



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Clarkston

For the period January 1, 2019 through December 31, 2020

Published March 28, 2022

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

March 28, 2022

Mayor and City Council
City of Clarkston
Clarkston, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Clarkston's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Clarkston January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Clarkston are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
97.044	Assistance to Firefighters Grant

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2020-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Clarkston January 1, 2020 through December 31, 2020

2020-001 The City had inadequate internal controls for ensuring compliance with federal procurement, suspension and debarment, and cash management requirements.

CFDA Number and Title:	97.044 – Assistance to Firefighters Grant
Federal Grantor Name:	Federal Emergency Management Agency (FEMA)
Federal Award/Contract Number:	EMW-2018-FO-01923 EMW-2019-FO-01017 EMW-2020-FO-00798
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$0

Background

The purpose of the Assistance to Firefighters Grant (AFG) is to enhance the safety of the public and firefighters by providing direct financial assistance for critically needed resources that equip and train emergency personnel to recognized standards. During fiscal year 2020, the City spent \$369,623 in AFG program funds to pay for self-contained breathing apparatus (SCBA) devices, rapid intervention team (RIT) kits, and radio equipment.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Procurement

Federal regulations require award recipients to follow their own documented procurement procedures, which must reflect the most restrictive of applicable federal, state or local laws. The procedures must conform to federal procurement

standards of 2 CFR 200.318-327 and ensure recipients follow the most restrictive thresholds and methods when using federal funds. Additionally, federal regulations require recipients to maintain written standards of conduct covering conflicts of interest and governing the actions of employees engaged in the selection, award, or administration of contracts procured with federal funds.

When using federal funds to procure goods or services, governments must apply the more restrictive of federal requirements, state law or local policy by obtaining quotes or following a competitive bidding process, depending on the estimated cost of the purchase. City policy and state law are most restrictive and require a formal bid process for purchases of goods and services of \$15,000 or more.

State and federal requirements allow local entities to bypass normal procurement laws through a process commonly referred to as “piggybacking.” This process allows entities to purchase goods and services using contracts awarded by another government or group of governments via an interlocal agreement or cooperative. To comply with piggybacking law, the entity must enter into this interlocal agreement before it purchases services or goods from the other entity’s bid contract. If the City uses such an agreement, federal regulations require it to confirm the awarding entity followed all procurement laws and regulations applicable to the City when selecting the contractor.

Suspension and debarment

Federal requirements prohibit grant recipients from contracting with parties suspended or debarred from doing business with the federal government. Whenever the City contracts for goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractor is not suspended or debarred. The City can verify a contractor’s status by obtaining written certification from the contractor, or it can insert a clause into the contract stating the contractor is not suspended or debarred. Alternatively, the City can check the U.S. General Services Administration’s Excluded Parties List System (EPLS). The City must meet one of these requirements before awarding the contract or making purchases, and it must keep documentation demonstrating compliance with this federal requirement.

Cash management

The City's grant agreements allowed it to receive award funds as cash advances or reimbursements for allowable program costs. For cash advances, federal regulations and the grant agreements require recipients to:

- Maintain written procedures that minimize the time between the receipt of federal funds from the grantor and the disbursement of those funds to contractors providing goods and services. The grantor requires recipients to disburse funds within 30 days of receiving advances.
- Track interest earned on cash advances and remit interest earnings exceeding \$500 back to the grantor.

Description of Condition

Procurement

The City's established purchasing policy does not conform to federal procurement standards and does not include all methods for procurement, such as piggybacking. Additionally, the City's own written conflict of interest policy does not conform to federal regulations because it does not include the following elements:

- No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if they have a real or apparent conflict of interest.
- The officers, employees, and agents may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.

Although the City has controls over procurement, they were ineffective for ensuring compliance with all applicable requirements. The City did not perform competitive procurement procedures or establish an interlocal agreement to piggyback on a lead awarding agency's contract before purchasing \$210,902 in RIT kits and SCBA equipment of which the City charged \$207,359 to the federal program. Further, the City did not obtain a copy of the lead agency's cost or price analysis to confirm it performed the analysis before receiving bids or proposals, as federal regulations require.

We consider this internal control deficiency to be a material weakness, which led to material noncompliance.

Suspension and debarment

The City did not have effective internal controls for verifying the suspension and debarment status of contractors for purchases exceeding \$25,000. The City did business with two contractors without maintaining documentation demonstrating it verified the contractors were not suspended or debarred.

We consider this internal control deficiency to be a material weakness, which led to material noncompliance.

Cash management

The City did not have effective internal controls for ensuring it established written procedures over cash advances and disbursed federal funds to the contractor within 30 days, as the grantor requires. Additionally, the City did not have a process in place to track interest earned on cash advances for remittance back to the grantor when applicable.

We consider this internal control deficiency to be a significant deficiency.

These issues were not reported as findings in the prior audit.

Cause of Condition

Procurement

City employees were aware the purchasing and conflict of interest policies needed updating to conform to federal procurement standards. However, the City did not prioritize updating the policies before procuring contracts with federal funds. City employees thought they followed piggybacking procedures, but they were unaware the City did not enter into an interlocal agreement with the lead agency that procured and awarded the contracts. Further, the City had copies of the lead agency's procurement documentation, but could not locate the cost or price analysis and did not perform its own analysis before making the purchase.

Suspension and debarment

The Clerk Treasurer said the Fire Chiefs, who are no longer with the City, provided verbal confirmation that they verified the contractors' suspension and debarment status. However, the City did not keep documentation demonstrating it verified contractors were not suspended or debarred from participating in federal programs before entering into contracts.

Cash management

City employees were not aware the City was required to establish written procedures for cash advances. They also said they did not track interest earned from cash advances because the amount of time that elapses between receiving and disbursing federal funds is typically less than 30 days and they keep all federal funds received in a noninterest-bearing account. The City intended to spend the cash advance in a timely manner, but did not receive the contractor's invoice to allow for payment until about four months after it delivered the goods. Further, the City did not document its efforts to obtain the contractor's invoice or to notify the grantor of the delay in disbursing funds.

Effect of Condition

Procurement

Without updated written procedures, the City is at greater risk of noncompliance with following the most restrictive procurement methods and standards of conduct requirements when procuring contractors paid all or in part with federal funds.

Additionally, because the City did not enter into an interlocal agreement with the lead agency, state law would have required it to competitively procure the equipment purchases. Without effective internal controls that ensure it followed procurement or piggybacking procedures, the City cannot demonstrate it complied with applicable federal procurement requirements and received the best price when purchasing equipment. However, since the purchase was allowable under the federal program, we are not questioning costs.

Suspension and debarment

The City paid two contractors \$369,264 in federal funds during fiscal year 2020, and it did not obtain written certifications, insert clauses into contracts, or check the EPLS to verify the contractors were not suspended or debarred before contracting.

Without effective internal controls and maintaining documentation, the City cannot ensure the contractors it paid with federal funds are eligible to participate in federal programs. Any program funds the City used to pay contractors that have been suspended or debarred would be unallowable, and the federal grantor could potentially recover them. We subsequently verified the contractors were not suspended or debarred. Therefore, we are not questioning costs.

Cash management

We tested 12 invoices and found the City did not disburse payment for one invoice, totaling \$2,309, until 125 days after receipt of the cash advance. Because the City held the cash advance in a noninterest-bearing account, it was not required to remit any interest earnings to the grantor.

Recommendation

We recommend the City:

- Update and maintain its written procurement and standards of conduct policies and procedures and ensure they conform to federal standards for all procurement transactions
- Strengthen internal controls to ensure it procures goods and services in accordance with federal regulations and the City's own procurement policies and procedures
- Strengthen internal controls to maintain documentation demonstrating it verified contractors paid \$25,000 or more, all or in part with federal funds, are not suspended or debarred
- Establish and follow written policies and procedures for cash advances that ensure it minimizes the time between receiving and disbursing federal funds and tracks interest earned on cash advances

City's Response

The City is in the process of modifying the policy regarding federal procurement, suspension and debarment, and cash management to ensure compliance with usage of federal funds.

The City plans to update the procurement policy and standards of conduct policy to ensure that federal standards are being maintained.

The City will strengthen internal controls to ensure that procurement of goods and services will comply with federal regulations and the City's procurement policy.

The City will ensure that suspension and debarment documentation will be retained for purchases of \$25,000 or more to any contractor paid all or in part with federal funds.

The City will establish written cash management policy to minimize time between receiving and disbursing federal funds and to ensure compliance with the policy.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and professionalism during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures and requirements for maintaining records sufficient to detail the history of procurement.

Title 2 CFR Part 200, Uniform Guidance, section 320, Methods of procurement to be followed, establishes requirements for procuring with Federal funds by non-federal entities.

Title 2 CFR Part 180, OMB *Guidelines on Agencies on Government Wide Department and Suspension (Nonprocurement)* establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

Title 2 CFR Part 200, Uniform Guidance, section 305, Payment, establishes requirements for the method of reimbursement and disbursement of Federal funds by non-Federal entities.

Department of Homeland Security (DHS) Notice of Funding Opportunity (NOFO), section VIII, Payments and Amendments, specifies recipients shall be paid in advance, provided they maintain, or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of funds and its disbursement by the recipient (not to exceed 30 days).

INDEPENDENT AUDITOR'S REPORT

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

City of Clarkston January 1, 2019 through December 31, 2020

Mayor and City Council
City of Clarkston
Clarkston, 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 Clarkston, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 18, 2022.

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.

As discussed in Note 9 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 9.

As discussed in Note 8 to the 2019 financial statements, during the year ended December 31, 2019 the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, we noted certain matters that we will report to the management of the City in a separate letter dated March 22, 2022.

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 the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

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

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

Pat McCarthy, State Auditor

Olympia, WA

March 18, 2022

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Clarkston January 1, 2020 through December 31, 2020

Mayor and City Council
City of Clarkston
Clarkston, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Clarkston, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed

below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001 to be a significant deficiency.

City's Response to Findings

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

March 18, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Clarkston January 1, 2019 through December 31, 2020

Mayor and City Council
City of Clarkston
Clarkston, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Clarkston, for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 23.

Management's Responsibility 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 *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Clarkston has prepared these financial statements to meet the financial reporting requirements of state law using 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 financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Clarkston, and its changes in cash and investments, for the years ended December 31, 2020 and 2019, on the basis of accounting described in Note 1.

Basis for 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. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

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 Clarkston, as of December 31, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matters of Emphasis

As discussed in Note 9 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 9. Our opinion is not modified with respect to this matter.

As discussed in Note 8 to the financial statements, in 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedules of Liabilities are also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2022 on our consideration of the City's internal control over financial reporting and on our 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 internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

March 18, 2022

FINANCIAL SECTION

City of Clarkston January 1, 2019 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
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Notes to the Financial Statements – 2020
Notes to the Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Liabilities – 2019
Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

City of Clarkston
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 Current Expense Fund	102 Rescue Unit One Fund	103 Street Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	9,438,266	3,140,651	12,999	467,715
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	5,889,589	3,915,154	-	522,612
320	Licenses and Permits	194,275	194,275	-	-
330	Intergovernmental Revenues	1,244,434	778,419	1,260	233,969
340	Charges for Goods and Services	4,595,404	128,340	-	1,822
350	Fines and Penalties	70,429	52,459	-	-
360	Miscellaneous Revenues	134,011	46,332	554	24,344
Total Revenues:		12,128,142	5,114,979	1,814	782,747
Expenditures					
510	General Government	800,928	777,401	-	-
520	Public Safety	3,780,708	2,761,142	5,286	-
530	Utilities	2,930,448	-	-	-
540	Transportation	1,142,561	2,509	-	1,140,052
550	Natural/Economic Environment	195,087	195,087	-	-
560	Social Services	20,000	20,000	-	-
570	Culture and Recreation	240,811	150,971	-	-
Total Expenditures:		9,110,543	3,907,110	5,286	1,140,052
Excess (Deficiency) Revenues over Expenditures:		3,017,599	1,207,869	(3,472)	(357,305)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	809,831	9,725	-	800,106
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	127,117	40,696	-	6,029
Total Other Increases in Fund Resources:		936,948	50,421	-	806,135
Other Decreases in Fund Resources					
594-595	Capital Expenditures	698,549	447,955	-	213,629
591-593, 599	Debt Service	887,084	98,194	-	-
597	Transfers-Out	809,831	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	47,135	-	-	-
Total Other Decreases in Fund Resources:		2,442,599	546,149	-	213,629
Increase (Decrease) in Cash and Investments:		1,511,948	712,141	(3,472)	235,201
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,796,791	-	-	-
50841	Committed	4,637,524	-	-	633,578
50851	Assigned	2,601,049	1,938,177	9,527	69,341
50891	Unassigned	1,914,617	1,914,617	-	-
Total Ending Cash and Investments		10,949,981	3,852,794	9,527	702,919

The accompanying notes are an integral part of this statement.

City of Clarkston
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		104 Transportation Benefit Dist.	108 Drug Enforcement Fund	120 Ambulance / Ems Fund	130 Lodging Tax Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,412,834	10,881	535,140	580,714
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	630,058	-	677,008	66,209
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	230,786	-
340	Charges for Goods and Services	-	-	448,850	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	14,789	75	5,326	5,128
Total Revenues:		644,847	75	1,361,970	71,337
Expenditures					
510	General Government	-	-	23,527	-
520	Public Safety	-	4,250	1,010,030	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	89,840
Total Expenditures:		-	4,250	1,033,557	89,840
Excess (Deficiency) Revenues over Expenditures:		644,847	(4,175)	328,413	(18,503)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	14,044	-
Total Other Increases in Fund Resources:		-	-	14,044	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	15,785	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	800,106	-	9,725	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		800,106	-	25,510	-
Increase (Decrease) in Cash and Investments:		(155,259)	(4,175)	316,947	(18,503)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,257,575	-	-	-
50841	Committed	-	-	852,086	562,211
50851	Assigned	-	6,706	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,257,575	6,706	852,086	562,211

City of Clarkston
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		306 Municipal Cap Imprvment	400 Sewer M & O Fund	409 Stormwater O & M	410 Sanitation O & M Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	493,985	2,435,667	39,467	308,213
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	78,548	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	2,253,214	433,896	1,329,282
350	Fines and Penalties	-	5,990	5,990	5,990
360	Miscellaneous Revenues	4,766	28,355	709	3,633
Total Revenues:		83,314	2,287,559	440,595	1,338,905
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	1,398,946	412,335	1,119,167
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	1,398,946	412,335	1,119,167
Excess (Deficiency) Revenues over Expenditures:		83,314	888,613	28,260	219,738
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	10,551	-	55,797
Total Other Increases in Fund Resources:		-	10,551	-	55,797
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	16,180	-	5,000
591-593, 599	Debt Service	-	752,983	-	35,907
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	47,135
Total Other Decreases in Fund Resources:		-	769,163	-	88,042
Increase (Decrease) in Cash and Investments:		83,314	130,001	28,260	187,493
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	539,216	-	-
50841	Committed	-	2,026,208	67,729	495,712
50851	Assigned	577,298	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		577,298	2,565,424	67,729	495,712

City of Clarkston
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 Current Expense Fund	102 Rescue Unit One Fund	103 Street Fund
Beginning Cash and Investments					
30810	Reserved	1,596,675	-	-	-
30880	Unreserved	6,488,395	2,842,332	11,292	289,784
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	5,484,402	3,559,913	-	550,640
320	Licenses and Permits	231,640	231,640	-	-
330	Intergovernmental Revenues	848,778	326,598	1,266	161,875
340	Charges for Goods and Services	4,230,657	125,016	-	13,675
350	Fines and Penalties	114,943	73,962	-	-
360	Miscellaneous Revenues	217,033	96,860	417	24,509
Total Revenues:		11,127,453	4,413,989	1,683	750,699
Expenditures					
510	General Government	826,259	802,366	-	-
520	Public Safety	3,839,225	2,766,329	-	-
530	Utilities	2,645,777	-	-	-
540	Transportation	832,618	3,600	-	829,018
550	Natural and Economic Environment	183,056	183,056	-	-
560	Social Services	21,669	21,669	-	-
570	Culture and Recreation	257,322	162,393	-	-
Total Expenditures:		8,605,926	3,939,413	-	829,018
Excess (Deficiency) Revenues over Expenditures:		2,521,527	474,576	1,683	(78,319)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	277,410	9,410	-	268,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	87,452	44,731	-	-
381, 382, 395, 398	Other Resources	17,800	500	-	15,550
Total Other Increases in Fund Resources:		382,662	54,641	-	283,550
Other Decreases in Fund Resources					
594-595	Capital Expenditures	317,647	101,469	-	28,139
591-593, 599	Debt Service	888,907	95,394	-	-
597	Transfers-Out	277,410	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	87,193	44,731	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,571,157	241,594	-	28,139
Increase (Decrease) in Cash and Investments:		1,333,032	287,623	1,683	177,092
Ending Cash and Investments					
5081000	Reserved	1,943,362	-	-	-
5088000	Unreserved	7,474,758	3,129,958	12,976	466,879
Total Ending Cash and Investments		9,418,120	3,129,958	12,976	466,879

The accompanying notes are an integral part of this statement.

City of Clarkston
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		104	108 Drug	120	130 Lodging
		Transportation	Enforcement	Ambulance /	Tax Fund
		Benefit Dist.	Fund	Ems Fund	
Beginning Cash and Investments					
30810	Reserved	1,065,688	-	-	-
30880	Unreserved	-	18,668	321,022	577,800
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	589,401	-	631,095	87,515
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	359,039	-
340	Charges for Goods and Services	-	-	453,722	-
350	Fines and Penalties	-	175	-	-
360	Miscellaneous Revenues	23,296	240	6,480	9,291
Total Revenues:		612,697	415	1,450,336	96,806
Expenditures					
510	General Government	-	-	23,893	-
520	Public Safety	-	8,223	1,064,673	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	94,929
Total Expenditures:		-	8,223	1,088,566	94,929
Excess (Deficiency) Revenues over Expenditures:		612,697	(7,808)	361,770	1,877
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	139,199	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	268,000	-	9,410	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		268,000	-	148,609	-
Increase (Decrease) in Cash and Investments:		344,697	(7,808)	213,161	1,877
Ending Cash and Investments					
5081000	Reserved	1,410,385	-	-	-
5088000	Unreserved	-	10,861	534,187	579,677
Total Ending Cash and Investments		1,410,385	10,861	534,187	579,677

The accompanying notes are an integral part of this statement.

City of Clarkston
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		306 Municipal Cap Imprvmt	400 Sewer M & O Fund	409 Stormwater O & M	410 Sanitation O & M Fund
Beginning Cash and Investments					
30810	Reserved	-	530,987	-	-
30880	Unreserved	419,492	1,723,125	45,827	239,053
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	65,838	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	2,018,854	403,184	1,216,206
350	Fines and Penalties	-	13,602	13,602	13,602
360	Miscellaneous Revenues	7,770	41,794	941	5,435
Total Revenues:		73,608	2,074,250	417,727	1,235,243
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	1,099,889	414,325	1,131,563
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	1,099,889	414,325	1,131,563
Excess (Deficiency) Revenues over Expenditures:		73,608	974,361	3,402	103,680
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	42,721
381, 382, 395, 398	Other Resources	-	750	-	1,000
Total Other Increases in Fund Resources:		-	750	-	43,721
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	39,470	9,370	-
591-593, 599	Debt Service	-	757,607	-	35,906
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	42,462
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	797,077	9,370	78,368
Increase (Decrease) in Cash and Investments:		73,608	178,034	(5,968)	69,033
Ending Cash and Investments					
5081000	Reserved	-	532,977	-	-
5088000	Unreserved	493,101	1,899,173	39,862	308,084
Total Ending Cash and Investments		493,101	2,432,150	39,862	308,084

The accompanying notes are an integral part of this statement.

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 code city with a mayor-council form of government. 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND 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.

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.

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 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

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.

Restrictions and commitments of Ending Cash and Investments consist of:

<u>Restricted/Committed Funds</u>	<u>Ending Cash/Investments</u>	<u>Reserved by:</u>
405 - WWTP Const Fund	\$106,344	Debt requirement
406 - Sewer Revenue Bond Fund	\$345,000	Bond covenants
407 - PWTF Loans – Sewer Fund	\$5,272	Loan agreements
408 - SRF Loan Fund	\$82,600	Loan agreements
104 - TBD Fund	\$1,257,575	RCW 36.73
103 - Street Fund	\$633,578	Ordinance 550
120 - Ambulance Fund	\$852,086	Ordinance 1408
130 - Lodging Tax Fund	\$562,211	Resolution 2006-05
400 - Sewer O&M Fund	\$2,026,208	Ordinance 1633
409 - Stormwater O&M Fund	\$67,729	Ordinance 1615
410 - Sanitation O&M Fund	\$495,712	Ordinance 1634

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

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
<u>L.G.I.P.</u>	<u>\$5,540,031</u>	<u>-0-</u>	<u>\$5,540,031</u>
<u>U.S. Government Securities</u>	<u>\$4,834,703</u>	<u>-0-</u>	<u>\$4,834,703</u>
<u>Twin River Bank CD</u>	<u>\$253,978</u>	<u>-0-</u>	<u>\$253,978</u>
Total	\$10,628,712	-0-	\$10,628,712

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

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

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: Public Employees' Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

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

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

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.

The City of Clarkston is self-insured for unemployment claims. The City had two claims for the year ending December 31, 2020. The total amount of these claims was \$585.46. The City reviews the prior year claims and fiscal condition to determine the possible exposure.

Note 8 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single employer, defined-benefit OPEB plan administered by the City of Clarkston. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2020, the plan had nine members, all retirees. As of December 31, 2020, the City of Clarkston's total OPEB liability was \$4,744,921, as calculated using the alternative measurement method. For the year ended December 31, 2020, the City of Clarkston paid \$201,237 in benefits.

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.

City of Clarkston
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 code city with a mayor-council form of government. 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. 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.

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.

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 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

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 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:

Reserved Funds

405 - WWTP Const Fund	\$105,377
406 - Sewer Revenue Bond Fund	\$345,000
408 - SRF Loan Fund	\$82,600
104 - TBD Fund	\$1,410,385

Ending Cash/Investments**Reserved by:**

Debt requirement
Bond covenants
Loan agreements
RCW 36.73

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	\$4,476,243	\$4,209,984	\$266,259
004 – CE Reserve *	\$0	\$0	\$0
006 – Emp Benefit Reserve *	\$0	\$0	\$0
007 – Community Projects *	\$38,650	\$38,650	\$0
010 – National Night Out *	\$1,000	\$522	\$488
011 – Victim’s Rights *	\$17,000	\$7,002	\$9,998
016 – Vehicle Reserve *	\$43,000	\$38,000	\$5,000
017 – DARE Fund *	\$0	\$0	\$0
037 - CDBG Fund *	\$0	\$0	\$0
102 – Rescue One	\$3,000	\$0	\$3,000
103 – Street Fund	\$1,257,525	\$857,155	\$400,370
104 – Trans Benefit District	\$319,400	\$268,000	\$51,400
105 – Street Reserve **	\$6,900	\$0	\$6,900
108 – Drug Enforcement	\$15,000	\$8,223	\$6,777
120 – Ambulance	\$1,363,717	\$1,279,171	\$84,546
121 – EMS Capital Reserve ***	\$0	\$0	\$0
130 – Lodging Tax	\$95,000	\$94,929	\$71
306 – Muni Cap Improvement	\$0	\$0	\$0
400 – Sewer O & M	\$2,062,030	\$1,960,915	\$101,115
401 – Sewer Equip Reserve +	\$48,000	\$38,500	\$9,500
402 – Sewer Line Reserve +	\$0	\$0	\$0
403 – Sewer Cap Replacement +	\$0	\$0	\$0
404 – Sewer Reserve +	\$0	\$0	\$0
405 – Sewer Construction +	\$0	\$0	\$0
406 – Sewer Revenue Bond +	\$346,750	\$343,741	\$3,009
407 – PWTF Loan Fund +	\$370,740	\$369,856	\$884
408 – SRF Loan Fund +	\$44,215	\$44,009	\$206
409 – Stormwater O & M	\$409,430	\$423,692	(\$14,262)
410 – Sanitation O & M	\$1,250,115	\$1,187,470	\$62,375
411 – Sanitation Equip Reserve ^	\$0	\$0	\$0

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.	\$4,408,462	-0-	\$4,408,462
U.S. Government Securities	\$4,782,792	-0-	\$4,782,792
Twin River Bank CD	\$253,978	-0-	\$253,978
Total	\$9,445,232	-0-	\$9,445,232

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

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	\$605,084	\$281,398	\$886,482
2021	\$617,635	\$272,047	\$889,682
2022	\$583,469	\$262,857	\$846,326
2023	\$589,356	\$253,897	\$843,253
2024	\$600,267	\$244,732	\$844,999
2025-2029	\$3,175,857	\$1,054,548	\$4,230,405
2030-2034	\$2,969,564	\$734,698	\$3,704,261
2035-2039	\$3,013,728	\$443,284	\$3,457,012
2040-2043	\$1,679,491	\$111,711	\$1,791,202
Totals	\$13,834,541	\$3,659,172	\$17,493,623

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: Public Employees' Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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Department of Retirement Systems
Communications Unit
PO Box 48380

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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	0.011766%	\$453,214
PERS 2/3	0.015192%	\$147,566
LEOFF 1	0.013430%	(\$265,459)
LEOFF 2	0.058260%	(\$1,349,705)
VFFRPF (Police)	0.06%	(\$41,090)
VFFRPF (Fire)	0.12%	(\$82,179)

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

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.

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. The City of Clarkston is self-insured for unemployment claims. The City had one claim for the year ending December 31, 2019. The total amount of this claim was \$3,825.00. The City reviews the prior year claims and fiscal condition to determine the possible exposure.

Note 8 – OPEB Plans

During the year ended December 31, 2019, the City of Clarkston adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a postemployment benefit liability reported on the Schedule of Liabilities.

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Clarkston. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2019, the plan had eleven members, all retirees. As of December 31, 2019, the City of Clarkston's total OPEB liability was \$5,844,896, as calculated using the alternative measurement method. For the year ended December 31, 2019, the City of Clarkston paid \$203,064 in benefits.

City of Clarkston
Schedule of Liabilities
For the Year Ended December 31, 2020

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Bond, City Hall	12/1/2030	820,000	-	60,000	760,000
263.96	LOCAL #0197-5-1	6/1/2021	68,352	-	33,321	35,031
263.87	PWTF Loan PC 12-951-035	6/1/2041	7,694,400	-	349,746	7,344,654
Total General Obligation Debt/Liabilities:			8,582,752	-	443,067	8,139,685
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	SRF Loan #L1200009	6/30/2032	466,695	-	32,016	434,679
252.11	Sewer Revenue Bond 2011	12/1/2041	1,805,000	-	55,000	1,750,000
252.11	Sewer Revenue Bond 2013	12/1/2043	2,980,000	-	75,000	2,905,000
259.12	Compensated Absences		484,069	440,636	380,134	544,571
264.30	Pension Liabilities		600,010	-	176,854	423,156
264.40	OPEB Liabilities		5,844,896	-	1,099,975	4,744,921
Total Revenue and Other (non G.O.) Debt/Liabilities:			12,180,670	440,636	1,818,979	10,802,327
Total Liabilities:			20,763,422	440,636	2,262,046	18,942,012

City of Clarkston
Schedule of Liabilities
For the Year Ended December 31, 2019

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Bond, City Hall	12/1/2030	875,000	-	55,000	820,000
263.96	LOCAL #0197-5-1	6/1/2021	100,048	-	31,696	68,352
263.87	PWTF Loan PC 12-951-035	6/1/2041	8,044,146	-	349,746	7,694,400
Total General Obligation Debt/Liabilities:			9,019,194	-	436,442	8,582,752
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	SRF Loan #L1200009	6/30/2032	497,891	-	31,196	466,695
252.11	SEWER REVENUE BOND 2011	12/1/2041	1,860,000	-	55,000	1,805,000
252.11	SEWER REVENUE BOND 2013	12/1/2043	3,055,000	-	75,000	2,980,000
259.12	Compensated Absences		497,434	376,359	389,724	484,069
264.30	Pension Liabilities		714,954	-	114,944	600,010
264.40	OPEB Liabilities		-	5,844,896	-	5,844,896
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,625,279	6,221,255	665,864	12,180,670
Total Liabilities:			15,644,473	6,221,255	1,102,306	20,763,422

City of Clarkston
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F19-31103-003	14,178	-	-	1,3
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Whitman County)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F17-31440-016	21,205	-	-	1,3
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Whitman County)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F17-31440-216	5,142	-	-	1,3
Total CFDA 16.738:				26,347	-	-	
Highway Planning and Construction Cluster							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUS-9902 (036), LA-9593	91,428	-	-	1,3
Total Highway Planning and Construction Cluster:				91,428	-	-	
Highway Safety Cluster							
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Association of Sheriffs and Police Chiefs)	State and Community Highway Safety	20.600	n/a	500	-	-	1,3
Total Highway Safety Cluster:				500	-	-	

The accompanying notes are an integral part of this schedule.

City of Clarkston
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6451C-140	324,225	-	324,225	-	1,3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW-2019-FG- 01017	-	161,905	161,905	-	1,3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW-2020-FG- 00798	-	6,711	6,711	-	1,3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW-2018-FO- 01923	-	201,007	201,007	-	1,3
Total CFDA 97.044:				-	369,623	369,623	-	
Total Federal Awards Expended:				456,678	369,623	826,301	-	

The accompanying notes are an integral part of this schedule.

City of Clarkton

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

Note 1 – Basis of Accounting

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

Note 2 – Federal De Minimis Indirect Cost Rate

The City has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The election of the 10-percent de minimis indirect cost rate is accepted by the City, as the City does not have a negotiated rate. The amount expended includes \$ 0 claimed as an indirect cost recovery using an approved indirect cost rate of 10 percent.

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



City of Clarkston

City Hall: (509) 758-5541 • Police: (509) 758-1680 • Fire: (509) 758-8681 • Fax: (509) 769-6018
829 5th Street • Clarkston, WA 99403 • www.clarkston-wa.com

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Clarkston

January 1, 2020 through December 31, 2020

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

Finding ref number: 2020-001	Finding caption: The City had inadequate internal controls for ensuring compliance with federal procurement, suspension and debarment, and cash management requirements
Name, address, and telephone of City contact person: Steve Austin, Clerk Treasurer 829 5th Street Clarkston, WA 99403 (509) 758-5541	
Corrective action the auditee plans to take in response to the finding: <i>The City is in the process of modifying the policy regarding federal procurement, suspension and debarment, and cash management to ensure compliance with usage of federal funds.</i> <i>The City plans to update the procurement policy and standards of conduct policy to ensure that federal standards are being maintained.</i> <i>The City will strengthen internal controls to ensure that procurement of goods and services will comply with federal regulations and the City's procurement policy.</i> <i>The City will ensure that suspension and debarment documentation will be retained for purchases of \$25,000 or more to any contractor paid all or in part with federal funds.</i> <i>The City will establish written cash management policy to minimize time between receiving and disbursing federal funds and to ensure compliance with the policy.</i>	
Anticipated date to complete the corrective action: Completed before the City's FY 2023.	

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.

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

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