



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

**Financial Statements Audit Report**  
**City of Stevenson**

**For the period January 1, 2018 through December 31, 2019**

**Published July 20, 2020**

**Report No. 1026600**





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

July 20, 2020

Mayor and City Council  
City of Stevenson  
Stevenson, Washington

**Report on Financial Statements**

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

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**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 Stevenson  
January 1, 2018 through December 31, 2019**

Mayor and City Council  
City of Stevenson  
Stevenson, 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 Stevenson, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated July 13, 2020.

As discussed in Note 9 to the 2019 financial statements and Note 11 to the 2018 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City.

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor’s *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are

appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy  
State Auditor  
Olympia, WA

July 13, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Stevenson January 1, 2018 through December 31, 2019

Mayor and City Council  
City of Stevenson  
Stevenson, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Stevenson, for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City of Stevenson has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Stevenson, and its changes in cash and investments, for the years ended December 31, 2019 and 2018, 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 Stevenson, as of December 31, 2019 and 2018, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.



## **Matter of Emphasis**

As discussed in Note 9 to the 2019 financial statements and Note 11 to the 2018 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Supplementary and Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are 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 July 13, 2020 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 cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

July 13, 2020

## **FINANCIAL SECTION**

### **City of Stevenson January 1, 2018 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Fund Resources and Uses Arising from Cash Transactions – 2018  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to Financial Statements – 2019  
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#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2019  
Schedule of Liabilities – 2018

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Expense Fund</b>	<b>100 Street Fund</b>	<b>103 Tourism Promo &amp; Develop Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	1,319,777	513,109	-	547,672
30880	Unreserved	2,526,009	927,976	187,996	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,776,303	867,761	362,841	519,404
320	Licenses and Permits	64,026	63,451	575	-
330	Intergovernmental Revenues	493,428	135,740	181,064	-
340	Charges for Goods and Services	1,542,047	35,297	-	-
350	Fines and Penalties	16,282	16,282	-	-
360	Miscellaneous Revenues	259,991	37,159	727	8,952
Total Revenues:		4,152,077	1,155,690	545,207	528,356
<b>Expenditures</b>					
510	General Government	362,852	362,852	-	-
520	Public Safety	252,363	252,363	-	-
530	Utilities	1,087,191	-	-	-
540	Transportation	386,869	-	277,246	-
550	Natural and Economic Environment	450,766	447,460	-	-
560	Social Services	10,468	10,211	257	-
570	Culture and Recreation	447,159	122,884	-	324,275
Total Expenditures:		2,997,668	1,195,770	277,503	324,275
Excess (Deficiency) Revenues over Expenditures:		1,154,409	(40,080)	267,704	204,081
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	297,420	-	-	-
397	Transfers-In	1,471,530	1,325,593	14,589	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	11,595	11,595	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,780,545	1,337,188	14,589	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	804,777	100,082	66,968	41,459
591-593, 599	Debt Service	56,874	-	-	-
597	Transfers-Out	1,480,088	48,440	97,031	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	14,432	14,432	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,356,171	162,954	163,999	41,459
<b>Increase (Decrease) in Cash and Investments:</b>		<b>578,783</b>	<b>1,134,154</b>	<b>118,294</b>	<b>162,622</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	3,046,776	1,894,848	-	710,295
5088000	Unreserved	1,377,802	680,398	306,290	-
<b>Total Ending Cash and Investments</b>		<b>4,424,578</b>	<b>2,575,246</b>	<b>306,290</b>	<b>710,295</b>

The accompanying notes are an integral part of this statement.

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

		<b>300 Capital Improvement Fund</b>	<b>301 Timber Harvest Fund</b>	<b>303 Joint Emergency Facilities Fund</b>	<b>306 Kanaka Creek Road Improvements</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	108,626	-	-	-
30880	Unreserved	-	1,311,537	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	26,297	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	9,024
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	734	17,362	-	-
Total Revenues:		27,031	17,362	-	9,024
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	3,306	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	3,306	-	-
Excess (Deficiency) Revenues over Expenditures:		27,031	14,056	-	9,024
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	34,317	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	34,317	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	34,317	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	1,325,593	-	9,024
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	1,325,593	34,317	9,024
<b>Increase (Decrease) in Cash and Investments:</b>		<b>27,031</b>	<b>(1,311,537)</b>	<b>-</b>	<b>-</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	135,656	-	-	-
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>135,656</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes are an integral part of this statement.

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

		<b>309 Russell Ave</b>	<b>400 Water/Sewer Fund</b>	<b>500 Equipment Service Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	150,370	-
30880	Unreserved	(66,158)	97,513	67,145
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	123,000	44,600	-
340	Charges for Goods and Services	-	1,331,372	175,378
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	-	188,708	6,349
Total Revenues:		123,000	1,564,680	181,727
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	1,087,191	-
540	Transportation	-	-	109,623
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		-	1,087,191	109,623
Excess (Deficiency) Revenues over Expenditures:		123,000	477,489	72,104
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	297,420	-
397	Transfers-In	97,031	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 382, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		97,031	297,420	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	153,874	408,077	-
591-593, 599	Debt Service	-	56,874	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		153,874	464,951	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>66,157</b>	<b>309,958</b>	<b>72,104</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	-	305,977	-
5088000	Unreserved	-	251,865	139,249
<b>Total Ending Cash and Investments</b>		<b>-</b>	<b>557,842</b>	<b>139,249</b>

The accompanying notes are an integral part of this statement.

**City of Stevenson**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>100 Street Fund</b>	<b>103 Tourism Promo &amp; Develop Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	1,317,390	420,259	-	529,000
30880	Unreserved	2,286,106	1,021,847	142,413	-
388 / 588	Net Adjustments	2,220	2,220	-	-
<b>Revenues</b>					
310	Taxes	1,660,681	810,755	324,262	488,078
320	Licenses and Permits	70,281	69,106	1,175	-
330	Intergovernmental Revenues	248,636	28,391	49,274	-
340	Charges for Goods and Services	1,315,929	39,797	-	-
350	Fines and Penalties	13,417	13,417	-	-
360	Miscellaneous Revenues	135,706	14,943	1,042	4,740
Total Revenues:		3,444,651	976,409	375,753	492,818
<b>Expenditures</b>					
510	General Government	354,624	354,624	-	-
520	Public Safety	250,590	250,590	-	-
530	Utilities	1,094,768	-	-	-
540	Transportation	355,452	-	221,667	-
550	Natural and Economic Environment	371,165	229,438	-	-
560	Social Services	6,416	6,158	259	-
570	Culture and Recreation	411,430	78,267	-	333,163
Total Expenditures:		2,844,445	919,077	221,925	333,163
Excess (Deficiency) Revenues over Expenditures:		600,205	57,331	153,827	159,655
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	117,237	-	29,864	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	20,711	20,711	-	-
381, 382, 395, 398	Other Resources	407,939	-	-	-
Total Other Increases in Fund Resources:		545,887	20,711	29,864	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	711,751	1,216	113,935	140,982
591-593, 599	Debt Service	60,165	-	-	-
597	Transfers-Out	117,237	63,198	24,174	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	16,871	16,871	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		906,024	81,285	138,110	140,982
<b>Increase (Decrease) in Cash and Investments:</b>		<b>240,068</b>	<b>(3,243)</b>	<b>45,581</b>	<b>18,673</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,319,777	513,109	-	547,672
5088000	Unreserved	2,526,008	927,976	187,996	-
<b>Total Ending Cash and Investments</b>		<b>3,845,785</b>	<b>1,441,085</b>	<b>187,996</b>	<b>547,672</b>

The accompanying notes are an integral part of this statement.

**City of Stevenson**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>300 Capital Improvement Fund</b>	<b>301 Timber Harvest Fund</b>	<b>303 Joint Emergency Facilities Fund</b>	<b>306 Kanaka Creek Road Improvements</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	70,602	-	-	-
30880	Unreserved	-	1,052,035	-	(71,435)
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	37,587	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	164,081
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	437	4,572	-	-
Total Revenues:		38,024	4,572	-	164,081
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	141,727	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	141,727	-	-
Excess (Deficiency) Revenues over Expenditures:		38,024	(137,155)	-	164,081
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	63,198	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	396,657	-	-
Total Other Increases in Fund Resources:		-	396,657	63,198	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	63,198	62,782
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	29,864
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	63,198	92,647
<b>Increase (Decrease) in Cash and Investments:</b>		<b>38,024</b>	<b>259,502</b>	<b>(0)</b>	<b>71,434</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	108,626	-	-	-
5088000	Unreserved	-	1,311,537	-	-
<b>Total Ending Cash and Investments</b>		<b>108,626</b>	<b>1,311,537</b>	<b>-</b>	<b>-</b>

The accompanying notes are an integral part of this statement.



**City of Stevenson**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>308 Gropper Sidewalk</b>	<b>309 Russell Ave</b>	<b>400 Water/Sewer Fund</b>	<b>500 Equipment Service Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	297,529	-
30880	Unreserved	(20,498)	-	94,260	67,484
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	6,890	-	-	-
340	Charges for Goods and Services	-	-	1,113,305	162,828
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	107,583	2,388
Total Revenues:		6,890	-	1,220,888	165,216
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	1,094,768	-
540	Transportation	-	-	-	133,785
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	1,094,768	133,785
Excess (Deficiency) Revenues over Expenditures:		6,890	-	126,120	31,431
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	24,174	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	11,282
Total Other Increases in Fund Resources:		24,174	-	-	11,282
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	10,567	66,158	213,035	39,878
591-593, 599	Debt Service	-	-	56,991	3,174
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		10,567	66,158	270,026	43,052
<b>Increase (Decrease) in Cash and Investments:</b>		<b>20,497</b>	<b>(66,158)</b>	<b>(143,906)</b>	<b>(339)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	150,370	-
5088000	Unreserved	-	(66,158)	97,513	67,145
<b>Total Ending Cash and Investments</b>		<b>-</b>	<b>(66,158)</b>	<b>247,883</b>	<b>67,145</b>

The accompanying notes are an integral part of this statement.

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

		<b>Total for All Funds (Memo Only)</b>	<b>Custodial</b>
308	Beginning Cash and Investments	-	-
388 & 588	Net Adjustments	-	-
310-390	Additions	49,683	49,683
510-590	Deductions	36,845	36,845
	Net Increase (Decrease) in Cash and Investments:	12,838	12,838
508	Ending Cash and Investments	12,838	12,838

*The accompanying notes are an integral part of this statement.*

**City of Stevenson**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 1 - Summary of Significant Accounting Policies**

The City of Stevenson was incorporated on December 2, 1907 and operates under the laws of the state of Washington applicable to a non-charter code city with a mayor-council form of government. The city is a general-purpose local government and provides public safety, fire prevention, street maintenance, planning, parks maintenance, water and sewer, municipal court, health and social services and general administrative services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND 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.

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These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government. The City of Stevenson uses two Special Revenue Funds: A Street Fund and a Tourism Promotion Fund (Lodging tax fund).

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These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. The City of Stevenson uses one primary Capital Projects Fund with separate capital projects funds for each major project.

### 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. The City of Stevenson uses one Enterprise Fund, the Water / Sewer Fund.

#### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis. The City of Stevenson uses one Internal Service Fund, the Equipment Service Fund.

### FIDUCIARY FUND TYPES:

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

#### Custodial Funds

These funds are used to account assets that the government holds on behalf of others in custodial capacity. The City uses one Custodial Fund for Stevenson Municipal Court activities.

### B. Basis of Accounting and Measurement Focus

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

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

### C. Cash and Investments

See Note 3 - Deposits and Investments.

### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

### E. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1,440 hours. Upon separation or retirement employees do receive payment for unused sick leave at the rate of 25% of the total remaining balance. Payments are recognized as expenditures when paid.

#### F. Long-Term Debt

See Note 5 - Debt Service Requirements.

#### G. Reserved Portion of Ending Cash and Investments

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

- General Fund – Reserved Ending Cash and Investments include a Fire Department Reserve, General Fund Reserve, an Unemployment reserve, and custodial accounts.
- Tourism Promotion Fund – The primary source of revenue in the Tourism Promotion Fund is lodging tax receipts, which are reserved for tourism promotion activities per state law (RCW 67.28.1816).
- Capital Improvement Fund - The primary source of revenue in the Capital Improvement Fund is the Real Estate Excise Tax (REET) which is reserved for certain types of capital improvements per state law (RCW 82.46.010).
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### **Note 2 – Budget Compliance**

#### A. Budgets

The city adopts annual appropriated budgets for twelve 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 Expenses	Variance
<b>001 - General Expense Fund</b>	<b>1,790,504</b>	<b>1,358,424</b>	<b>431,785</b>
<b>100 - Street Fund</b>	<b>587,977</b>	<b>441,503</b>	<b>146,474</b>
<b>103 - Tourism Promo &amp; Develop Fund</b>	<b>432,011</b>	<b>365,733</b>	<b>66,278</b>
<b>300 - Capital Improvement Fund</b>	<b>29,389</b>		<b>29,389</b>
<b>301 - Timber Harvest Fund</b>	<b>1,316,537</b>	<b>1,328,899</b>	<b>(12,362)</b>
<b>303 - Joint Emergency Facilities Fund</b>	<b>42,000</b>	<b>34,317</b>	<b>7,683</b>
<b>306 - Kanaka Creek Road Improvements</b>	<b>9,025</b>	<b>9,024</b>	<b>1</b>
<b>309 - Russell Ave</b>	<b>274,134</b>	<b>153,873</b>	<b>120,261</b>
<b>400 - Water/Sewer Fund</b>			
Water/Sewer Fund	1,286,368	1,172,843	113,525
Wastewater System Upgrades	1,952,590	379,298	1,573,292
<b>Total 400 - Water/Sewer Fund</b>	<b>3,238,958</b>	<b>1,552,141</b>	<b>1,686,817</b>
<b>500 - Equipment Service Fund</b>	<b>157,094</b>	<b>109,623</b>	<b>47,471</b>

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.

For reporting purposed, the following funds were rolled up: Wastewater System Improvements Fund was rolled into the Water/Sewer Fund.

Interfund activity between managerial funds for transactions such as transfers and loans has been eliminated in the consolidation of the financials.

The negative variance in the Timber Harvest Fund is due to additional interest being received and then transferred into reserve accounts to close-out the Timber Harvest Fund.

### **Note 3 – Deposits and Investments**

#### **Investments**

Investments are reported at original cost. Investments by type at December 31, 2019 are as follows:

Type of Investment	City's own deposits and investments	Deposits and investments held by the city as a custodian for other local governments, individuals or private organizations.	Total
Bank Deposits	\$ 1,943,624.90		\$ 1,943,624.90
Court Trust Checking		\$ 11,048.38	\$ 11,048.38
CATV Trust		\$ 3,098.81	\$ 3,098.81

LGIP	\$ 866,455.78		\$ 866,455.78
Government Bonds	\$ 1,900,844.30		\$ 1,900,844.30
Total	\$ 4,710,924.98	\$ 14,147.19	\$ 4,725,072.17

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

#### Investments in the State Local Government Investment Pool (LGIP)

The city is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The city's deposits are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the city or its agent in the government's name.

#### **Note 4 - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2019 was \$2.061263 per \$1,000 on an assessed valuation of \$226,002,086 for a total regular levy of \$465,849.

#### **Note 5 – Debt Service Requirements**

##### Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2019.

The debt service requirements for revenue bonds and public works loans are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 46,654	\$ 10,104	\$ 56,758
2021	47,302	9,340	56,642
2022	47,967	8,558	56,525
2023	48,651	7,758	56,409
2024	49,353	6,939	56,292
2025-2029	188,187	22,059	210,246
2030-2034	78,391	3,262	81,653
Total	<u>\$ 506,505</u>	<u>\$ 68,020</u>	<u>\$ 574,525</u>

The city also has a loan for the design of Wastewater System Upgrades through the Washington State Department of Ecology it will be drawing on for the next few years. The total loan of \$1,985,000 contains of \$575,000 forgivable principal. In 2019, the city drew \$297,420 against the loan. The term of the loan is 20 years at 2% interest.

#### **Note 6 – Pension Plans**

##### **A. State Sponsored Pension Plans**

Substantially all city 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.

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  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://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](http://www.ofm.wa.gov).

At June 30, 2019 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:



	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$38,933.49	0.005430%	\$208,803
PERS 2/3	57,219.38	0.007006	68,052
VFFRPF	750.00	0.38%	(256,810)

### **Note 7 – Risk Management**

The City of Stevenson is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 163 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

### **Note 8 – Health & Welfare**

The City of Stevenson 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, 2019, 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, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and 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. In 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust 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 AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows

applicable accounting standards established by the Governmental Accounting Standards Board (“GASB”). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. 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 9 – COVID-19 Impact**

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

On March 17, 2020 Mayor Scott Anderson issued an Emergency Proclamation declaring the COVID-19 pandemic to be an Emergency in the City of Stevenson. The city was notified that the local 258-room resort would be closed from March 18<sup>th</sup> until June 1<sup>st</sup>, a significant impact to the city’s lodging tax, sales tax and utility revenues. A local beverage producer also notified the city they would be cutting back dramatically on production, impacting the city’s utility revenues. The Governor’s Stay Home Stay Safe order was in place for almost two months and most businesses dramatically cut back operations if they didn’t close completely. On May 11<sup>th</sup>, Skamania County became one of the few counties eligible to take the first step to enter Phase 2 in the Governor’s Safe Start plan. This allowed restaurants to reopen at 50% capacity and other businesses to reopen with safety measures in place. On June 11<sup>th</sup>, Skamania County entered Phase 3, which expands the ability for businesses to operate. While Skamania County is slowly reopening, the CDC continues to recommend limited travel, which impacts our local tourism economy. The length of time these increased safety measures will be in place and the full extent of the financial impact on the city is yet to be determined.

#### **Note 10 – Significant Obligation**

On July 6, 2017 the City of Stevenson was put under an Administrative Order related to the operation of its Wastewater Treatment Plant. The Order requires construction of improvements to the Plant. The initial cost estimate according to the city’s revised General Sewer Plan is close to \$11M. Staff will be pursuing grants, however there will be significant debt incurred to fulfill the requirements of the Order. The sewer rates and system development charges have increased, and will continue to do so, in order to meet the increased debt obligations.

#### **Note 11 – Implementation of BARS Manual Changes - Custodial Activities**

The City previously reported within the General Fund the custodial activity of the Stevenson Municipal Court and CATV Trust (security funds and interest from Summit Communications, Inc. required by the 1994 franchise ordinance). Beginning in 2019, such activity has been more appropriately reported in separate Custodial Funds based on BARS Manual guidance. These Custodial Funds total \$12,838 with \$9,739 for Stevenson Municipal Court (630) and \$3,099 for CATV (631).

**City of Stevenson**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

**Note 1 - Summary of Significant Accounting Policies**

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### C. Cash and Investments

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### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

### E. Compensated Absences

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The city adopts annual appropriated budgets for twelve 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:

<b>Fund</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenses</b>	<b>Variance</b>
<b>001-General Fund</b>	<b>1,310,567</b>	<b>1,000,361</b>	<b>310,206</b>
<b>100-Street Fund</b>	<b>460,556</b>	<b>360,035</b>	<b>100,521</b>
<b>103-Tourism Promotion</b>	<b>680,099</b>	<b>474,145</b>	<b>205,954</b>
<b>300-Capital Improvements Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>301-Timber Harvest</b>	<b>741,814</b>	<b>141,727</b>	<b>600,087</b>

<b>303-Joint Emergency Facilities</b>	<b>97,490</b>	<b>63,198</b>	<b>34,292</b>
<b>306-Kanaka Creek Road</b>	<b>62,782</b>	<b>92,647</b>	<b>(29,865)</b>
<b>308-Gropper Road Sidewalk</b>	<b>10,567</b>	<b>10,567</b>	<b>-</b>
<b>309-Russell Avenue</b>	<b>148,000</b>	<b>66,158</b>	<b>81,842</b>
<b>400-Water/Sewer Fund</b>			
Water / Sewer Fund	1,360,402	1,258,544	101,858
Wastewater System Improv.	124,737	106,249	18,488
<b>Total 400-Water/Sewer Fund</b>	<b>1,485,139</b>	<b>1,364,793</b>	<b>120,346</b>
<b>500-Equipment Service Fund</b>	<b>149,176</b>	<b>176,837</b>	<b>(27,661)</b>

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.

For reporting purposes, the following funds were rolled up: Wastewater System Improvements Fund was rolled into the Water/Sewer Fund.

Interfund activity between managerial funds for transactions such as transfers and loans has been eliminated in the consolidation of the financials.

The negative variance in the Kanaka Creek Road Fund is due to transferring the ending cash balance of \$29,864.14 back to the street fund to close-out the project. An initial transfer of \$50,000 from the Street Fund to the Kanaka Creek Road Fund was done in 2015 at the start of the project.

The negative variance in the Equipment Services Fund were driven by a larger than anticipated Insurance cost (\$58,071) and increased maintenance on vehicles (\$12,683 in salaries/benefits, \$537 in tires and \$12,194 in contracted repairs/supplies).

### **Note 3 – 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 original cost. Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Local Government Investment Pool	\$846,722.21
Public Funds Money Market	3,115.25
Government Bonds	1,694,773.50
	<u>\$2,544,610.96</u>

### Investments in the State Local Government Investment Pool (LGIP)

The city is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

### **Note 4 - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2018 was \$2.107913 per \$1,000 on an assessed valuation of \$214,756,455 for a total regular levy of \$452,687.

### **Note 5 – Debt Service Requirements**

#### Debt Service

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, 2018.

The debt service requirements for revenue bonds and public works loans are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	46,024	10,850	56,874
2020	46,654	10,104	56,758
2021	47,302	9,340	56,642
2022	47,967	8,558	56,525
2023	48,651	7,758	56,409
2024-2028	207,644	26,224	233,868
2029-2033	108,287	6,036	114,323
Total	552,529	78,870	631,399

### **Note 6 – Pension Plans**

#### A. State Sponsored Pension Plans

Substantially all city 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.

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  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://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](http://www.ofm.wa.gov).

At June 30, 2018 (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:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 34,177	0.005113%	\$ 228,348
PERS 2/3	50,891	0.006595%	112,604
VFFRPF	690	0.34%	(177,952)

#### **Note 7 – Risk Management**

The City of Stevenson is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **As of December 1, 2018, there are 207 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject

to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of \$1,922,394.**

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1 to terminate participation the following December

1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending **December 1, 2018, were \$2,809,430.40.**

The Unemployment Reserve in the General Fund (Fund 001) is responsible for paying unemployment claims. The Unemployment Reserve is deemed by the City to have sufficient funds to pay expected claims so transfers from insured funds have been suspended since 2010. The balance in the Unemployment Reserve is reviewed annually.

Unemployment claims are processed by the Washington State Employment Security Department. Claims filed are sent to the City of Stevenson for verification and approval or contestment. The Employment Security Department then bills the City of Stevenson for claims paid.

### **Note 8 – Health and Welfare**

The City of Stevenson 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, 2018, 257 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, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and 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. In 2018, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. 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"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. 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 9 – Negative Ending Cash and Investments**

Fund 309 (Russell Avenue Improvements) reported negative Ending Cash and Investments. The City has accounts receivables for this fund that are not reflected in Ending Cash and Investments because the City is on the Cash Basis of Accounting. Cash and Investments in this fund will be restored to a positive balance in 2019 as the amount due from other agencies is received.

#### **Note 10 – Significant Obligation**

On July 6, 2017 the City of Stevenson was put under an Administrative Order related to the operation of its Wastewater Treatment Plant. The Order requires construction of improvements to the Plant. The initial cost estimate according to the city's revised General Sewer Plan is close to \$11M. Staff will be pursuing grants, however there will be significant debt incurred to fulfill the requirements of the Order. The sewer rates and system development charges have increased, and will continue to do so, in order to meet the increased debt obligations.

#### **Note 11 – COVID-19 Impact**

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

On March 17, 2020 Mayor Scott Anderson issued an Emergency Proclamation declaring the COVID-19 pandemic to be an Emergency in the City of Stevenson. The city was notified that the local 258-room resort would be closed from March 18<sup>th</sup> until June 1<sup>st</sup>, a significant impact to the city's lodging tax, sales tax and utility revenues. A local beverage producer also notified the city they would be cutting back dramatically on production, impacting the city's utility revenues. The Governor's Stay Home Stay Safe order was in place for almost two months and most businesses dramatically cut back operations if they didn't close completely. On May 11<sup>th</sup>, Skamania County became one of the few counties eligible to take the first step to enter Phase 2 in the Governor's Safe Start plan. This allowed restaurants to reopen at 50% capacity and other businesses to reopen with safety measures in place. On June 11<sup>th</sup>, Skamania County entered Phase 3, which expands the ability for businesses to operate. While Skamania County is slowly reopening, the CDC continues to recommend limited travel, which impacts our local tourism economy. The length of time these increased safety measures will be in place and the full extent of the financial impact on the city is yet to be determined.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	PWTF Loan, Water System Upgrade	6/1/2026	186,188	-	23,273	162,915
252.11	USDA RD Loan, Sewer Outfall	12/20/1933	366,341	-	22,752	343,589
252.11	DOE SRF Loan	12/31/2040	-	297,420	-	297,420
264.30	State Retirement System		340,952	-	64,097	276,855
259.12	Sick Leave Buyout		12,127	-	11,360	767
259.12	Vacation Accrual		24,922	3,893	-	28,815
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>930,530</b>	<b>301,313</b>	<b>121,482</b>	<b>1,110,361</b>
<b>Total Liabilities:</b>			<b>930,530</b>	<b>301,313</b>	<b>121,482</b>	<b>1,110,361</b>

**City of Stevenson**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2018**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	USDA Street Sweeper Loan	10/1/2018	3,041	-	3,041	-
<b>Total General Obligation Debt/Liabilities:</b>			<b>3,041</b>	<b>-</b>	<b>3,041</b>	<b>-</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	PWTF Loan, Water System Upgrade	6/1/2026	209,461	-	23,273	186,188
252.11	USDA RDA Loan, Sewer Outfall	12/20/2033	388,480	-	22,139	366,341
264.30	State Retirement System		494,151	-	153,199	340,952
259.12	Sick Leave Buyout		21,437	-	9,310	12,127
259.12	Vacation Accrual		35,693	-	10,771	24,922
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,149,222</b>	<b>-</b>	<b>218,692</b>	<b>930,530</b>
<b>Total Liabilities:</b>			<b>1,152,263</b>	<b>-</b>	<b>221,733</b>	<b>930,530</b>

## 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.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>