the statements to be fairly presented.
21. We acknowledge our responsibility for reporting supplementary information (the Schedule of Liabilities) in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.
22. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.

23. We believe the effects of uncorrected financial statement misstatements summarized in the schedule of uncorrected items provided to us by the auditor are not material, both individually and in the aggregate, to the financial statements taken as a whole.
24. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.

Rachel Ruelas
Mayor

Sophia Martin
City Treasurer