



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Clarkston

Asotin County

For the period January 1, 2013 through December 31, 2015

Published September 19, 2016

Report No. 1017434





Washington State Auditor's Office

September 19, 2016

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,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	16
About The State Auditor’s Office.....	56

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Clarkston
Asotin County
January 1, 2015 through December 31, 2015

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 of all funds 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 reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City of Clarkston
Asotin County
January 1, 2013 through December 31, 2015**

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, Asotin County, Washington, as of and for the years ended December 31, 2015, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 1, 2016.

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 Washington State statutes 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.

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 opinion 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.

COMPLIANCE AND OTHER MATTERS

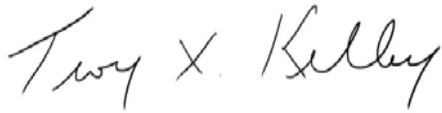
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 1, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Clarkston
Asotin County
January 1, 2015 through December 31, 2015**

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, Asotin County, Washington, 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, 2015. 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, 2015.

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.

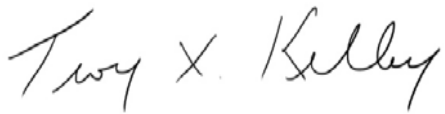
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies

in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 1, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Clarkston Asotin County January 1, 2013 through December 31, 2015

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, Asotin County, Washington, for the years ended December 31, 2015, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

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 Washington State statutes 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 an opinion 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 Washington State statutes 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 financial position and results of operations of the City of Clarkston, for the years ended December 31, 2015, 2014 and 2013, 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, 2015, 2014 and 2013, or the changes in financial position or cash flows 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.

Other Matters

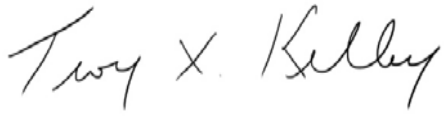
Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying 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 September 1, 2016 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 that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 1, 2016

FINANCIAL SECTION

**City of Clarkston
Asotin County
January 1, 2013 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2015
Notes to Financial Statements – 2014
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015
Schedule of Liabilities – 2014
Schedule of Liabilities – 2013
Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

City of Clarkston
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 Current Expense Fund	102 Rescue Unit One Fund	103 Street Fund	104 Transportation Benefit Dist.
Beginning Cash and Investments						
30810	Reserved	1,588,642	-	-	-	-
30880	Unreserved	5,075,360	2,257,787	5,016	319,378	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-	-
Operating Revenues						
310	Taxes	4,303,558	3,128,452	-	461,548	-
320	Licenses and Permits	139,035	139,035	-	-	-
330	Intergovernmental Revenues	1,342,567	318,719	1,341	1,017,080	-
340	Charges for Goods and Services	3,815,015	85,780	-	4,931	-
350	Fines and Penalties	124,173	84,885	-	-	-
360	Miscellaneous Revenues	172,393	53,017	202	21,991	51,154
Total Operating Revenues:		9,896,742	3,809,888	1,543	1,505,550	51,154
Operating Expenditures						
510	General Government	909,217	862,462	-	-	-
520	Public Safety	3,466,947	2,549,991	-	-	-
530	Utilities	2,357,957	-	-	-	-
540	Transportation	618,397	2,134	-	616,263	-
550	Natural and Economic Environment	153,647	153,647	-	-	-
560	Social Services	1,659	1,659	-	-	-
570	Culture and Recreation	225,975	137,270	-	-	-
598	Miscellaneous Expenses	-	-	-	-	-
Total Operating Expenditures:		7,733,800	3,707,164	-	616,263	-
Net Operating Increase (Decrease):		2,162,943	102,725	1,543	889,287	51,154
Nonoperating Revenues						
370-380, 395 & 398	Other Financing Sources	521,765	236,962	-	214,294	-
391-393	Debt Proceeds	-	-	-	-	-
397	Transfers-In	163,885	8,585	-	90,000	-
Total Nonoperating Revenues:		685,650	245,547	-	304,294	-
Nonoperating Expenditures						
580, 596 & 599	Other Financing Uses	451,541	209,000	-	205,000	-
591-593	Debt Service	1,076,979	152,621	-	1,690	-
594-595	Capital Expenditures	1,852,817	59,287	-	1,092,801	-
597	Transfers-Out	163,885	155,300	-	-	-
Total Nonoperating Expenditures:		3,545,223	576,207	-	1,299,491	-
Net Increase (Decrease) in Cash and Investments:		(696,629)	(227,936)	1,543	(105,910)	51,154
Ending Cash and Investments						
5081000	Reserved	870,772	-	-	-	51,154
5088000	Unreserved	5,096,598	2,029,850	6,559	213,469	-
Total Ending Cash and Investments		5,967,370	2,029,850	6,559	213,469	51,154

The accompanying notes are an integral part of this statement.

108 Drug Enforcement Fund	120 Ambulance / Ems Fund	130 Lodging Tax Fund	306 Municipal Cap Imprvmt	400 Sewer M & O Fund	409 Stormwater O & M	410 Sanitation O & M Fund
-	-	-	-	1,588,642	-	-
48,131	267,451	546,284	131,030	1,422,630	38,643	39,009
-	-	-	-	-	-	-
-	547,426	94,795	71,337	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	5,428	-
-	473,931	-	-	1,896,073	286,280	1,068,019
2,195	-	-	-	12,351	12,370	12,371
486	3,117	6,220	2,047	32,342	963	855
2,681	1,024,474	101,015	73,384	1,940,767	305,041	1,081,245
-	46,755	-	-	-	-	-
10,795	906,160	-	-	-	-	-
-	-	-	-	972,403	331,786	1,053,768
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	88,705	-	-	-	-
-	-	-	-	-	-	-
10,795	952,916	88,705	-	972,403	331,786	1,053,768
(8,114)	71,559	12,310	73,384	968,364	(26,745)	27,477
-	-	-	-	1,200	31,439	37,870
-	-	-	-	-	-	-
-	35,000	-	-	-	-	30,300
-	35,000	-	-	1,200	31,439	68,170
-	-	-	-	-	-	37,541
-	-	-	-	886,763	-	35,906
-	14,842	-	-	671,929	13,959	-
-	8,585	-	-	-	-	-
-	23,427	-	-	1,558,691	13,959	73,447
(8,114)	83,132	12,310	73,384	(589,128)	(9,265)	22,200
-	-	-	-	819,619	-	-
40,017	350,583	558,594	204,414	1,602,525	29,377	61,209
40,017	350,583	558,594	204,414	2,422,144	29,377	61,209

The accompanying notes are an integral part of this statement.

City of Clarkston
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	635 Agency Fund- Trust Acct
308	Beginning Cash and Investments	(6,615)	(6,615)
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	43,543	43,543
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	41,461	41,461
	Net Increase (Decrease) in Cash and Investments:	2,082	2,082
508	Ending Cash and Investments	(4,532)	(4,532)

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, 2014

		Total for All Funds (Memo Only)	001 Current Expense Fund	102 Rescue Unit One Fund	103 Street Fund
Beginning Cash and Investments					
30810	Reserved	3,791,961	-	-	-
30880	Unreserved	4,685,721	1,922,568	7,802	183,507
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	4,210,316	3,086,994	-	451,215
320	Licenses and Permits	158,713	158,713	-	-
330	Intergovernmental Revenues	718,355	419,886	1,473	170,686
340	Charges for Goods and Services	3,429,103	80,395	-	3,616
350	Fines and Penalties	130,053	83,151	-	-
360	Miscellaneous Revenues	72,917	26,238	75	20,970
Total Operating Revenues:		8,719,456	3,855,378	1,548	646,487
Operating Expenditures					
510	General Government	684,396	636,437	-	-
520	Public Safety	3,284,136	2,406,227	1,102	-
530	Utilities	2,446,990	-	-	-
540	Transportation	499,671	2,255	-	497,416
550	Natural and Economic Environment	145,689	145,689	-	-
560	Social Services	1,552	1,552	-	-
570	Culture and Recreation	223,990	138,305	-	-
Total Operating Expenditures:		7,286,424	3,330,465	1,102	497,416
Net Operating Increase (Decrease):		1,433,032	524,913	446	149,071
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	882,383	519,958	-	-
391-393	Debt Proceeds	458,630	216,893	-	-
397	Transfers-In	53,585	8,585	-	10,000
Total Nonoperating Revenues:		1,394,598	745,436	-	10,000
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	568,784	245,000	-	-
591-593	Debt Service	945,767	104,052	-	-
594-595	Capital Expenditures	3,073,175	541,077	3,231	23,201
597	Transfers-Out	53,585	45,000	-	-
Total Nonoperating Expenditures:		4,641,312	935,129	3,231	23,201
Net Increase (Decrease) in Cash and Investments:		(1,813,681)	335,220	(2,785)	135,870
Ending Cash and Investments					
5081000	Reserved	1,588,642	-	-	-
5088000	Unreserved	5,075,360	2,257,787	5,016	319,378
Total Ending Cash and Investments		6,664,002	2,257,787	5,016	319,378

The accompanying notes are an integral part of this statement.

108 Drug Enforcement Fund	120 Ambulance / Ems Fund	130 Lodging Tax Fund	306 Municipal Cap Imprvmt	400 Sewer M & O Fund	409 Stormwater O & M	410 Sanitation O & M Fund
-	-	-	-	3,791,961	-	-
57,971	197,942	539,253	74,914	1,395,053	23,920	282,791
-	-	-	-	-	-	-
-	526,000	90,448	55,659	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	126,309	-
-	464,792	-	-	1,610,662	287,935	981,703
3,265	-	-	-	14,546	14,545	14,546
215	813	2,269	457	20,178	398	1,303
<u>3,480</u>	<u>991,606</u>	<u>92,717</u>	<u>56,116</u>	<u>1,645,386</u>	<u>429,187</u>	<u>997,552</u>
-	47,959	-	-	-	-	-
1,667	875,139	-	-	-	-	-
-	-	-	-	901,809	328,713	1,216,468
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	85,685	-	-	-	-
<u>1,667</u>	<u>923,098</u>	<u>85,685</u>	<u>-</u>	<u>901,809</u>	<u>328,713</u>	<u>1,216,468</u>
<u>1,813</u>	<u>68,508</u>	<u>7,032</u>	<u>56,116</u>	<u>743,577</u>	<u>100,474</u>	<u>(218,916)</u>
-	-	-	-	5,300	83,146	273,980
-	-	-	-	-	-	241,736
-	35,000	-	-	-	-	-
<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>5,300</u>	<u>83,146</u>	<u>515,717</u>
-	-	-	-	-	50,000	273,784
-	12,015	-	-	824,053	208	5,438
11,653	13,399	-	-	2,100,566	118,688	261,360
-	8,585	-	-	-	-	-
<u>11,653</u>	<u>33,999</u>	<u>-</u>	<u>-</u>	<u>2,924,620</u>	<u>168,897</u>	<u>540,582</u>
(9,840)	69,510	7,032	56,116	(2,175,742)	14,724	(243,782)
-	-	-	-	1,588,642	-	-
48,131	267,451	546,284	131,030	1,422,630	38,643	39,009
<u>48,131</u>	<u>267,451</u>	<u>546,284</u>	<u>131,030</u>	<u>3,011,272</u>	<u>38,643</u>	<u>39,009</u>

The accompanying notes are an integral part of this statement.

City of Clarkston
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	635 Agency Fund- Trust Acct
308	Beginning Cash and Investments	234	234
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	40,534	40,534
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	47,383	47,383
	Net Increase (Decrease) in Cash and Investments:	(6,849)	(6,849)
508	Ending Cash and Investments	(6,615)	(6,615)

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, 2013

		Total for All Funds (Memo Only)	001 Current Expense Fund	102 Rescue Unit One Fund	103 Street Fund
Beginning Cash and Investments					
30810	Reserved	1,518,031	-	-	-
30880	Unreserved	4,432,844	1,832,632	6,423	200,915
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	4,062,819	2,993,759	-	439,709
320	Licenses & Permits	130,057	130,057	-	-
330	Intergovernmental Revenues	1,196,061	440,918	1,208	621,949
340	Charges for Goods and Services	3,203,643	84,563	-	934
350	Fines & Penalties	172,863	125,678	-	-
360	Miscellaneous Revenues	79,373	24,302	171	31,184
Total Operating Revenues:		8,844,815	3,799,276	1,379	1,093,777
Operating Expenditures					
510	General Government	726,652	652,489	-	23,970
520	Public Safety	3,357,551	2,501,168	-	-
530	Utilities	2,324,359	-	-	-
540	Transportation	584,176	2,518	-	581,658
550	Natural and Economic Environment	130,394	130,394	-	-
560	Social Services	1,392	1,392	-	-
570	Culture And Recreation	226,704	143,124	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		7,351,228	3,431,085	-	605,628
Net Operating Increase (Decrease):		1,493,587	368,191	1,379	488,149
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	117,674	-	-	-
391-393	Debt Proceeds	12,844,881	-	-	-
397	Transfers-In	85,880	8,280	-	2,600
Total Nonoperating Revenues:		13,048,434	8,280	-	2,600
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	81,316	50,000	-	-
591-593	Debt Service	538,229	96,446	-	-
594-595	Capital Expenditures	11,309,789	62,491	-	508,157
597	Transfers-Out	85,880	77,600	-	-
Total Nonoperating Expenditures:		12,015,213	286,536	-	508,157
Net Increase (Decrease) in Cash and Investments:		2,526,808	89,934	1,379	(17,408)
Ending Cash and Investments					
5081000	Reserved	3,791,961	-	-	-
5088000	Unreserved	4,685,721	1,922,568	7,802	183,507
Total Ending Cash and Investments		8,477,682	1,922,568	7,802	183,507

The accompanying notes are an integral part of this statement.

108 Drug Enforcement Fund	120 Ambulance / Ems Fund	130 Lodging Tax Fund	202 Municipal Cap Imprvment Fund	400 Sewer M & O Fund	409 Stormwater O & M	410 Sanitation O & M Fund
-	-	-	-	1,518,031	-	-
61,764	95,669	535,916	36,675	1,237,273	60,185	365,391
-	-	-	-	-	-	-
-	505,769	85,505	38,077	-	-	-
-	-	-	-	-	-	-
2,500	-	-	-	-	129,486	-
-	442,572	-	-	1,444,221	282,625	948,726
5,360	-	-	-	13,942	13,941	13,942
5,655	528	1,412	162	14,412	191	1,356
13,515	948,870	86,916	38,239	1,472,574	426,244	964,025
-	50,193	-	-	-	-	-
17,291	839,093	-	-	-	-	-
-	-	-	-	917,414	357,760	1,049,184
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	83,580	-	-	-	-
-	-	-	-	-	-	-
17,291	889,286	83,580	-	917,414	357,760	1,049,184
(3,776)	59,584	3,336	38,239	555,160	68,484	(85,159)
610	-	-	-	1,000	82,816	33,247
-	-	-	-	12,844,881	-	-
-	75,000	-	-	-	-	-
610	75,000	-	-	12,845,881	82,816	33,247
628	-	-	-	-	-	30,688
-	24,030	-	-	417,753	-	-
-	-	-	-	10,551,578	187,563	-
-	8,280	-	-	-	-	-
628	32,310	-	-	10,969,331	187,563	30,688
(3,794)	102,274	3,336	38,239	2,431,710	(36,263)	(82,600)
-	-	-	-	3,791,961	-	-
57,971	197,942	539,253	74,914	1,395,053	23,920	282,791
57,971	197,942	539,253	74,914	5,187,014	23,920	282,791

The accompanying notes are an integral part of this statement.

City of Clarkston
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	635 Agency Fund - Trust Account
308	Beginning Cash and Investments	(5,188)	(5,188)
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	60,373	60,373
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	54,951	54,951
Net Increase (Decrease) in Cash and Investments:		5,422	5,422
508	Ending Cash and Investments	234	234

The accompanying notes are an integral part of this statement.

City of Clarkston
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The City of Clarkston was incorporated on August 4, 1902 and operates under the laws of the state of Washington applicable to a non-charter code city. The City of Clarkston is a general purpose local government and provides police, fire, ambulance, community development, parks, sewer, streets, surface water management and sanitation services.

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

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

A. **Fund Accounting**

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

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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	\$4,384,343	\$4,027,208	\$357,135
004 – CE Reserve	\$314,000	\$314,000	\$0
006 – Emp Benefit Reserve	\$0	\$0	\$0
007 – Community Projects	\$0	\$0	\$0
010 – National Night Out	\$1,050	\$625	\$425
011 – Victim’s Rights	\$11,300	\$10,239	\$1,061
016 – Vehicle Reserve	\$157,245	\$155,845	\$1,400
017 – DARE Fund	\$2,750	\$0	\$2,750
037 - CDBG Fund	\$25,000	\$25,000	\$0
102 – Rescue One	\$0	\$0	\$0
103 – Street Fund	\$1,803,840	\$1,949,963	\$(146,123)
104 – Trans Benefit District	\$0	\$0	\$0
105 – Street Reserve	\$30,000	\$30,000	\$0
108 – Drug Enforcement	\$13,000	\$10,795	\$2,205
120 - Ambulance	\$1,079,475	\$1,009,343	\$70,132
121 – EMS Capital Reserve	\$0	\$0	\$0
130 – Lodging Tax	\$88,890	\$88,705	\$185
306 – Capital Improvement	\$0	\$0	\$0
400 – Sewer O & M	\$1,844,005	\$1,773,579	\$70,426
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	\$806,400	\$773,811	\$32,589
406 – Sewer Revenue Bond	\$343,350	\$343,271	\$79
407 – PWTF Loan Fund	\$487,110	\$459,949	\$27,161
408 – SRF Loan Fund	\$82,920	\$82,593	\$327
409 – Stormwater O & M	\$422,880	\$345,742	\$77,138
410 – Sanitation O & M	\$1,170,320	\$1,127,215	\$43,105
411 – Sanitation Equip Reserve	\$0	\$0	\$0

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.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,500. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 1.5 x 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 January 1, 1985 (or as otherwise authorized by CBA) are compensated for a portion of unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 5, *Debt Service Requirements*.

H. Other Financing Sources or Uses

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

I. 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 179 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

J. 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 the WWTP Construction Fund with a reserve of \$392,019, which is dedicated to a construction project funded with revenue bonds; the Sewer Revenue Bond Fund with a reserve of \$345,000 required by bond covenants; and the SRF Loan Fund with a reserve of \$82,600 required by loan agreements. There is also a Reserved Ending Balance in the Transportation Benefit District (TBD) Fund of \$51,154. This balance is reserved due to legislative restrictions on the use of TBD funds.

Note 2 – Deposits and Investments

Deposits and Investments

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

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.

Investments are reported at fair value. Investments by type at December 31, 2015 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.	\$2,134,237.98	-0-	\$2,134,237.98
U.S. Government Securities	\$3,834,986.00	-0-	\$3,834,986.00
Twin <u>River Bank</u> CD	\$ 247,219.52	-0-	\$ 247,219.52
_____	_____	_____	_____
_____	_____	_____	_____
Total	\$6,216,443.50	-0-	\$6,216,443.50

Note 3 - 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 2015 was \$2.17989141 per \$1,000 on an assessed valuation of \$422,217,362 for a total regular levy of \$920,388.

In 2015 the City also levied \$1.32162791 per \$1,000 of the assessed valuation of \$413,253,227 (which is the adjusted assessed valuation deducting the senior citizen exemptions) for E.M.S. levy for a total additional levy of \$546,167.

Note 4 - Interfund Loans

The following table displays interfund loan activity during 2015:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2015</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2015</u>
103TBD	001	-0-	\$ 4,000	\$ 4,000	\$ -0-
103	004	-0-	\$205,000	\$205,000	-0-
103TBD	001	\$ 5,000	-0-	\$ 5,000	\$ -0-
	TOTALS	<u>\$ 5,000</u>	<u>\$209,000</u>	<u>\$214,000</u>	<u>\$ -0-</u>

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, 2015.

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
2016	\$658,904	\$323,456	\$982,360
2017	\$670,046	\$312,280	\$982,326
2018	\$667,179	\$300,370	\$967,549
2019	\$597,637	\$290,068	887,705
2020	\$605,084	\$281,398	\$886,482
2021-2025	\$3,001,929	\$1,267,731	\$4,269,690
2026-2030	\$3,240,912	\$991,989	\$4,232,901
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	\$16,428,217	\$4,885,345	\$21,313,562

The Public Works Trust Fund Loan was reduced in 2015 due to a payback of \$86,460. The interest rate was also reduced in 2015 from 0.5% to 0.25%.

Note 6 - Pension Plans

Substantially all the City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: PERS, LEOFF.

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, 2015 (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	0.011635%	\$608,619
PERS 2/3	0.015028%	\$536,959
LEOFF 1	0.012831%	(\$154,642)
LEOFF 2	0.064783%	(\$665,840)
VFFRPF (Police)	0.14%	\$ (26,968)
VFFRPF (Fire)	0.12%	\$ (23,972)

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 – Health & Welfare

The City of Clarkston is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must *provide written notice of termination of all coverage a minimum of 6 months in advance of termination date*. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions

regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 8 - Other Disclosures

OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to the LEOFF I retirement system. These benefits include health insurance, medical, vision, nursing care and related expenses. Eleven retirees received benefits during the year and \$182,552 was paid out for those benefits during the year.

Unemployment Compensation

The City is a self-insurer of unemployment for all of its employees. Actual employee claims are paid by the State of Washington Department of Employment and then reimbursed by the City. This self-insurance program costs the City less than full participation in the state unemployment compensation program. The City made unemployment compensation payments totaling \$13,266 in fiscal year 2015, and has set aside \$10,000 in payables for fiscal year 2015 to ensure payment of these claims.

Compliance and Accountability

The City over expended in the Street Fund by \$146,123. The Fund received an Interfund loan to finance a street construction project that was federally funded to maintain cash flow as reimbursement claims were processed. A budget amendment was not processed to repay that loan of \$205,000.

Ongoing litigation

The City is involved in litigation with Skyline Contractors, Inc. The City contracted with Skyline in 2011 to remodel the Public Safety building. The City issued a letter of substantial completion on March 21, 2012. However, the City has unresolved claims against the bond and retainage. The bonding surety is nonresponsive and has since filed for bankruptcy protection. Skyline filed suit against the City in the amount of \$870,000. The City is in possession of retainage of \$37,600 and the outstanding contract balance of \$52,000. Skyline filed for Chapter 7 bankruptcy in 2012. This claim was settled in mediation for \$75,000.

The City adopted a ban on retail marijuana businesses in November of 2014. Two retail marijuana stores opened in spite of the ban and a court injunction was obtained causing them to close. One business (Canna4Life) has filed a lawsuit against the city for damages in an amount to be determined. That lawsuit is pending and has been inactive for several months. The other business (Greenfield Company) appealed the injunction. The appeal is scheduled for oral arguments on June 10. The City's insurance provider (WCIA) is providing defense for the Canna4Life lawsuit.

City of Clarkston
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The City of Clarkston was incorporated on August 4, 1902 and operates under the laws of the state of Washington applicable to a non-charter code city. The City of Clarkston is a general purpose local government and provides police, fire, ambulance, community development, parks, sewer, streets, surface water management and sanitation services.

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

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

A. **Fund Accounting**

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

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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	\$4,605,845	\$4,070,117	\$535,728
004 – CE Reserve	\$240,000	240,000	\$0
006 – Emp Benefit Reserve	\$0	\$0	\$0
007 – Community Projects	\$0	\$0	\$0
010 – National Night Out	\$900	\$657	\$243
011 – Victim’s Rights	\$5,000	\$2,450	\$2,550
016 – Vehicle Reserve	\$268,500	\$233,400	\$35,100
017 – DARE Fund	\$4,750	\$2,370	\$2,380
037 - CDBG Fund	\$25,100	\$10,000	\$15,100
102 – Rescue One	\$4,650	\$4,333	\$317
103 – Street Fund	\$1,510,590	\$520,616	\$989,974
105 – Street Reserve	\$45,000	\$0	\$45,000
108 – Drug Enforcement	\$16,000	\$13,320	\$2,680
120 - Ambulance	\$1,071,860	\$978,096	\$93,764
121 – EMS Capital Reserve	\$0	\$0	\$0
130 – Lodging Tax	\$85,985	\$85,685	\$300
306 – Capital Improvement	\$0	\$0	\$0
400 – Sewer O & M	\$1,811,655	\$1,710,602	\$101,053
401 – Sewer Equip Reserve	\$0	\$0	\$0
402 – Sewer Line Reserve	\$60,000	\$40,000	\$20,000
403 – Sewer Cap Replacement	\$0	\$0	\$0
404 – Sewer Reserve	\$0	\$0	\$0
405 – Sewer Construction	\$2,322,000	\$2,120,671	\$201,329
406 – Sewer Revenue Bond	\$296,300	\$344,439	(\$48,139)
407 – PWTF Loan Fund	\$397,050	\$397,022	\$28
408 – SRF Loan Fund	\$55,555	\$82,955	(\$27,400)
409 – Stormwater O & M	\$516,630	\$497,610	\$19,020
410 – Sanitation O & M	\$1,757,445	\$1,757,050	\$395
411 – Sanitation Equip Reserve	\$175,000	\$175,000	\$0

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.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,500. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 1.5 x 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 January 1, 1985 will be compensated for apportion of unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

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

I. 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 176 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

J. 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 the WWTP Construction Fund with a reserve of \$1,158,041, which is dedicated to a construction project funded with revenue bonds; the Sewer Revenue Bond Fund with a reserve of \$348,000 required by bond covenants; and the SRF Loan Fund with a reserve of \$82,600 required by loan agreements.

Note 2 - 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 2014 was \$2.20598161 per \$1,000 on an assessed valuation of \$409,247,292 for a total regular levy of \$902,792.

In 2014 the City also levied \$1.31498157 per \$1,000 of the assessed valuation of \$400,554,662 (which is the adjusted assessed valuation deducting the senior citizen exemptions) for E.M.S. levy for a total additional levy of \$526,722.

Note 3 – Deposits and Investments

Deposits and Investments

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

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.

Investments are reported at fair value. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>City's own investments</u>	<u>Investments held by City as an agent for other local governments, individuals or private organizations.</u>	<u>Total</u>
L.G.I.P.	\$2,988,273.56	-0-	\$2,988,273.56
U.S. Government Securities	\$3,595,000.00	-0-	\$3,595,000.00
Twin <u>River Bank</u> CD	\$ 245,000.00	-0-	\$ 245,000.00
Total	\$6,828,273.56	-0-	\$6,828,273.56

Note 4 – 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, 2014.

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:

	<u>General Obligation Debt</u>	<u>Revenue Debt</u>	<u>Other Debt</u>	<u>Total Debt</u>
2015	\$188,527	\$425,014	\$400,596	\$1,014,137
2016	\$187,027	\$422,855	\$398,831	\$1,008,713
2017	\$190,028	\$420,695	\$397,066	\$1,007,789
2018	\$187,827	\$408,993	\$395,302	\$992,122
2019	\$131,300	\$386,551	\$393,537	\$911,388
2020-2024	\$556,308	\$1,918,274	\$1,941,213	\$4,415,795
2025-2029	\$489,056	\$1,927,044	\$1,897,094	\$4,313,194
2030-2034	\$99,628	\$1,812,182	\$1,852,976	\$3,764,786
2035-2039	\$0	1,686,425	\$1,808,857	\$3,495,282
2040-2044	\$0	\$1,089,087	\$711,190	\$1,800,277
Totals	\$2,029,701	\$10,497,120	\$10,196,662	\$22,723,483

The Public Works Trust Fund Loan listed under Other Debt, was reduced in 2015 due to a payback of \$86,460. The interest rate was also reduced in 2015 from 0.5% to 0.25%. Those changes will be reflected in the 2015 annual report notes.

Note 5 - Interfund Loans

The following table displays interfund loan activity during 2014:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2014</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2014</u>
409	001	\$50,000	-0-	\$ 50,000	\$ -0-
410	004	-0-	\$240,000	\$240,000	-0-
103TBD	001	-0-	\$ 5,000	-0-	\$ 5,000
	TOTALS	\$ <u>50,000</u>	\$ <u>245,000</u>	\$ <u>290,000</u>	\$ <u>5,000</u>

Note 6 - Pension Plans

Substantially all the City's full-time and qualifying part-time employees participate in PERS, LEOFF or Volunteer Firefighters Relief and Pension Fund, administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

Note 7 – Health and Welfare

The City of Clarkston is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum

of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of the termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's Office.

Note 8 - Other Disclosures

OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to the LEOFF I retirement system. These benefits include health insurance, medical, vision, nursing care and related expenses. Twelve retirees received benefits during the year and \$202,523 was paid out for those benefits during the year.

Unemployment Compensation

The City is a self-insurer of unemployment for all of its employees. Actual employee claims are paid by the State of Washington Department of Employment and then reimbursed by the City. This self-insurance program costs the City less than full participation in the state unemployment compensation program. The City made unemployment compensation payments totaling \$5,781 in fiscal year 2014, and has set aside \$13,266 in fiscal year 2014 to ensure payment of these claims.

Compliance and Accountability

Two funds were over expended in 2014. The Sewer Revenue Bond Fund (406) was over expended by \$48,139 and the SRF Loan Fund was over expended by \$27,400. Both were due to errors in the formula used when preparing the budget for adoption. Line items for both funds were correct, but the totals used to adopt the budget were incorrect.

Ongoing litigation

The City is involved in litigation with Skyline Contractors, Inc. The City contracted with Skyline in 2011 to remodel the Public Safety building. The City issued a letter of substantial completion on March 21, 2012. However, the City has unresolved claims against the bond and retainage. The bonding surety is nonresponsive and has since filed for bankruptcy protection. Skyline filed suit against the City in the amount of \$870,000. The City is in possession of retainage of \$37,600 and the outstanding contract balance of \$52,000. Skyline filed for Chapter 7 bankruptcy in 2012. There is a provision for arbitration in the contract with Skyline and an arbitrator has been assigned. The City has opted to attempt mediation prior to moving to arbitration at the request of the bankruptcy trustee.

CITY OF CLARKSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2013

Note 1 - Summary of Significant Accounting Policies

The City of Clarkston (City) reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Clarkston was incorporated in 1902 and operates under the laws of the state of Washington applicable to a non charter code city. The City is a general purpose government and provides police, fire, ambulance, community development, parks, sewer streets, surface water management and sanitation services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City. 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 City.

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that City holds for others in an agency capacity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

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	\$4,194,130	\$3,757,521	\$436,609
004 – CE Reserve	\$0	\$0	\$0
006 – Emp Benefit Reserve	\$0	\$0	\$0
007 – Community Projects	\$2,000	\$0	\$2,000
010 – National Night Out	\$1,100	\$799	\$301
011 – Victim’s Rights	\$4,000	\$2,674	\$1,326
016 – Vehicle Reserve	\$46,000	\$44,000	\$2,000
017 – DARE Fund	\$4,750	\$4,028	\$722
037 - CDBG Fund	\$25,100	\$2,600	\$22,500
102 – Rescue One	\$3,500	\$0	\$3,500
103 – Street Fund	\$1,268,055	\$1,113,785	\$154,270
105 – Street Reserve	\$120,000	\$81,000	\$39,000
108 – Drug Enforcement	\$19,000	\$17,919	\$1,081
120 - Ambulance	\$1,068,095	\$930,595	\$137,500
121 – EMS Capital Reserve	\$0	\$0	\$0
130 – Lodging Tax	\$83,580	\$83,580	\$0
202 – Capital Improvement	\$0	\$0	\$0
400 – Sewer O & M	\$1,410,380	\$1,314,914	\$95,466
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	\$12,893,400	\$10,925,408	\$1,967,992
406 – Sewer Revenue Bond	\$152,650	\$152,603	\$47
407 – PWTF Loan Fund	\$122,300	\$122,197	\$103
408 – SRF Loan Fund	\$64,925	\$82,593	\$(17,668)
409 – Stormwater O & M	\$533,110	\$545,324	\$(12,214)
410 – Sanitation O & M	\$1,428,165	\$1,099,872	\$328,293
411 – Sanitation Equip Reserve	\$0	\$0	\$0

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.

D. Cash

It is the City’s policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,500. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 1.5 x the annual earnable amount for each employee and is payable upon separation or retirement.

Sick leave may be accumulated up to 960 hours for general employees, with larger accumulative amounts as determined by collective bargaining agreements. Upon separation or retirement employees with a hire date prior to January 1, 1985 will be compensated for a portion of unused sick leave.

I. Long-Term Debt See Note 5, *Debt Service Requirements*.

J. Other Financing Sources or Uses

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

K. 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, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

M. Reserved Fund Balance

The City has three funds with Reserved Ending Balances. They are the WWTP Construction Fund with a reserve of \$3,270,911, which is dedicated to a construction project funded with revenue bonds and PWTF loan; the Sewer Revenue Bond Fund with a reserve of \$438,449 required by bond covenants; and the SRF Loan Fund with a reserve of \$82,600 required by the loan agreements.

Note 2 - Investments

The City's investments are either insured, registered or held by the City or its agent in the City's name.

Investments are presented at face value.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	City's own investments	Investments held by City as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$5,434,536.74	\$_____	\$5,434,536.74
US Bank (U.S. Gov Securities)	\$3,385,000.00	_____	\$3,385,000.00
Twin River Bank (CD)	\$ 245,000.00	_____	\$ 245,000.00
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total	<u>\$ 9,064,536.74</u>	<u>\$ -0-</u>	<u>\$ 9,064,536.74</u>

Note 3 - 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 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 2013 was \$2.20946456 per \$1,000 on an assessed valuation of \$402,635,560 for a total regular levy of \$889,609.

In 2013 the City also levied \$1.29549122 per \$1,000 of the assessed valuation of \$395,062,500 (which is the adjusted assessed valuation deducting the senior citizen exemptions) for an E.M.S. levy for a total additional levy of \$511,800.

Note 4 - Interfund Loans

The following table displays interfund loan activity during 2013:

Borrowing Fund	Lending Fund	Balance 1/1/2013	New Loans	Repayments	Balance 12/31/2013
409	001	\$0	\$50,000	\$0	\$50,000
	Totals	\$0	\$50,000	\$0	\$50,000

Note 5 – Debt Service Requirements

The accompanying Schedule of Long-Term 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, 2013.

The debt service requirements for general obligation bonds, revenue bonds, notes and public works loan including both principle and interest, are as follows:

	General Obligation Debt	Revenue Debt	Other Debt	Total Debt
2013	\$120,174	\$234,558	\$122,197	\$476,929
2014	\$111,809	\$426,924	\$397,022	\$935,755
2015	\$98,294	\$425,014	\$400,596	\$923,904
2016	\$96,794	\$422,854	\$398,831	\$918,479
2017	\$99,794	\$420,694	\$397,066	\$917,554
2018	\$97,594	\$408,992	\$395,302	\$901,888
2019 - 2023	\$482,644	\$1,922,551	\$1,950,037	\$4,355,232
2024-2028	\$487,281	\$1,918,131	\$1,905,918	\$4,311,330
2029-2033	\$198,650	\$1,865,318	\$1,861,800	\$3,925,768
2034-2038		\$1,689,475	\$1,817,681	\$3,507,156
2039-2043		\$1,424,088	\$1,069,432	\$2,493,520
TOTALS	\$1,793,033	\$11,158,599	\$10,715,881	\$23,667,513

Note 6 - Pension Plans

Substantially all of the City's full-time and qualifying part-time employees participate in PERS, LEOFF, or Volunteer Firefighters Relief & Pension Fund administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

Note 7 - Other Disclosures

OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to the LOEFF I retirement system. These benefits include health insurance, medical, vision, nursing care and related expenses. Twelve retirees received benefits during the year and \$187,909 was paid out for those benefits during the year.

Unemployment Compensation

The City is a self-insurer of unemployment benefits for all of its employees. Actual employee claims are paid by the State of Washington Department of Employment and then reimbursed by the City. This self-insurance program costs the City less than full participation in the State unemployment compensation program. The City made unemployment compensation payments totaling \$6,562 in the fiscal year 2013, and has set aside \$10,000 in payables for the fiscal year 2013 to ensure payment of these claims.

Ongoing Litigation

The City is involved in litigation with Skyline Contractors, Inc. The City contracted with Skyline in 2011 to remodel the Public Safety Building. The City issued a letter of substantial completion on March 21, 2012. However, the City has unresolved claims against the bond and retainage totaling \$171,462. The bonding company is nonresponsive to the claims. The city has filed suit against the bonding company. Skyline filed suit against the City in the amount of \$870,000. The City is in possession of retainage in the amount of \$37,600 and the outstanding contract balance of \$52,000. Skyline filed for Chapter 7 bankruptcy in 2012. There is no anticipated date for resolution of this case.

Construction Commitment

The City has an active construction project as of December 31, 2013. The project is an upgrade of the Wastewater Treatment Plant.

At year-end the City's commitment with the contractor is as follows:

Project	Spent to Date	Remaining Commitment
WWTP Upgrade	\$12,760,662	\$931,533

This project is being funded with a \$10,000,000 Public Works Trust Fund loan to be repaid over thirty years at an interest rate of 0.05%. The project is due for completion in July 2014, which will reduce that interest rate to 0.025%. The City also issued two sewer revenue bonds, one in 2011 for \$2,210,000 with final maturity in 2041 at an interest rate of 4.26% and one in 2013 for \$3,410,000 with final maturity in 2043 at an interest rate of 4.89%.

Compliance and Accountability

The City over-expended Fund 409 (Stormwater) by \$12,214. Stormwater fees are collected by the City and transferred to the Regional Stormwater organization (Asotin County). The City then requests reimbursement of allowable expenses for operating the stormwater system, while the remainder of the funds are managed by Asotin County. The budget figure for the remitting of monthly revenue collections to the regional organization was less than the amount collected and therefore remitted. The budget has been adjusted for 2014 to prevent this from happening again.

In Fund 408 (SRF Loan Fund) there was an error in the formula when the 2013 budget was adopted which resulted in an incorrect total appropriation. Even though the line item was included in the adopted budget, the total was incorrect resulting in the fund being over-expended.

City of Clarkston
Schedule of Liabilities
For the Year Ended December 31, 2015

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligations						
251.11	GO Bond, City Hall	12/1/2030	1,085,000	-	50,000	1,035,000
263.96	LOCAL #0197-4-1	6/1/2018	196,993	-	45,618	151,375
263.96	LOCAL #0197-5-1	6/1/2021	212,107	-	25,950	186,157
Total General Obligations:			1,494,100	-	121,568	1,372,532
Revenue Obligations						
263.82	SRF IOAN #L9700039	3/15/2018	124,142	-	33,603	90,539
263.82	SRF Loan #L1200009	6/30/2032	614,879	-	28,118	586,761
252.11	SEWER REVENUE BOND 2011	12/1/2041	2,065,000	-	50,000	2,015,000
252.11	SEWER REVENUE BOND 2013	12/1/2043	3,340,000	-	70,000	3,270,000
264.30	Pension Liability		-	1,145,578	-	1,145,578
259.12	Compensated Absences		558,348	119,172	-	677,520
263.82	PWTF Loan, PC 12-951-035	6/1/2041	9,529,590	-	436,206	9,093,384
Total Revenue Obligations:			16,231,959	1,264,750	617,927	16,878,782
Total Liabilities:			17,726,059	1,264,750	739,495	18,251,314

City of Clarkston
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	GO Bond, City Hall	12/1/2030	1,135,000	-	50,000	1,085,000
259.11	Compensated Absences		390,447	16,187	-	406,634
263.96	LOCAL #0197-3-1	6/1/2014	11,896	-	11,896	-
263.96	LOCAL #0197-4-1	6/1/2018	-	196,993	-	196,993
263.96	LOCAL #0197-5-1	6/1/2021	-	212,107	-	212,107
Total General Obligations:			1,537,343	425,287	61,896	1,900,734
Revenue Obligations						
259.12	Compensated Balances		142,559	9,155	-	151,714
263.82	PWTF Loan, PC12-951-035	6/1/2041	9,882,538	-	352,948	9,529,590
263.82	SRF Loan #L9700039	3/15/2018	156,346	-	32,204	124,142
263.82	SRF Loan #L1200009	6/30/2032	642,276	-	27,397	614,879
252.11	Sewer Revenue Bond 2011	12/1/2041	2,115,000	-	50,000	2,065,000
252.11	Sewer Revenue Bond 2013	12/1/2043	3,410,000	-	70,000	3,340,000
Total Revenue Obligations:			16,348,719	9,155	532,549	15,825,325
Total Liabilities:			17,886,062	434,442	594,445	17,726,059

City of Clarkston
Schedule of Liabilities
For the Year Ended December 31, 2013

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	GO Bond, City Hall	12/1/2030	1,180,000	-	45,000	1,135,000
263.96	LOCAL #0197-3-1	6/1/2014	35,335	-	23,439	11,896
259.11	Compesated Absences		399,092	-	8,645	390,447
Total General Obligations:			1,614,427	-	77,084	1,537,343
Revenue Obligations						
259.12	Compensated Absences, Proprietary		145,342	-	2,783	142,559
263.82	PWTF Loan, PC12-951-035	6/1/2041	626,542	9,373,458	117,462	9,882,538
263.82	SRF Loan, #L9700039	3/15/2018	187,208	-	30,862	156,346
252.11	Sewer Revenue Bond, 2011	12/1/2041	2,165,000	-	50,000	2,115,000
263.82	SRF Loan, #L1200009	6/30/2032	660,480	12,884	31,088	642,276
252.11	Sewer Revenue Bond, 2013	12/1/2043	-	3,410,000	-	3,410,000
Total Revenue Obligations:			3,784,572	12,796,342	232,195	16,348,719
Total Liabilities:			5,398,999	12,796,342	309,279	17,886,062

City of Clarkston
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

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	
Violence Against Women Office, Department Of Justice (via WA St. Dept of Commerce)	Violence Against Women Formula Grants	16.588	2014-WF-AX- 0053	15,000	-	15,000	1, 2, 4
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	N/A	-	681	681	1, 2, 4
Bureau Of Justice Assistance, Department Of Justice (via Whitman County)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M14-31440-018	20,309	-	20,309	1, 2, 4
Bureau Of Justice Assistance, Department Of Justice (via Whitman County)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F153-31440-018	13,433	-	13,433	1, 2, 4
Total CFDA 16.738:				33,742	-	33,742	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUS- 5975(002), LA- 8478	864,835	-	864,835	1, 2, 4
Total Highway Planning and Construction Cluster:				864,835	-	864,835	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via WASPC)	State and Community Highway Safety	20.600	N/A	1,000	-	1,000	1, 2, 4
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	Section #402	839	-	839	1,2,4
Total CFDA 20.600:				1,839	-	1,839	
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	MAP-21, Section 405b	137	-	137	1, 2, 4
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	MAP-21 Section 405d	185	-	185	1, 2, 4
Total CFDA 20.616:				322	-	322	
Total Highway Safety Cluster:				2,161	-	2,161	
Department Of Homeland Security (via Asotin County)	Homeland Security Grant Program	97.067	E14-207 FFY13 SHSP	6,253	-	6,253	3
Total Federal Awards Expended:				921,991	681	922,672	

City of Clarkston

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015**

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - 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.

NOTE 3 - NONCASH AWARDS - EQUIPMENT

The City received equipment and supplies that were purchased with federal Homeland Security funds by Asotin County. The amount reported on the schedule is the value of the property on the date it was received by City and priced by Asotin County.

NOTE 4 – INDIRECT COST RATE

The amount expended includes \$-0- claimed as an indirect cost recovery. The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov