

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

B = TIES TO BUDGET

GL = TIES TO GENERAL
LEDGER**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. 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

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.

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Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

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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. Cash and Investments

See Note 3 - Deposits and Investments.

D. Capital Assets

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

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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 - Debt Service Requirements.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the

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City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the WWTP Construction Fund with a reserve of \$103,387, 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 SRF Loan Fund with a reserve of \$82,600 required by loan agreements; and the TBD Fund with \$1,065,688.

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H. Other Financing Sources or Uses

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

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REPORTING

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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 \$4,476,243	DNT \$4,209,984	\$266,259
004 – CE Reserve *	B \$0	GL \$0	\$0
006 – Emp Benefit Reserve *	B \$0	GL \$0	\$0
007 – Community Projects *	B \$38,650	GL \$38,650	\$0
010 – National Night Out *	B \$1,000	GL \$522	\$488
011 – Victim's Rights *	B \$17,000	GL \$7,002	\$9,998
016 – Vehicle Reserve *	B \$43,000	GL \$38,000	\$5,000
017 – DARE Fund *	B \$0	GL \$0	\$0
037 - CDBG Fund *	B \$0	GL \$0	\$0
102 – Rescue One	B \$3,000	GL \$0	\$3,000
103 – Street Fund	B \$1,257,525	GL \$857,155	\$400,370
104 – Trans Benefit District	B \$319,400	GL \$268,000	\$51,400
105 – Street Reserve **	B \$6,900	DNT \$6,311	\$589
108 – Drug Enforcement	B \$15,000	GL \$8,223	\$6,777
120 – Ambulance	B \$1,363,717	GL \$1,279,171	\$84,546
121 – EMS Capital Reserve ***	B \$0	GL \$0	\$0
130 – Lodging Tax	B \$95,000	GL \$94,929	\$71
202 – Capital Improvement	B \$0	GL \$0	\$0
400 – Sewer O & M	B \$2,062,030	GL \$1,960,915	\$101,115
401 – Sewer Equip Reserve +	B \$48,000	GL \$38,500	\$9,500
402 – Sewer Line Reserve +	B \$0	GL \$0	\$0
403 – Sewer Cap Replacement +	B \$0	GL \$0	\$0

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404 – Sewer Reserve +	B	\$0	GL	\$0	\$0	L
405 – Sewer Construction +	B	\$0	GL	\$0	\$0	L
406 – Sewer Revenue Bond +	B	\$346,750	GL	\$343,741	\$3,009	L
407 – PWTF Loan Fund +	B	\$370,740	GL	\$369,856	\$884	L
408 – SRF Loan Fund +	B	\$44,215	GL	\$44,009	\$206	L
409 – Stormwater O & M	B	\$409,430	GL	\$423,692	(\$14,262)	L
410 – Sanitation O & M	B	\$1,250,115	DNT	\$1,187,470	\$62,375	DNT
411 – Sanitation Equip Reserve ^	B	\$0	GL	\$0	\$0	L

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, 2019 are as follows:

<u>Type of Investment</u>	<u>City's</u> own investments	Investments held by City as an agent for other local governments, individuals or private organizations.	Total	
L.G.I.P.	\$4,408,461.60	-0-	\$4,408,461.60	DNT
U.S. Government Securities	\$4,782,792.42	-0-	\$4,782,792.42	DNT
Twin River Bank CD	\$253,978.14	-0-	\$253,978.14	DNT
Total	\$9,445,232.16	-0-	\$9,445,232.16	
	DNT		DNT	

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

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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
FY2019 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.

The City's regular levy for the year 2019 was \$2.251193268434 per \$1,000 on an assessed valuation of \$450,653,094 for a total regular levy of \$1,014,507.

In 2019 the City also levied \$1.451951492452 per \$1,000 of the assessed valuation of \$437,870,435 (which is the adjusted assessed valuation deducting the senior citizen exemptions) for E.M.S. levy for a total additional levy of \$635,766.

Note 5 – 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, 2019.

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

	Principal	Interest	Total Debt	
2020	ok \$605,084	ok \$281,398	\$886,482	L
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
2025-2029	ok \$3,175,857	ok \$1,054,548	\$4,230,405	L
2030-2034	ok \$2,969,564	ok \$734,698	\$3,704,261	L
2035-2039	ok \$3,013,728	ok \$443,284	\$3,457,012	L
2040-2043	ok \$1,679,491	ok \$111,711	\$1,791,202	L
Totals	DNT \$13,834,541	\$3,659,172	\$17,493,623	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

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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 plan. The DRS CAFR may be obtained by writing to:

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

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, 2019 (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	0.011786% DNT	\$453,214 DNT	
PERS 2/3	0.015192% D.1.1	\$147,566	TIES TO TM D.1.1
LEOFF 1	0.013430% D.1.1	(\$265,459)	TIES TO TM D.1.1
LEOFF 2	0.058260% D.1.1	(\$1,349,705)	TIES TO TM D.1.1
VFFRPF (Police)	0.06% D.1.1	(\$41,090)	TIES TO TM D.1.1
VFFRPF (Fire)	0.12% D.1.1	(\$82,179)	TIES TO TM D.1.1

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 TIES TO 2019 WCIA NOTES TEMPLATE

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 163 members.

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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 \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 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 \$300 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 eleven retirees receiving benefits as of December 31, 2019.
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, 2019, the City has a LEOFF 1 OPEB liability of (\$5,844,896) 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 \$203,064.15 for these benefits for the year ended December 31, 2019.