

MCAG NO. 0197

City of Clarkston
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

The City of Clarkston was incorporated on August 4, 1902 and operates under the laws of the state of Washington applicable to a non-charter code city. The City of Clarkston is a general purpose local government and provides police, fire, ambulance, community development, parks, sewer, streets, surface water management, and sanitation 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 not presented using the classifications defined 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 TYPE: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**DNT**

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

Capital Projects Funds

MCAG NO. 0197

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.

DNTCustodial 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 City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Deposits and Investments

See Note 3 - Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000. Capital assets and inventory are recorded as capital expenditures when purchased.

DNT**E. Compensated Absences**

Vacation leave may be accumulated up to 1.5 times the annual earnable amount for each employee and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours, with larger accumulative amounts as determined by collective bargaining agreements. Upon separation or retirement employees with a hire date prior to December 31, 2016 (or as otherwise authorized by CBA) are compensated for a portion of unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5 – Long-Term Debt.

G. Restricted and Committed Portion of Ending Cash and Investments

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

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Restrictions and commitments of Ending Cash and Investments consist of the WWTP Construction Fund with a reserve of \$105,377, which is dedicated to a construction project funded with revenue bonds; the Sewer Revenue Bond Fund with a reserve of \$345,000 required by bond covenants; the



MCAG NO. 0197

SRF Loan Fund with a reserve of \$82,600 required by loan agreements; and the TBD Fund with \$1,412,834.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of operating transfers in and out. **DNT**

Note 2 – Budget Compliance

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance	
001 – General Fund	B \$4,822,196	DNT \$4,569,893	\$252,303	DNT
004 – CE Reserve *	B \$0	GL \$0	\$0	L
006 – Emp Benefit Reserve *	B \$0	GL \$0	\$0	L
007 – Community Projects *	B \$0	GL \$0	\$0	L
010 – National Night Out *	B \$1,000	GL \$35	\$965	L
011 – Victim's Rights *	B \$16,500	GL \$3,435	\$13,065	L
016 – Vehicle Reserve *	B \$43,000	GL \$43,000	\$0	L
017 – DARE Fund *	B \$0	GL \$0	\$0	L
037 - CDBG Fund *	B \$0	GL \$0	\$0	L
102 – Rescue One	B \$3,000	GL \$5,286	(\$2,286)	L
103 – Street Fund	B \$2,083,109	GL \$1,373,679	\$709,430	L
104 – Trans Benefit District	B \$1,041,099	GL \$800,106	\$240,993	L
105 – Street Reserve **	B \$0	GL \$0	\$0	L
108 – Drug Enforcement	B \$11,000	GL \$4,250	\$6,750	L
120 – Ambulance	B \$1,230,296	GL \$1,101,068	\$129,228	L
121 – EMS Capital Reserve ***	B \$0	GL \$0	\$0	L
130 – Lodging Tax	B \$104,400	GL \$89,840	\$14,560	L
202 – Capital Improvement	B \$0	GL \$0	\$0	L
400 – Sewer O & M	B \$2,201,865	DNT \$2,236,471	(\$34,606)	DNT
401 – Sewer Equip Reserve +	B \$0	GL \$0	\$0	L
402 – Sewer Line Reserve +	B \$0	GL \$0	\$0	L
403 – Sewer Cap Replacement+	B \$0	GL \$0	\$0	L
404 – Sewer Reserve +	B \$0	GL \$0	\$0	L
405 – Sewer Construction +	B \$0	GL \$0	\$0	L
406 – Sewer Revenue Bond +	B \$340,391	GL \$339,991	\$400	L
407 – PWTF Loan Fund +	B \$369,000	GL \$368,982	\$18	L
408 – SRF Loan Fund +	B \$44,209	GL \$44,009	\$200	L
409 – Stormwater O & M	B \$1,003,467	GL \$412,333	\$591,134	L
410 – Sanitation O & M	B \$1,375,590	DNT \$1,210,067	\$165,523	DNT
411 – Sanitation Equip Reserve^	B \$0	\$0	\$0	L

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MCAG NO. 0197

Funds marked with (*) roll up to 001, (**) roll to 103, (***) roll to 120, (+) roll to 400 and (^) roll to 410.

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

LGIP investments are amortized value, U.S Government Securities are original value and Twin River Bank CD is reported at fair value. Investments by type at December 31, 2020 are as follows:

Type of deposit or investment	City's own deposits and investments	Deposits and investments held by the City as custodian for other local governments, individuals, or private organizations	Total
L.G.I.P.	\$5,540,030.58	-0-	\$5,540,030.58
U.S. Government Securities	\$4,834,702.90	-0-	\$4,834,702.90
Twin River Bank CD	\$253,978.14	-0-	\$253,978.14
Total	\$10,628,711.62	-0-	\$10,628,711.62

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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 deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name.

Note 4 - Property Tax TIES TO BARS REPORTING TEMPLATE AND PAGE 13 OF CITY OF CLARKSTON FY2020 BUDGET ; LETTER FROM ASOTIN COUNTY ASSESSOR LETTER

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.



MCAG NO. 0197

The City's regular levy for the year 2020 was \$2.080760444727 per \$1,000 on an assessed valuation of \$507,531,853 for a total regular levy of \$1,056,052.

In 2020 the City also levied \$1.387346857955 per \$1,000 of the assessed valuation of \$494,300,324 (which is the adjusted assessed valuation deducting the senior citizen exemptions) for E.M.S. levy for a total additional levy of \$685,766.

Note 5 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2020.

The debt service requirements for general obligation bonds, revenue bonds and other debt (Public Works Trust Fund Loan) including both principal and interest, are as follows:

	Principal		Interest		Total Debt	
2021	ok	\$617,635	ok	\$272,047	\$889,682	L
2022	ok	\$583,469	ok	\$262,857	\$846,326	L
2023	ok	\$589,356	ok	\$253,897	\$843,253	L
2024	ok	\$600,267	ok	\$244,732	\$844,999	L
2025	ok	\$611,202	ok	\$234,198	\$845,400	L
2026-2030	ok	\$3,240,912	ok	\$991,989	\$4,232,902	L
2031-2035	ok	\$2,873,052	ok	\$676,679	\$3,549,731	L
2036-2040	ok	\$3,073,728	ok	\$378,400	\$3,452,128	L
2041-2043	ok	\$1,039,746	ok	\$62,974	\$1,102,720	L
Totals		\$13,229,367		\$3,377,774	\$16,607,141	L

Note 6 - Pension Plans**A. State Sponsored Pension Plans**

Substantially all the City'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: **PERS, LEOFF, DNT**

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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each **p0lan**. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

MCAG NO. 0197

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

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

At June 30, 2020 (the measurement date of the plans) the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.008099% C.1.7	\$285,938 C.1.7
PERS 2/3	0.010729% C.1.7	\$137,218 C.1.7
LEOFF 1	0.013645% C.1.7	(\$257,687) C.1.7
LEOFF 2	0.055274% C.1.7	(\$1,127,509) C.1.7
VFFRPF (Police)	0.06% C.1.7	(\$21,770) C.1.7
VFFRPF (Fire)	0.08% C.1.7	(\$27,212) C.1.7

LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

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

Note 7 – Risk Management **DNT**

The City of Clarkston 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 162 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, with a vehicle deductible of \$1000 and a property deductible of \$25,000. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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 sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

DOES NOT TIE TO BARS REPORTING TEMPLATE

Note 8 – OPEB Plans

If the government provides other postemployment benefits (OPEB), include the following information for each plan:

- A. The name of the OPEB plan, the name of the plan administrator, and identification of the OPEB plan as either a defined benefit plan or a defined contribution plan. The City of Clarkston provides LEOFF 1 OPEB as a defined benefit plan administered by the Clerk/Treasurer Steve Austin.**
- B. A brief description of the benefit terms. These benefits include health insurance, medical, vision, nursing care and related expenses.**
- C. The number of OPEB plan participants (active and retired). The City of Clarkston had ten retirees receiving benefits as of December 31, 2020.**
For defined benefit plans only – The amount of the OPEB liability as of the reporting date (should agree to Schedule 9). **As of December 31, 2020, the City has a LEOFF 1 OPEB liability of (\$4,744,921) as calculated by the alternative measurement method from the Office of the Washington State Actuary.**
- D. The dollar amount the employer contributed during the reporting period. The City paid out \$201,236.57 for these benefits for the year ended December 31, 2020.**

Note 9 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The primary impact to the City of Clarkston from COVID-19 restrictions was financial in nature. The City of Clarkston generates the majority of its revenue from sales tax. Approximately three-fourths of the current expense revenue is generated from collected sales tax. The closing of many businesses deemed non-essential, not only had an impact in 2020, but potentially for years to come, as small businesses are struggling even now to reopen. The Lewis-Clark Valley, which includes the cities of Clarkston, Asotin and Asotin County and the city of Lewiston and Nez Perce County, Idaho (separated only by the Snake River) relies heavily on tourism. This was also severely impacted by restrictions and limits from COVID-

19. Because we are a “joint-community” the lack of restrictions in Idaho further exacerbated the issues in Clarkston by causing an outflux of Washington residents traveling to Idaho for retail, especially restaurant services. Many of the residents of Clarkston work in Idaho, and many Idaho residents work or shop in Clarkston. This put an additional strain on our public services such as Police, Fire, Sewer, Sanitation and Ambulance transport. Due to our geographic area and rural nature of our community, we are lacking infrastructure that allowed many entities to work remotely. As a result, the City had to mandate that all employees were essential in order to keep governmental services operational.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the city is unknown at this time.