



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Battle Ground

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

*Published July 1, 2021*

Report No. 1028670



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

July 1, 2021

Mayor and City Council  
City of Battle Ground  
Battle Ground, Washington

**Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Battle Ground January 1, 2020 through December 31, 2020

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Battle Ground 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 financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (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 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>
21.019	COVID-19 – Coronavirus Relief Fund

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

See Finding 2020-001.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Battle Ground January 1, 2020 through December 31, 2020

#### **2020-001    The City lacked adequate internal controls to ensure it correctly calculated its major funds.**

##### ***Background***

The City is responsible for designing, implementing, and maintaining internal controls that provide reasonable assurance regarding the timeliness and reliability of financial reporting. We identified a deficiency in internal controls that we consider a material weakness.

*Government Auditing Standards* requires the auditor to communicate a material weakness, as defined below in the Applicable Laws and Regulations section, as a finding.

##### ***Description of Condition***

The focus of governmental and proprietary fund financial statements is on major funds. Under Generally Accepted Accounting Principles (GAAP), major funds are presented individually; non-major funds are reported in aggregate. Accounting standards determine the threshold for what is considered a major fund.

The City included invalid information when calculating its major funds.

##### ***Cause of Condition***

The City's review of the major-fund calculation was not sufficient to detect whether major funds were properly reported.

##### ***Effect of Condition***

The City omitted the Debt Service Fund as a major fund from the presentation of governmental funds financial statements. The City subsequently corrected this error.

## ***Recommendation***

We recommend the City improve internal controls over its calculation of major funds and the review process to ensure accuracy and to detect errors in a timely manner.

## ***City's Response***

*The City of Battle Ground values the State Auditor's Office's (SAO) annual accountability and financial statement audit. Our commitment to accountable stewardship of public funds and excellence in financial reporting remains resolute. We acknowledge the condition that prompted the auditor's finding as well as the effect of the condition - a fund was not presented as a "major fund" on a statement prepared for the auditor. Once discovered, the city promptly made the correction.*

*It is important to recognize that fund dollar amounts reported in the financial statements were correct and confirmed as such by the auditor. It was a presentation error and did not affect internal controls or the accounting of City funds. In plain language, the fund was listed in a column with other funds when it should have been listed in its own column as per GAAP (General Accepted Accounting Principles).*

*In addition to the Financial Statement audit, the SAO conducted an Accountability Audit examining how the City of Battle Ground uses and safeguards public resources. For the 21<sup>st</sup> consecutive year, the City received a clean Accountability Audit with no reportable conditions.*

*A Federal Single Audit in which the State Auditor's Office reviewed the City's internal controls and use of Coronavirus Aid, Relief, and Economic Security Act (CARES) funding, was also conducted. Again, the City received a clean audit with no reportable conditions.*

*The City appreciates the standards set by the SAO and will continue to work towards meeting and exceeding those standards in service to the citizens of Battle Ground.*

## ***Auditor's Remarks***

We thank the City for its cooperation throughout the audit and the steps taken to resolve this issue. We will review the corrective action taken during our next regular audit.

## *Applicable Laws and Regulations*

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 Local government accounting – Uniform system of accounting

*Budgeting, Accounting and Reporting Systems* manual – Accounting, Accounting Principles and General Procedures, Internal Controls, Section 3.1.3

Governmental Accounting Standards Board, Statement, No. 34, paragraph 75-76

Audit and Accounting Guides (AICPA), State and Local Governments, Chapter 16 Audit Reporting, paragraph 53



## INDEPENDENT AUDITOR'S REPORT

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

#### **City of Battle Ground January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Battle Ground  
Battle Ground, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Battle Ground, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2021.

As discussed in Note 18 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2020-001 to be material weaknesses.

## **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*.

## **CITY'S RESPONSE TO FINDINGS**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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

June 23, 2021

## INDEPENDENT AUDITOR'S REPORT

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

### **City of Battle Ground January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Battle Ground  
Battle Ground, Washington

## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

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

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

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

## **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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

June 23, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **City of Battle Ground January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Battle Ground  
Battle Ground, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Battle Ground, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 18.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 audit. We conducted our audit 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Battle Ground, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 18 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements 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). This schedule is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 June 23, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 23, 2021

## **FINANCIAL SECTION**

### **City of Battle Ground January 1, 2020 through December 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020

Statement of Activities – 2020

Governmental Funds Balance Sheet – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2020

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and  
Changes in Fund Balance to the Statement of Activities – 2020

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
– General Fund – 2020

Statement of Net Position – Proprietary Funds – 2020

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2020

Statement of Cash Flows – Proprietary Funds – 2020

Statement of Fiduciary Net Position – Fiduciary Funds – 2020

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2020

Notes to Financial Statements – 2020

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 – 2020

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,  
LEOFF 2 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2020

Notes to Required Supplemental Information – Pension – 2020

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) is a narrative overview and analysis of the financial activities of the City of Battle Ground for the fiscal year ended December 31, 2020. This information should be read in conjunction with the basic financial statements and notes to the financial statements that follow. The discussion and analysis includes comparative data for 2019.

### 2020 FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the city exceeded its liabilities and deferred inflows by \$145.7 million (*net position*). Of this amount, \$34 million represents unrestricted net position of which \$6.7 million is unrestricted net position of the governmental activities and \$27.3 is unrestricted net position of the business-type activities. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Net investment in capital assets accounts for 69 percent of total net position, with a value of \$100.7 million, an increase of \$1.2 million over 2019.
- The city's total governmental funds reported combined ending fund balances of \$19.9 million, an increase of \$2.6 million over 2019. Of a total \$9.2 million of restricted fund balance, \$8.4 million is restricted for capital purposes. Remaining fund balances include \$354,558 committed to economic stabilization; \$1.7 million assigned to LEOFF 1, parks, insurance reserve and streets; and \$8.6 million is unassigned to the general fund.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the city's basic financial statements and is intended to assist users in interpretation of the basic financial statements. The basic financial statements are consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

#### **Government-wide Financial Statements**

Government-wide financial statements present the city's financial condition in a manner similar to private sector statements. These statements distinguish functions of the city that are primarily supported by taxes and intergovernmental revenues ("governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities").

Governmental activities of the city include a full range of local government services provided to the public, such as law enforcement and public safety, fire protection, road construction and maintenance, community planning and development, parks and recreation facilities, and other community services. These activities are primarily supported by taxes, licenses and permits, fines and forfeitures, and charges for general governmental services.

Business-type activities of the city are mainly supported by user fees and charges. The business-type activities of the city include storm water drainage, water, and sewer utilities and internal services for fleet administration and technology.

#### **Statement of Net Position**

This statement presents financial information on all of the city's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the city is improving or deteriorating.

### **Statement of Activities**

This statement presents information designed on how the city's net position changed during the fiscal year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. Revenue generated by the specific functions (charges for services, grants, and contributions) is compared to expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources for support. All changes in net position are reported using the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of the timing of related cash flows. Items such as, but not limited to, uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses, even though no cash has changed hands.

### **Fund Financial Statements**

A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions, or limitations. The city, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. All of the city's funds are divided into two categories: governmental funds or proprietary funds.

### **Governmental Funds**

Governmental funds represent most of the city's basic services such as public safety, parks, streets and many other general administrative type services. The city maintains sixteen individual governmental funds. The general fund is a major fund and, for reporting purposes, includes the general, parks, insurance reserve, LEOFF I, and economic stabilization funds. Financial data for the remaining governmental funds are combined into a single, aggregated presentation. These other nonmajor governmental funds include special revenue funds, debt service fund and capital project funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at year end. Such information is useful in evaluating a government's near-term financing requirements in comparison to resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. This give readers a better understanding of the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, facilitating this comparison.

The city maintains budgetary controls over its operating funds through council adoption of the budget. Budgets are adopted at the fund level for all funds in accordance with state law. Budgetary comparison schedules are presented in this report following the combining statements of other governmental funds.

### **Proprietary Funds**

Proprietary funds account for business-type activities. Business-type activities provide specific goods or services to a group of customers paid for by fees charged to those customers. The city has two types of proprietary fund: enterprise funds and internal service funds. Enterprise funds account for goods and services provided to citizens and the community. Internal service funds account for goods and services provided internally to various city

departments. The same basis of accounting is used for proprietary funds in both the government-wide statements and the individual fund statements.

**Enterprise funds** report the same functions presented as business-type activities in the government-wide financial statements. Fund statements provide more detail than is reported in the government-wide statements. The city uses enterprise funds to account for storm drainage, water, and sewer utilities.

**Internal service funds** report activities that provide supplies and services for city programs. Internal service funds account for fleet administration and technology. Given that these services benefit governmental operations more than business-type functions, internal service funds are included within governmental activities in the government-wide financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

### **Other Information**

This report also presents certain required supplementary information regarding pension related data and postemployment medical benefits to uniformed personnel hired before October 1, 1977. Required supplementary information is located immediately following the notes to the financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Statement of Net Position**

The *Statement of Net Position* can serve as a useful indicator of the city's financial position. The city's total net position was \$145.7 million at December 31, 2020 as compared to \$139.5 million at December 31, 2019. The following is a condensed version of the *Government-wide Statement of Net Position*.

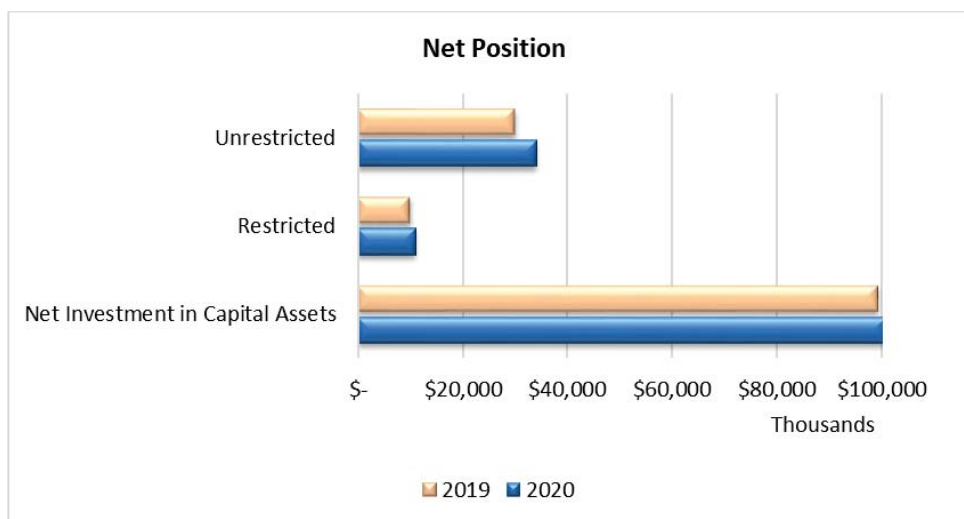
Net position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$ 23,442,068	\$ 21,245,727	31,047,221	\$ 27,728,301	\$ 54,489,289	\$ 48,974,028
Capital assets (net of depr)	54,588,088	55,223,049	60,605,627	60,800,238	115,193,715	116,023,287
Total assets	78,030,156	76,468,776	91,652,848	88,528,539	169,683,004	164,997,315
<b>Deferred Outflow of Resources</b>	785,171	525,802	209,176	93,458	994,347	619,260
<b>Liabilities</b>						
Current	2,971,140	2,976,212	1,546,807	782,545	4,517,947	3,758,757
Noncurrent	9,562,900	10,591,197	10,157,068	10,342,177	19,719,968	20,933,374
Total liabilities	12,534,040	13,567,409	11,703,875	11,124,722	24,237,915	24,692,131
<b>Deferred Inflow of Resources</b>	608,079	1,205,330	91,186	207,631	699,265	1,412,961
<b>Net position</b>						
Net investment in capital assets	48,276,704	47,156,748	52,425,451	52,295,554	100,702,155	99,452,302
Restricted	10,695,952	9,738,530	297,778	297,778	10,993,730	10,036,308
Unrestricted	6,700,552	5,326,561	27,343,734	24,696,312	34,044,286	30,022,873
Total net position	\$ 65,673,208	\$ 62,221,839	\$ 80,066,963	\$ 77,289,644	\$ 145,740,171	\$ 139,511,483

The largest portion of the city's net position is its net investment in capital assets. This category makes up 69 percent of the city's total net position and though the city uses these capital assets to provide services to its citizens, these assets are not available for future spending.

Restricted net position makes up 7.5 percent of the total net position and represents the resources that are subject to external restrictions on how they may be used. These restrictions include debt covenants, enabling legislation, grant requirements, or other legal or contractual reason which imposes a limit on the use of the assets which is outside the control of the city.

The remaining balance of \$34 million is unrestricted and may be used to meet the city's ongoing obligations to its citizens and creditors. Although this amount is unrestricted, a significant portion has been reserved or set aside for various purposes.

At the end of the current fiscal year, the city is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

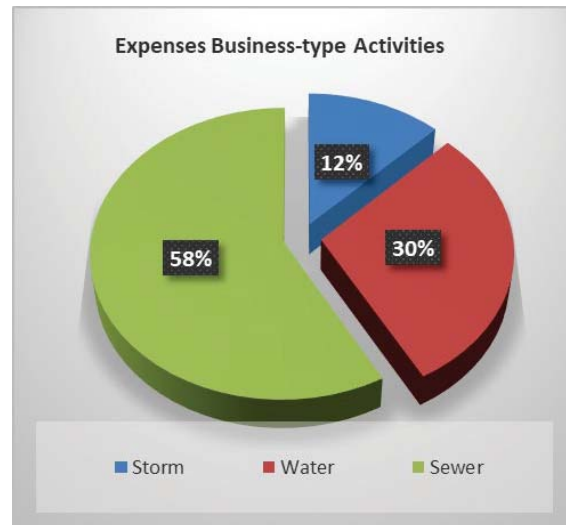
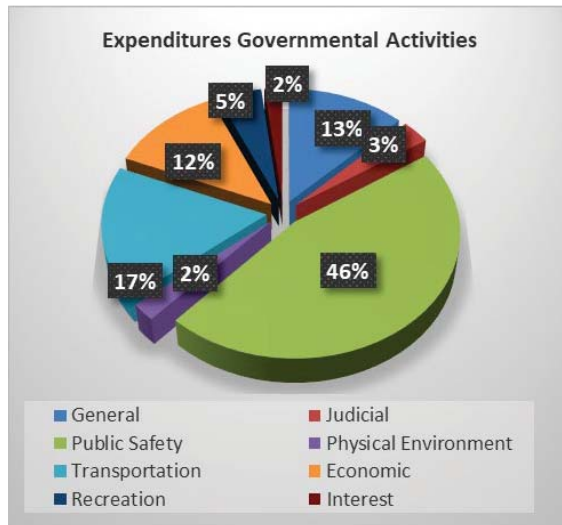
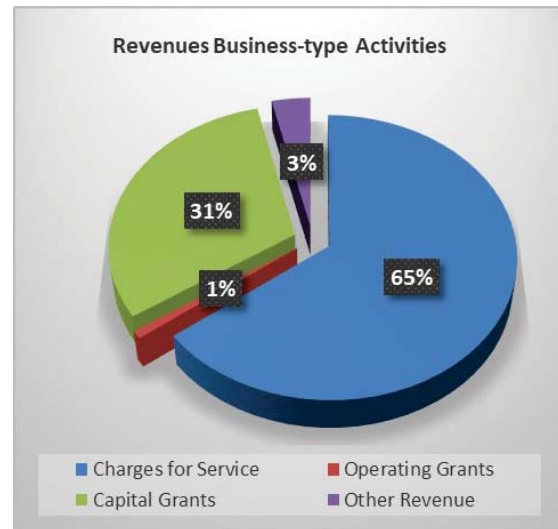
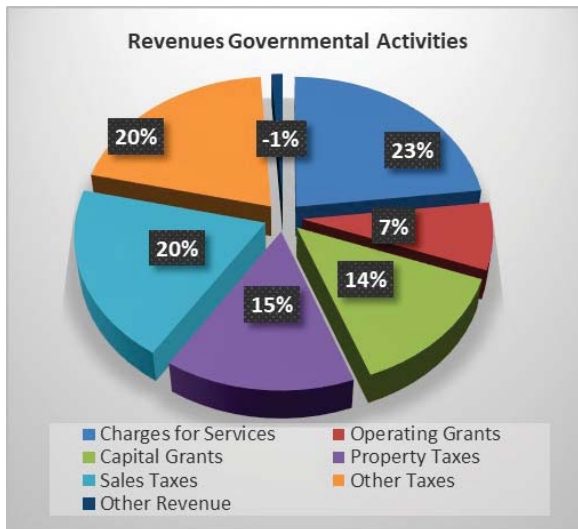


### **Statement of Activities**

The *Statement of Activities* reports the change in net position for the fiscal year. At December 31, 2020, total ending net position increased by \$6.3 million, or 4.5 percent. Business-type funds increased by \$2.8 million, or 3.7 percent, primarily due to infrastructure contributions by developers. Net position of governmental activities increased by \$3.5 million, or 5.5 percent, due to the federal pandemic economic relief funding, increased building activity, and consumer spending.

The full statement is a tabular depiction of the relationship of revenues and expenses for the city's governmental activities and proprietary funds. The graphs that follow illustrate the sources of revenue and the balance of governmental versus business type expenses for 2020.

Statement of Activities						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 5,191,621	\$ 5,889,890	\$ 9,221,364	\$ 9,133,565	\$ 14,412,985	\$ 15,023,455
Operating Grants	1,693,611	1,130,484	127,332	-	1,820,943	1,130,484
Capital Grants	3,072,574	2,090,113	4,393,652	5,105,880	7,466,226	7,195,993
General Revenue					-	
Property Taxes	3,323,783	3,162,791			3,323,783	3,162,791
Sales Taxes	4,396,312	4,002,428			4,396,312	4,002,428
Other Taxes	4,554,035	4,691,462			4,554,035	4,691,462
Interest Income	180,832	337,457	302,737	554,359	483,569	891,816
Other Revenues	(412,876)	595,276	216,895	207,589	(195,981)	802,865
Total Revenues	21,999,892	21,899,901	14,261,980	15,001,393	36,261,872	36,901,294
<b>Expenses</b>						
General Government	2,335,730	2,567,566			2,335,730	2,567,566
Judicial	571,181	246,734			571,181	246,734
Public Safety	8,558,547	7,531,825			8,558,547	7,531,825
Physical Environment	419,875	452,297			419,875	452,297
Transportation	3,197,724	3,566,592			3,197,724	3,566,592
Economic Environment	2,237,387	2,304,417			2,237,387	2,304,417
Culture and Recreation	875,202	899,601			875,202	899,601
Storm Drainage			1,420,125	1,409,906	1,420,125	1,409,906
Water			3,376,589	2,919,154	3,376,589	2,919,154
Sewer			6,637,207	6,595,763	6,637,207	6,595,763
Interest Expense	352,877	400,222			352,877	400,222
Total Expenses	18,548,523	17,969,254	11,433,921	10,924,823	29,982,444	28,894,077
Change in Net Position	3,451,369	3,930,647	2,828,059	4,076,570	6,279,428	8,007,217
Net Position - beginning	62,221,839	58,291,192	77,289,644	73,213,074	139,511,483	131,504,266
Prior Period Adjustment			(50,740)		(50,740)	
Net Position - ending	\$ 65,673,208	\$ 62,221,839	\$ 80,066,963	\$ 77,289,644	\$ 145,740,171	\$ 139,511,483



### **Governmental Activity Analysis**

Taxes are the main source of revenue that support governmental activities. The three major tax sources are property tax, sales and use tax, and utility taxes.

Property tax is a fairly stable source of revenue for the city. However, property tax growth is dependent upon new construction and annexations since Initiative 747 limits tax increases to the lesser of the implicit price deflator or one percent. The city's property tax rate decreased slightly from \$1.37 (2019) to \$1.35 (2020) of assessed valuations due to increasing assessed valuations. The tax levy for 2020 tax collections increased \$160,992 over the 2019 levy primarily due to new construction. 2020 property tax collections were \$3,323,783.

The sales tax rate in the city is 8.4 percent on all retail sales. Retail sales and use tax collected increased \$393,884 (9.8%) from the prior year due to continuing improvement in the local economy and employment. In 2020, sales and use tax revenue was \$4,396,312.



Utility taxes may be levied on the gross operating revenues earned by public and private utilities from operations within the city limits. Legislation limits the tax rate that the city may impose on gas, electric, and telephone utilities to six percent unless a vote of the people authorizes a higher rate. There are no restrictions on the tax rates for water, sewer, and storm water utilities. The 2020 city utility tax rate was 22 percent until June 2020 when the council reduced the utility tax to 12 percent due to the economic hardships related to the COVID-19 pandemic. These “other taxes” generated \$4,554,035 of revenue.

Revenues tied to residential development and home purchases remained strong in 2020. Fees for building permits, building plan checks, and zoning and subdivision services were \$1.4 million as compared to \$1.6 million in 2019. Real estate excise tax was approximately \$1.2 million and \$1.4 for 2019 and 2020 respectively.

Governmental activities expenses increased \$579,269 (3.2%) over 2019. Of this increase, \$401,454 is related to other post-employment benefits for LEOFF 1 retirees. The remaining portion of the increase was due to collective bargaining agreements with built-in salary and benefit adjustments, costs of providing health care, increases in retirement costs, and inflationary increases tied to maintaining current service levels. After many years of cost and staff reductions and deferral of street, parks, and facility maintenance, efforts continue to fund critical infrastructure and facility improvements.

#### **Business-Type Activities Analysis**

The financial position of the city’s business-type funds consists of the storm drainage, water, and sewer funds. Charges for services are the main source of revenue for these business-type activities. Total business-type charges for service revenues increased \$87,799 (1.0%) over 2019. This was primarily due to rate increases from new customers due to development as there were no rate increases in 2020. Rates are indexed per recommendations from external utility rate studies to determine the appropriate rate based on future capital needs as well as inflationary adjustments for operations.

- The storm drainage fund had an overall increase in net position of \$1.4 million (9.5%) primarily due to new development capital contributions and new accounts due to development.
- The water fund had an overall increase in net position of \$517,837 (2.0%) primarily due to new development capital contributions.
- The sewer fund had an overall increase in net position of \$874,371 (2.4%) primarily due to new development capital contributions and new accounts due to development.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

#### **Governmental Funds Analysis**

As noted earlier, the City of Battle Ground uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the city’s governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the city’s financing requirements. Unassigned fund balance may serve as a useful measure of the city’s net resources available for discretionary use as these resources represent the portion of fund balance which has not yet been limited as to use for a particular purpose by either an external party, the city itself, or a group or individual that has been delegated authority to assign resources for specific purposes by city council.

At December 31, 2020, the city's governmental funds reported combined fund balances of \$19.9 million, an increase of \$2.6 million over 2019. \$8.6 million of this amount constitutes unassigned fund balance, which is available for spending at the city's discretion. The remainder of the fund balance is either: 1) restricted for particular purposes in the amount of \$9,211,828; committed for particular purposes in the amount of \$354,558; or 3) assigned for particular purposes in the amount of \$1,684,871.

The general fund is the chief operating fund of the city. At the end of the fiscal year, unassigned fund balance of the general fund was \$8,628,277, while total fund balance increased to \$9,753,985. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents approximately 55.5% of total general fund expenditures, while total fund balance represents approximately 62.8% of that same amount.

Statement of Governmental Fund Balances			
	2020	2019	\$ Change
<b>General Fund</b>			
Committed	354,558	243,808	110,750
Assigned	771,150	699,040	72,110
Unassigned	8,628,277	7,391,039	1,237,238
Total General Fund	<u>\$ 9,753,985</u>	<u>\$ 8,333,887</u>	<u>\$ 1,420,098</u>
<b>All Other Governmental Funds</b>			
Restricted	9,211,828	8,394,377	817,451
Assigned	913,721	580,053	333,668
Total All Other Governmental Funds	<u>\$ 10,125,549</u>	<u>\$ 8,974,430</u>	<u>\$ 1,151,119</u>
Total Governmental Fund Balance	<u><u>\$ 19,879,534</u></u>	<u><u>\$ 17,308,317</u></u>	<u><u>\$ 2,571,217</u></u>

#### **Business-Type Funds Analysis**

The city's proprietary fund financial statements provide the same type of information found in the government-wide financial statements for business-type activities, although in more detail. Internal service funds, although proprietary, are not included within business-type activities.

Proprietary funds are those funds that account for government operations where the intent is for the costs to be primarily paid for by user charges. Enterprise funds are those funds that provide services primarily to external users, and internal service funds provide their services primarily within the city, or to other governmental units. The city has three business-type funds, all of which are enterprise funds.

The water fund and the sewer fund are the two largest enterprise funds of the city. The water fund accounts for 33.4%, the sewer fund 46.9%, and the storm drainage fund 19.7% of the total net position for enterprise funds. The water fund had total net position at year-end of \$26.6 million, the sewer fund \$37.3 million, and the storm drainage fund \$15.6 million. The water and sewer utility funds each showed an operating loss, primarily for depreciation expense. After capital contributions and interest earnings, the storm drainage, sewer, and water funds reported an increase in net position.

Total water fund operating revenues for 2020 were \$2.9 million which was the same as 2019. Total operating expenses were \$3.3 million as compared to \$2.8 million in 2019. This increase is primarily due to an increase in the amount of water purchased for distribution.

Total sewer fund operating revenues for 2020 were \$4.8 million as compared to \$4.7 million in 2019. Total operating expenses were \$6.5 million as compared to \$6.3 million in 2019. This increase is primarily due to personnel increases as well as an increase to cost allocation to the general fund.

Total storm drainage operating revenues for 2020 were \$1.6 million which was the same as 2019. Total operating expenses were \$1.4 million for 2020 which was the same as 2019.

Statement of Proprietary Fund Net Position								
	Business-type Activities Enterprise Funds						Governmental Activities	
	Storm Drainage		Water		Sewer		Internal Service	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Net Position</b>								
Net Investment in Capital Assets	12,363,898	11,266,563	15,426,723	15,625,666	24,634,830	25,403,325	433,681	746,258
Restricted (Debt Service)					297,778	297,778		
Unrestricted	3,276,466	3,017,715	11,123,634	10,457,594	12,326,951	10,684,085	737,420	857,625
Total Net Position	\$ 15,640,364	\$ 14,284,278	\$ 26,550,357	\$ 26,083,260	\$ 37,259,559	\$ 36,385,188	\$ 1,171,101	\$ 1,603,883

### GENERAL FUND BUDGETARY HIGHLIGHTS

The city appropriated funds through the adoption of the 2020 annual budget. Budget amendments are made throughout each year of the annual budget as needed and approved by ordinance action by city council. The following table shows the changes between the original and the final biennial general fund budget (does not include parks and reserve funds), and the variances between the final budget to actual revenues and expenditures:

	Original 2020 budget	Final 2020 Budget	Change Increase (Decrease)	Actual at 12/31/2020	Variance Positive (Negative)	Percentage of Actual to Budget
<b>Revenues:</b>						
Taxes	\$ 10,694,424	\$ 10,694,424	\$ -	\$ 10,627,910	\$ (66,514)	99%
License and permits	1,003,659	1,003,659	-	1,370,663	367,004	137%
Intergovernmental	758,489	1,228,464	469,975	1,389,948	161,484	113%
Charges for services	1,906,439	3,406,439	1,500,000	3,244,461	(161,978)	95%
Other revenues	547,800	547,800	-	441,370	(106,430)	81%
Total revenues	14,910,811	16,880,786	1,969,975	17,074,352	193,566	101%
<b>Expenditures:</b>						
General government	3,296,972	3,749,121	452,149	3,163,833	585,288	84%
Judicial	687,499	688,699	1,200	588,904	99,795	86%
Security/Persons and property	8,500,307	8,653,307	153,000	8,218,249	435,058	95%
Physical Environment	528,936	528,936	-	428,944	99,992	81%
Economic Environment	1,210,559	2,859,834	1,649,275	2,268,156	591,678	79%
All other expenditures	945,593	1,133,593	188,000	1,169,028	(35,435)	103%
Total Expenditures	15,169,866	17,613,490	2,443,624	15,837,114	1,776,376	90%

The overage in all other expenditures was related to the city hall generator and council chambers hardware upgrade related to the COVID-19 pandemic and remote work.

Increases in appropriations were related to grant funds being received by the city for the COVID-19 pandemic.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### **Capital Assets**

The city's investment in capital assets, including construction in progress, totals \$115 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructural improvements, intangible assets, machinery and equipment, park facilities, and construction in progress. Capital assets are affected by various additions and deletions, and by depreciation. Additions are from the purchase and/or construction of capital assets, current year work in process expenses, or from developer contributions. Deletions are from the sale or loss of a capital asset. The table below reflects a decrease in net capital assets of \$829,572 million in 2020.

	Governmental Activities		Business-Type Activities		Total Activities	
	2020	2019	2020	2019	2020	2019
Land	\$ 15,532,175	\$ 16,060,373	\$ 3,728,988	\$ 3,647,342	\$ 19,261,163	\$ 19,707,715
Construction in progress	1,534,471	589,695	999,433	269,510	2,533,904	859,205
Buildings	8,895,814	9,260,472	819,475	853,413	9,715,289	10,113,885
Machinery and equipment	704,461	1,077,069	422,201	151,990	1,126,662	1,229,059
Infrastructure	27,155,794	27,398,096	46,827,568	46,956,242	73,983,362	74,354,338
Improvements other than buildings	765,373	837,344	23,020	24,664	788,393	862,008
Intangible assets	-	-	7,784,942	8,897,077	7,784,942	8,897,077
Total	<u>\$ 54,588,088</u>	<u>\$ 55,223,049</u>	<u>\$ 60,605,627</u>	<u>\$ 60,800,238</u>	<u>\$ 115,193,715</u>	<u>\$ 116,023,287</u>

Major capital events during the 2020 fiscal year included the following:

- Replaced the city's street sweeper.
- Transferred fire equipment to Fire District 3 as part of the annexation.
- Replacement of five public works vehicles.
- Purchased a city hall generator
- Upgraded the council chambers camera system
- Installed a fence at the city's skate park
- Completed social distancing remodel in city hall in the court and community development departments
- Installed a new firewall for remote work

Additional information on the city's capital assets is located in Note 4 in the notes to the financial statement in this report.

### **Long-term Debt**

At December 31, 2020, the city had total long-term debt outstanding of \$14,505,928. Of this amount, \$5,867,247 is general obligation debt, including \$42,247 of issuance premium. General obligation bonds are direct obligations and pledge the full faith and credit of the city. The city's remaining capacity for non-voted long-term general obligation debt is approximately \$34.3 million. Standard and Poor's last affirmed the city's

rating of "AA-" for its general obligation debt in September 2014 citing strong budgetary flexibility and management.

The city has entered into lease arrangements for purchase of public safety vehicles and equipment. Outstanding capital lease obligations at December 31, 2020 are \$144,138.

At December 31, 2020 there were outstanding government long-term loans made by the State of Washington under the Public Works Trust Fund Loan Program of \$300,000 for West Main Street improvements. USDA sewer revenue bonds of \$6,040,062 and water revenue bonds of \$2,140,114 were also outstanding at year end.

The table below is a comparison of the summary for outstanding debt at December 31, 2019 and 2020.

<b>Outstanding Debt</b>						
	Governmental Activities		Business-Type Activities		Total Activities	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 5,825,000	\$ 7,325,000	\$ -	\$ -	\$ 5,825,000	\$ 7,325,000
Capital leases	144,139	285,274	-	-	144,139	285,274
Government loans	300,000	400,000	-	53,999	300,000	453,999
Revenue bonds			8,180,176	8,450,686	8,180,176	8,450,686
Issuance premium (LTGO)	42,247	56,028			42,247	56,028
Total	<u>\$ 6,311,386</u>	<u>\$ 8,066,302</u>	<u>\$ 8,180,176</u>	<u>\$ 8,504,685</u>	<u>\$ 14,491,562</u>	<u>\$ 16,570,987</u>

Additional information on the city's long-term debt is located in Note 7 in the notes to the financial statement in this report.

## **ECONOMIC OUTLOOK AND FUTURE CONDITIONS**

The city serves city residents as well as a greater trade area of about 82,600 people. For the period 2011-2020, the population of Battle Ground increased 24.7 percent, from 17,780 to 22,180 citizens. Residential and commercial development increased in the city while the broader regional economy also improved with increased employment and economic development. However, the city is challenged to sustain service and program levels to this growing population. Staffing levels have not been regained since layoffs made during the last recession. To address these challenges, the city has initiated an on-going visioning process involving community engagement.

The city's adopted financial policies continue to guide the financial operations and the 2021 budget process. With a backlog of deferred maintenance, compliance with constantly changing statewide legislative and regulatory mandates, and increased operational costs, a shorter budget cycle and longer planning horizon provides a better opportunity for focusing on core services identified by city council and responding to market and economic factors.

The city has made increasing efforts to find opportunities for cost savings, has maintained conservation and sustainability initiatives, has leveraged partnerships with other agencies, and has invested in technology to improve delivery of core services. The 2021 budget and work plans continue to support and build on these efforts.

- The national health emergency related to the COVID-19 pandemic in 2020 presented a unique challenge to get work completed during 2020. The city received \$1 million in an economic relief package issued by

the federal government. The city utilized these funds to address the immediate response to the challenges and unforeseen budget impacts related to the pandemic.

- In February 2020, the city went to the citizens of Battle Ground and asked them to pay an additional property tax to annex into Fire District 3. The vote passed which means the city no longer will have to pay for fire services out of its general fund effective January 1, 2021. As part of this annexation, the city transferred assets to the Fire District including a parcel of land for a future fire station, fire engines, and pump equipment. Annexation promises made of increased service levels related to pavement preservation, public safety, parks and recreation, beautification, and communication were placed into the 2021 budget.
- In June of 2020, City Council approved an ordinance to reduce the Transportation Benefit District vehicle tab fee from \$20 to \$0 effective January 1, 2021. This was in response to the vote of Initiative 976 removing the fee. This revenue stream represents approximately \$292,000 for pavement preservation.

### **Requests for Information**

This financial report provides a general overview of City of Battle Ground's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, address to the Finance Department, City of Battle Ground, 109 SW 1<sup>st</sup> Street, Suite 217, Battle Ground, WA, 98604.

**CITY OF BATTLE GROUND**  
Statement of Net Position  
December 31, 2020

	Governmental Activities	Business-type Activities	Total Primary Government
<b>Assets</b>			
Cash and Cash Equivalents	\$ 18,743,057	\$ 26,615,721	\$ 45,358,778
Investments	1,635,968	2,343,281	3,979,249
Receivables	2,046,832	1,173,758	3,220,590
Internal Balances	(616,683)	616,683	-
Restricted Assets			
Cash and Cash Equivalents	253,425	297,778	551,203
Investments	22,006	-	22,006
Net Pension Asset	1,357,463	-	1,357,463
Capital Assets (not being depreciated)			
Land	15,532,175	3,728,988	19,261,163
Construction Work in Progress	1,534,471	999,433	2,533,904
Capital Assets (net of accumulated depreciation)			
Buildings	8,895,805	819,474	9,715,279
Improvements Other than Buildings	765,373	23,019	788,392
Intangible Assets	-	7,784,942	7,784,942
Machinery and Equipment	704,463	422,201	1,126,664
Infrastructure	27,155,801	46,827,570	73,983,371
Total Assets	<u>78,030,156</u>	<u>91,652,848</u>	<u>169,683,004</u>
<b>Deferred Outflows of Resources</b>			
Related to Pensions	758,170	97,176	855,346
Related to OPEB	27,001	-	27,001
Related to Asset Retirement Obligations	-	112,000	112,000
Total Deferred Outflows of Resources	<u>785,171</u>	<u>209,176</u>	<u>994,347</u>
<b>Liabilities</b>			
Accounts Payable	688,407	1,087,449	1,775,856
Other Current Liabilities	807,021	84,678	891,699
Accrued Interest Payable	29,198	89,173	118,371
Custodial Deposits	34,576	-	34,576
Unearned Revenue	343,150	-	343,150
Noncurrent Liabilities			
Due within One Year	1,014,788	285,507	1,300,295
Total OPEB Liability	54,000	-	54,000
Due in More than One Year	6,509,296	9,709,375	16,218,671
Net Pension Liability	1,103,820	282,193	1,386,013
Total OPEB Liability	1,949,784	-	1,949,784
Asset Retirement Obligation	-	165,500	165,500
Total Liabilities	<u>12,534,040</u>	<u>11,703,875</u>	<u>24,237,915</u>
<b>Deferred Inflows of Resources</b>			
Related to Pensions	608,079	91,186	699,265
Total Deferred Inflows of Resources	<u>608,079</u>	<u>91,186</u>	<u>699,265</u>
<b>Net Position</b>			
Net Investment in Capital Assets	48,276,704	52,425,451	100,702,155
Restricted for			
Capital	8,399,399	-	8,399,399
Pension	1,484,124	-	1,484,124
Debt Service	-	297,778	297,778
Drug Investigation	45,289	-	45,289
Tourist Promotion	269,325	-	269,325
Public Safety	497,815	-	497,815
Unrestricted	6,700,552	27,343,734	34,044,286
Total Net Position	<u>\$ 65,673,208</u>	<u>\$ 80,066,963</u>	<u>\$ 145,740,171</u>

The notes to the financial statements are an integral part of this statement

**CITY OF BATTLE GROUND**  
Statement of Activities  
For the year ended December 31, 2020

Functions/Programs	Expenses	Indirect Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total
PRIMARY GOVERNMENT								
Governmental Activities:								
General Government	\$ 3,445,289	\$ (1,109,559)	\$ 114,900	\$ 816,332	\$ 140,233	\$ (1,264,265)	\$ -	\$ (1,264,265)
Judicial	571,181	-	199,382	14,310		(357,489)	-	(357,489)
Public Safety	8,558,547	-	251,901	250,771		(8,055,875)	-	(8,055,875)
Physical Environment	419,875	-	11,345			(408,530)	-	(408,530)
Transportation	3,197,724	-	323,679	532,368	2,932,341	590,664	-	590,664
Economic Environment	2,237,387	-	4,257,368	38,089		2,058,070	-	2,058,070
Culture and Recreation	875,202	-	33,046	41,741		(800,415)	-	(800,415)
Interest Expense	352,877	-				(352,877)	-	(352,877)
TOTAL GOVERNMENTAL ACTIVITIES	19,658,082	(1,109,559)	5,191,621	1,693,611	3,072,574	(8,590,717)	-	(8,590,717)
Business Type Activities:								
Storm Drainage	1,097,649	322,476	1,601,371	44,146	1,068,550	-	1,293,942	1,293,942
Water	2,983,014	393,575	2,855,522	67,895	847,902	-	394,730	394,730
Sewer	6,243,699	393,508	4,764,471	15,291	2,477,200	-	619,755	619,755
TOTAL BUSINESS-TYPE ACTIVITIES	10,324,362	1,109,559	9,221,364	127,332	4,393,652	-	2,308,427	2,308,427
Total Primary Government	\$ 29,982,444	\$ -	\$ 14,412,985	\$ 1,820,943	\$ 7,466,226	\$ (8,590,717)	\$ 2,308,427	\$ (6,282,290)
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes						3,323,783	-	3,323,783
Sales and Use Taxes						4,396,312	-	4,396,312
Business and Occupation Taxes						3,098,913	-	3,098,913
Excise Taxes						1,455,122	-	1,455,122
Grants and Contributions not Restricted to Specific Programs						401,637	-	401,637
Unrestricted Investment Earnings						180,832	302,737	483,569
Miscellaneous						39,967	191,895	231,862
Special Item - Disposal of Operations						(829,480)	-	(829,480)
Transfers						(25,000)	25,000	-
Total General Revenues						12,042,086	519,632	12,561,718
Change in Net Position						3,451,369	2,828,059	6,279,428
Net Position - Beginning						62,221,839	77,289,644	139,511,483
Prior period adjustments							(50,740)	(50,740)
Net Position as of January 1 - restated						62,221,839	77,238,904	139,460,743
Net Position - Ending						\$ 65,673,208	\$ 80,066,963	\$ 145,740,171

The notes to the financial statements are an integral part of this statement



**CITY OF BATTLE GROUND**  
Governmental Funds  
Balance Sheet  
December 31, 2020

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 8,431,372	\$ -	9,631,066	\$ 18,062,438
Investments	733,593	-	843,075	1,576,668
Restricted Cash and Cash Equivalents	-	-	253,425	253,425
Restricted Investments	-	-	22,006	22,006
Property Taxes Receivables	38,786	-	-	38,786
Utility Tax Receivable	147,153	-	-	147,153
Accounts Receivable	1,343,548	-	342,997	1,686,545
Interest Receivable	262	-	633	895
Municipal Court Receivable	173,410	-	-	173,410
Total Assets	10,868,124	-	11,093,202	21,961,326
<b>Liabilities</b>				
Accounts Payable	493,502	-	194,905	688,407
Due to Other Funds	-	-	-	-
Due to Other Governmental Units	7,633	-	-	7,633
Other Accrued Liabilities	369,790	-	429,598	799,388
Interfund Loan Payable	-	-	-	-
Unearned Revenues	-	-	343,150	343,150
Custodial Deposits	34,576	-	-	34,576
Total Liabilities	905,501	-	967,653	1,873,154
<b>Deferred Inflows of Resources</b>				
Unavailable revenue-property taxes	35,228	-	-	35,228
Unavailable revenue-municipal court	173,410	-	-	173,410
Total Deferred Inflows of Resources	208,638	-	-	208,638
<b>Fund Balances</b>				
Restricted for:				
Capital	-	-	8,399,399	8,399,399
Drug Investigation	-	-	45,289	45,289
Tourist Promotion	-	-	269,325	269,325
Public Safety	-	-	497,815	497,815
Committed to:				
Economic Stabilization	354,558	-	-	354,558
Assigned to:				
LEOFF 1	139,941	-	-	139,941
Parks	579,513	-	-	579,513
Insurance Reserve	51,696	-	-	51,696
Street	-	-	913,721	913,721
Unassigned	8,628,277	-	-	8,628,277
Total Fund Balances	9,753,985	-	10,125,549	\$ 19,879,534
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 10,868,124	\$ -	\$ 11,093,202	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (excludes internal service funds)	54,067,521
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds (see note 2A)	1,743,193
Long-term liabilities that are not due and payable in the current period and are not reported in the funds (see note 2A)	(10,571,458)
Net position of internal service funds - governmental activities (see note 2A)	554,418
Net position of governmental activities	\$ 65,673,208

The notes to the financial statements are an integral part of this statement.

**CITY OF BATTLE GROUND**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 3,333,686	\$ -	\$ -	\$ 3,333,686
Sales and Use Taxes	4,396,312	-	-	4,396,312
Other Taxes	2,897,912	-	1,809,675	4,707,587
License and Permits	1,370,663	-	-	1,370,663
Intergovernmental	1,420,334	-	981,196	2,401,530
Charges for Services	3,145,137	-	1,492,563	4,637,700
Fines and Forfeits	153,836	-	-	153,836
Interest Earnings	57,150	-	114,762	171,912
Rents and Royalties	141,495	-	-	141,495
Contributions/Donations	21,271	112,944	-	134,215
Miscellaneous	39,969	-	200	40,169
Total Revenues	<u>16,977,765</u>	<u>112,944</u>	<u>4,398,396</u>	<u>21,489,105</u>
<b>Expenditures</b>				
Current				
General Government	3,214,508	-	-	3,214,508
Judicial	588,904	-	-	588,904
Security/Persons and Property	8,218,249	-	9,455	8,227,704
Physical Environment	428,944	-	-	428,944
Transportation	-	-	726,195	726,195
Economic Environment	2,268,156	-	18,310	2,286,466
Culture and Recreation	538,844	-	-	538,844
Capital Expenditures				
General Government	226,969	-	186,314	413,283
Security/Persons and Property	-	-	11,500	11,500
Culture and Recreation	-	-	48,140	48,140
Transportation	-	-	657,595	657,595
Debt Service			-	
Principal Retirement	56,184	1,600,000	-	1,656,184
Interest/Fiscal Charges	2,163	369,182	-	371,345
Total Expenditures	<u>15,542,921</u>	<u>1,969,182</u>	<u>1,657,509</u>	<u>19,169,612</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,434,844	(1,856,238)	2,740,887	2,319,493
Other Financing Sources (Uses)				
Sale of Capital Assets	99,990	-	-	99,990
Insurance Recoveries	43,397	-	337	43,734
Transfers In	255,569	1,856,238	748,146	2,859,953
Transfers Out	(413,702)	-	(2,338,251)	(2,751,953)
Total Other Financing Sources and Uses	<u>(14,746)</u>	<u>1,856,238</u>	<u>(1,589,768)</u>	<u>251,724</u>
Net Change in Fund Balance	1,420,098	-	1,151,119	2,571,217
Fund Balance at Beginning of Year	8,333,887	-	8,974,430	17,308,317
Fund Balance at End of Year	<u>\$ 9,753,985</u>	<u>\$ -</u>	<u>\$ 10,125,549</u>	<u>\$ 19,879,534</u>

The notes to the financial statements are an integral part of this statement

**CITY OF BATTLE GROUND**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities  
Year Ended December 31, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balance - total governmental funds:	\$ 2,571,217
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.	(2,234,542)
The net effect of various miscellaneous transactions involving capital assets ( i.e., sales, transfers, trade-ins, and donations) is to increase net position.	(528,198)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,470,924
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,656,184
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	28,331
Internal service funds are used by management to charge the costs of vehicle and technology replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(512,547)
Change in Net Position of Governmental Activities	<u>\$ 3,451,369</u>

The notes to the financial statements are an integral part of this statement

**CITY OF BATTLE GROUND**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
General Fund  
For the Fiscal Year Ended December 31, 2020

	Budget Amounts		Actual Year-To-	Variance Thru
	Original 2020	Final 2020	Date Thru 12/31/20	12/31/20
<b>Revenues</b>				
Property Taxes	\$ 3,331,136	\$ 3,331,136	\$ 3,333,686	\$ 2,550
Sales and Use Taxes	3,930,570	3,930,570	4,396,312	465,742
Other Taxes	3,432,718	3,432,718	2,897,912	(534,806)
License and Permits	1,003,659	1,003,659	1,370,663	367,004
Intergovernmental	758,489	1,228,464	1,389,948	161,484
Charges for Services	1,906,439	3,406,439	3,244,461	(161,978)
Fines and Forfeits	224,250	224,250	153,836	(70,414)
Interest Earnings	60,000	60,000	49,487	(10,513)
Rents and Royalties	122,000	122,000	111,307	(10,693)
Contributions/Donations	500	500	14,771	14,271
Miscellaneous	57,500	57,500	39,969	(17,531)
Total Revenues	14,827,261	16,797,236	17,002,352	205,116
<b>Expenditures</b>				
Current				
General Government	3,296,972	3,749,121	3,163,833	585,288
Judicial	687,499	688,699	588,904	99,795
Security/Persons and Property	8,500,307	8,653,307	8,218,249	435,058
Physical Environment	528,936	528,936	428,944	99,992
Economic Environment	1,210,559	2,859,834	2,268,156	591,678
Culture and Recreation	-	-	-	-
Capitalized Expenditures	-	188,000	226,969	(38,969)
Debt Service				
Principal Retirement	56,184	56,184	56,184	-
Interest/Fiscal Charges	2,159	2,159	2,163	(4)
Total Expenditures	14,282,616	16,726,240	14,953,402	1,772,838
Excess (Deficiency) of Revenues				
Over (under) Expenditures	544,645	70,996	2,048,950	1,977,954
<b>Other Financing Sources (Uses)</b>				
Transfers In	83,550	83,550	72,000	(11,550)
Transfers Out	(887,250)	(887,250)	(883,712)	3,538
Total Other Financing Sources and Uses	(803,700)	(803,700)	(811,712)	(8,012)
Net Change in Fund Balance	(259,055)	(732,704)	1,237,238	1,969,942
Fund Balance at Beginning of Year	4,080,925	4,080,925	7,391,039	3,310,114
Fund Balance at End of Year	\$ 3,821,870	\$ 3,348,221	\$ 8,628,277	\$ 5,280,056
Adjustment to generally accepted accounting principles (GAAP) basis:				
Parks Fund budgeted as separate fund			\$ 579,513	
Insurance Reserve Fund budgeted as separate fund			51,695	
LEOFF I Reserve Fund budgeted as separate fund			139,942	
Economic Stabilization Fund budgeted as separate fund			354,558	
Fund Balance GAAP basis:			\$ 9,753,985	

The notes to the financial statements are an integral part of this statement

**CITY OF BATTLE GROUND**  
Proprietary Funds  
Statement of Net Position  
December 31, 2020

	Business-type Activities			Total Enterprise Funds	Governmental Activities Internal Service Funds
	Storm Drainage	Water	Sewer		
<b>Assets</b>					
Current Assets					
Cash and Cash Equivalents	\$ 3,379,579	\$ 10,387,498	\$ 12,848,644	\$ 26,615,721	\$ 680,619
Investments	293,264	908,100	1,141,917	2,343,281	59,300
Receivables (net)					
Accounts	175,615	332,573	663,875	1,172,063	-
Interest	214	664	817	1,695	43
Total Current Assets	<u>3,848,672</u>	<u>11,628,835</u>	<u>14,655,253</u>	<u>30,132,760</u>	<u>739,962</u>
Noncurrent Assets					
Restricted Cash and Cash Equivalents	-	-	297,778	297,778	-
Property, Plant and Equipment (Net)	12,363,898	17,566,838	30,674,891	60,605,627	520,568
Total Noncurrent Assets	<u>12,363,898</u>	<u>17,566,838</u>	<u>30,972,669</u>	<u>60,903,405</u>	<u>520,568</u>
Total Assets	<u>16,212,570</u>	<u>29,195,673</u>	<u>45,627,922</u>	<u>91,036,165</u>	<u>1,260,530</u>
<b>Deferred Outflows of Resources</b>					
Deferred Outflows Related to Pensions	32,456	36,178	28,542	97,176	-
Deferred Outflows Related to Asset Retirement Obligations		112,000		112,000	-
Total Deferred Outflows	<u>32,456</u>	<u>148,178</u>	<u>28,542</u>	<u>209,176</u>	<u>-</u>
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	420,171	241,173	426,105	1,087,449	-
Accrued Interest Payable	-	10,238	78,935	89,173	2,542
Other Accrued Liabilities	32,318	30,429	21,931	84,678	-
Compensated Absences	-	-	-	-	-
Lease Payable	-	-	-	-	86,887
Bonds, Notes and Loans Payable	-	168,057	117,450	285,507	-
Total Current Liabilities	<u>452,489</u>	<u>449,897</u>	<u>644,421</u>	<u>1,546,807</u>	<u>89,429</u>
Noncurrent Liabilities					
Lease Payable	-	-	-	-	-
Developer Credits	-	932	1,662,631	1,663,563	-
Bonds, Notes and Loan Payable	-	1,972,058	5,922,611	7,894,669	-
Compensated Absences	27,469	66,099	57,575	151,143	-
Total Pension Liability	94,249	105,060	82,884	282,193	-
Asset Retirement Obligation		165,500		165,500	-
Total Noncurrent Liabilities	<u>121,718</u>	<u>2,309,649</u>	<u>7,725,701</u>	<u>10,157,068</u>	<u>-</u>
Total Liabilities	<u>574,207</u>	<u>2,759,546</u>	<u>8,370,122</u>	<u>11,703,875</u>	<u>89,429</u>
<b>Deferred Inflows of Resources</b>					
Deferred Inflows Related to Pensions	30,455	33,948	26,783	91,186	-
<b>Net Position</b>					
Net Investment in Capital Assets	12,363,898	15,426,723	24,634,830	52,425,451	433,681
Restricted for Debt Service	-	-	297,778	297,778	-
Unrestricted	3,276,466	11,123,634	12,326,951	26,727,051	737,420
Total Net Position	<u>\$ 15,640,364</u>	<u>\$ 26,550,357</u>	<u>\$ 37,259,559</u>	<u>\$ 79,450,280</u>	<u>\$ 1,171,101</u>
Adjustment to report cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time (See Note 2C)				616,683	
Net position of business-type activities				<u>\$ 80,066,963</u>	

The notes to the financial statements are an integral part of this statement

**CITY OF BATTLE GROUND**  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Fiscal Year Ended December 31, 2020

	Business-type Activities				Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds	Internal Service Funds
Operating Revenues					
Charge for Services	\$ 1,601,371	\$ 2,855,522	\$ 4,764,471	\$ 9,221,364	\$ 327,721
Miscellaneous	-	2,560	-	2,560	-
State and Federal Grants	44,146	67,895	15,291	127,332	41,795
Total Operating Revenues	1,645,517	2,925,977	4,779,762	9,351,256	369,516
Operating Expenses					
Personnel Services	459,945	498,823	410,293	1,369,061	-
Equipment and Supplies	50,026	877,609	37,931	965,566	148,945
Professional Services	73,116	89,759	27,350	190,225	-
Utilities	1,600	125,354	86,074	213,028	-
Repairs and Maintenance	54,296	120,306	250,031	424,633	-
Taxes	32,321	158,167	93,802	284,290	-
Intergovernmental services	-	-	3,129,841	3,129,841	-
Insurance	14,530	20,815	28,950	64,295	-
Allocated expenses	322,476	393,575	393,508	1,109,559	-
Other	87,840	167,630	83,656	339,126	-
Depreciation	323,975	852,305	1,913,262	3,089,542	164,790
Total Operating Expenses	1,420,125	3,304,343	6,454,698	11,179,166	313,735
Operating Income (loss)	225,392	(378,366)	(1,674,936)	(1,827,910)	55,781
Nonoperating Revenues (Expenses)					
Interest Earnings	37,144	120,547	145,046	302,737	8,915
Miscellaneous Revenues	-	-	109,570	109,570	-
Interest and Fiscal Charges	-	(72,246)	(182,509)	(254,755)	(2,683)
Gain (loss) on Sale of Capital Assets	-	-	-	-	34,785
Total Nonoperating Revenues (Expenses)	37,144	48,301	72,107	157,552	41,017
Income (Loss) before Contributions, Special Items, and Transfers	262,536	(330,065)	(1,602,829)	(1,670,358)	96,798
Capital Contributions	1,068,550	847,902	2,477,200	4,393,652	-
Transfers In	25,000	-	-	25,000	-
Transfers Out	-	-	-	-	(133,000)
Special Item - Disposal of Operations	-	-	-	-	(396,580)
Change in Net Position	1,356,086	517,837	874,371	2,748,294	(432,782)
Total Net Position at Beginning of Year	14,284,278	26,083,260	36,385,188		1,603,883
Prior Period Adjustment		(50,740)			-
Total Net Position at End of Year	\$ 15,640,364	\$ 26,550,357	\$ 37,259,559		\$ 1,171,101
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				79,765	
Changes in net position of business-type activities				\$ 2,828,059	

The notes of the financial statements are an integral part of this statement

**CITY OF BATTLE GROUND**  
Proprietary Funds  
Statement of Cash Flows  
For the Fiscal Year Ended December 31, 2020

	Business-type Activities			Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds Internal Service Funds
<b>Cash Flows from Operating Activities:</b>				
Cash received from Customers	\$ 1,578,967	\$ 2,818,289	\$ 4,814,384	\$ 9,211,640
Proceeds from Operating Grants	44,145	67,895	15,291	127,331
Receipts from vehicle interfund charges				41,795
Receipts from technology interfund charges				202,861
Cash payments to Suppliers	94,194	(1,401,666)	(3,381,020)	(4,688,492)
Cash payments to Employees	(511,600)	(579,067)	(452,554)	(1,543,221)
Cash payments for Interfund Services Received	(360,261)	(413,030)	(435,763)	(1,209,054)
Net Cash Provided by Operating Activities	<u>845,445</u>	<u>492,421</u>	<u>560,338</u>	<u>1,898,204</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	(427,918)	(219,246)	(382,588)	(1,029,752)
Proceeds from Other Financing (Transfers)	25,000			25,000
Proceeds from Sale of Capital Assets				34,785
Proceeds from Capital Lease				-
Principal Paid on Capital Lease				(84,952)
Interest Paid on Capital Lease				(5,168)
Principal Paid on Current Debt		(156,503)	(168,004)	(324,507)
Interest Paid on Revenue Bonds and Other Long Term Debt		(72,994)	(184,312)	(257,306)
Capital Contributed-Paid in cash	75,156	573,051	1,854,717	2,502,924
Net Cash Provided for Capital and Related Financing Activities	<u>(327,762)</u>	<u>124,308</u>	<u>1,119,813</u>	<u>916,359</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on Investments	37,188	120,753	145,229	303,170
Proceeds or Purchase of Investment Securities	27,673	178,665	110,264	316,602
Net Cash Used by Investing Activities	<u>64,861</u>	<u>299,418</u>	<u>255,493</u>	<u>619,772</u>
Net Increase (Decrease) in Cash and Cash Equivalents	582,544	916,147	1,935,644	3,434,335
Cash and Cash Equivalents at Beginning of Year	2,797,035	9,471,351	11,210,778	23,479,164
Cash and Cash Equivalents at End of Year	<u>\$ 3,379,579</u>	<u>\$ 10,387,498</u>	<u>\$ 13,146,422</u>	<u>\$ 26,913,499</u>

The notes to the financial statement are an integral part of this statement

**CITY OF BATTLE GROUND**  
Proprietary Funds  
Statement of Cash Flows  
For the Fiscal Year Ended December 31, 2020

	Business-type Activities				Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</b>					
Net Operating Income (Loss)	\$ 225,392	\$ (378,366)	\$ (1,674,936)	\$ (1,827,910)	\$ 55,781
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operations:					
Depreciation Expense	323,975	852,305	1,913,262	3,089,542	164,790
Pension Expense (GASB 68)	(64,620)	(74,518)	(48,665)	(187,803)	-
(Increase) Decrease in Receivables	(22,405)	(39,791)	(59,658)	(121,854)	-
(Increase) Decrease in Miscellaneous Revenues			109,572	109,572	-
(Increase) Decrease in Prepaid Assets				-	-
Increase (Decrease) in Current Payables	370,139	138,519	314,359	823,017	-
Increase (Decrease) in Accrued Employee Benefits	12,963	(5,728)	6,404	13,639	-
Total Adjustments	<u>620,052</u>	<u>870,787</u>	<u>2,235,274</u>	<u>3,726,113</u>	<u>164,790</u>
Net Cash Provided by Operating Activities	<u>\$ 845,444</u>	<u>\$ 492,421</u>	<u>\$ 560,338</u>	<u>\$ 1,898,203</u>	<u>\$ 220,571</u>
Noncash Investing, Financing and Capital Activities					
Capital Assets Contributed	993,394	274,851	622,483	1,890,728	-
Net Change in Fair Value of Investments	-	(1,236)	(1,501)	(2,737)	(86)
Special item	-	-	-	-	(396,580)

The notes to the financial statements are an integral part of this statement



**City of Battle Ground**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
As of December 31, 2020

	<b>Custodial Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$      15,678
Total Assets	<u>15,678</u>
<b>Liabilities</b>	
Due to other governments	<u>15,678</u>
Total Liabilities	<u>15,678</u>
<b>Fiduciary Net Position</b>	<u><u>\$           -</u></u>

The notes to the financial statements are an integral part of this statement

**City of Battle Ground**  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year ended December 31, 2020

	<b>Custodial Activities</b>
<b>Contributions:</b>	
Court fees collected for other governments	171,862
Total Additions	<u>171,862</u>
<b>Deductions:</b>	
Payments of court fees distributed to other governments	171,862
Total Deductions	<u>171,862</u>
Change in net position held for other governments	-
<b>Net Position</b>	
Net position as of January 1	<u>-</u>
Net position as of December 31	<u><u>-</u></u>

The notes to the financial statements are an integral part of this statement

**CITY OF BATTLE GROUND**  
**Notes to Financial Statements**  
**December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Battle Ground, Washington (city) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**A. Reporting Entity**

The City of Battle Ground was incorporated in June 1951. It operates under the laws of the State of Washington applicable to noncharter code cities with a council-manager form of government. City council is composed of seven elected members with one selected to serve as the mayor. The city is a general purpose government and provides public safety, street construction and maintenance, parks and recreation, judicial administration, planning, economic development, and general administrative services. The city owns and operates water, storm drainage, and sewer utilities. The city contracted for fire services during 2020 however, fire services were annexed into Fire District 3 effective January 1, 2021.

As required by generally accepted accounting principles, the financial statements present the City of Battle Ground as a primary government. The city does not have any component units.

**B. Basis of Presentation - Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are instead reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The city reports the following major governmental funds:

The **general** (or current expense) **fund** is the city's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The Parks and Recreation Fund, Insurance Reserve Fund, LEOFF I Reserve Fund, and the Economic Stabilization Fund are included in the general fund for financial reporting purposes.

**Debt service fund** accounts for and report the resources accumulated and payments made for principal and interest of the general government, except those required to be accounted for in another fund.

The city reports the following major enterprise funds:

The **storm drainage fund** provides flood management and water quality protection. Activities include construction and maintenance of public drainage systems, erosion control, and environmental public awareness. System development charges (SDC) assessed on new development are expended to build and expand drainage systems. The storm drainage SDC fund is included with the storm drainage fund for financial reporting purposes.

The **water fund** accounts for the city's water utility operations. Activities of the municipal water system includes production, treatment, storage, and distribution of domestic water. Utility operations are self-supported through user fees. System development charges (SDC) assessed on new development are expended to build and expand water capacity. The water SDC fund is included in the water fund for financial reporting purposes.

The **sewer fund** accounts for the city's sewer utility operations. Sewer operations provide safe and clean collection and disposal of sewage. Utility operations are self-supported through user fees. System development charges (SDC) assessed on new development are expended to build and expand sewer capacity. The sewer SDC fund is included in the sewer fund for financial reporting purposes.

Additionally, the city reports the following fund types:

**Capital project funds** account for financial resources used for the acquisition, construction, and preservation of general governmental capital projects. Major sources of revenue are proceeds from general obligation bonds, loans, real estate excise tax, impact fees, and capital grants from other agencies.

**Special revenue funds** account for and report the proceeds of specific revenue sources that are restricted or committed for expenditures for specified purposes. Special revenue funds include the street fund, transportation benefit district (TBD) fund, drug Investigation fund, and the lodging tax fund. The TBD fund is included in the street fund for financial reporting purposes.

**Internal service funds** account for financial resources used to fund the acquisition and preservation of fleet and information technology equipment provided to other city departments. Because these services benefit governmental operations more than business-type functions, these funds have been included within governmental activities in the government-wide financial statements.

***Fiduciary fund*** accounts for the financial transactions of the city's court remittances to the Washington State Administrative Office of the Courts and Clark County related to fees collected by the city on their behalf. The assets associated with this activity are controlled by the government and not derived from its own source revenues and the city does not have administrative involvement.

C. Measurement Focus, Basis of Accounting

1. Government-wide and Governmental Funds

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the city.

2. Proprietary Funds

Proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary information

1. Scope of Budget

The City of Battle Ground prepared an annual budget for 2020 in accordance with the Revised Code of Washington (RCW) Chapter 35A.33. State law establishes the budget process and the time limits under which a biennial budget must be developed. All governmental funds are prepared on a modified accrual basis consistent with generally accepted accounting principles. These budgets are

adopted at the fund level and constitute the legal authority for expenditures. Expenditures and other financing uses may not exceed budgeted appropriations at these levels. Any unexpended appropriation balances lapse at the end of the year.

Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

2. Amending the Budget

The city manager is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges or other conditions of employment must be approved by the city council. When the council determines that it is in the best interest of the city to increase or decrease the appropriations for a particular fund, it may do so by ordinance.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the fiscal year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the annual budget.

E. Assets, Liabilities, Fund Balance and Net Position

1. Cash and Cash Equivalents - See Note 3

It is the city's policy to invest all temporary cash surpluses. At December 31, 2020, the treasurer was holding \$45,909,981 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

For purposes of the *Statement of Cash Flows*, the city considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. All amounts held in the Local Government Investment Pool (LGIP) and Clark County Investment Pool (CCIP) are considered to be cash equivalents.

2. Investments - See Note 3

Investments purchased with an original maturity of more than three months are classified as investments. Except for certificates of deposit, investments are reported at fair value on quoted market prices for securities. Change in fair value is reported in the *Statement of Revenues, Expenses and Changes in Net Position* as investment earnings.

State statute (RCW 39.59.040) authorizes investments in obligations of the U.S. Treasury, commercial paper, banker's acceptances, certain other government agency obligations, and the state and county treasurer's investment pool. The city's investment policy does not further limit investment choices. The city's investment policy requires all securities transactions to be conducted on a delivery-versus-payment basis.

3. Receivables – See Note 14

Taxes receivable consists of property taxes and related interest and penalties (see Note 9). Accrued interest receivable consists of amounts earned on investments and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Uncollectible amounts are considered immaterial and the direct write-off method is used.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances

Receivable – See Note 5

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund loans receivable/payable” or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories in the proprietary funds are not material and are not recorded.

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service in enterprise funds. Restricted assets for business-type activities are \$297,778. This specific debt service reserve requirement for the sewer fund is described in Note 7. Restricted assets for governmental activities are \$275,431 for grant revenues received in advance.

7. Capital Assets – See Note 4

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of \$10,000 (\$5,000 for assets acquired with federal financial assistance) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Category	Useful Life (years)
Buildings	40
Infrastructure	20-50
Intangible Assets	20-40
Utility Improvements	40
Public Work Equipment	8
Vehicles	5-8
Office and Electronic Equipment	5-10

8. Compensated Absences

Eligible employees earn vacation leave, sick leave, and compensatory time in lieu of overtime. Unless otherwise provided by collective bargaining agreement or contract, vacation accruals are capped at 360 hours. Maximum accrual for sick leave is 960 hours.

If unused, compensation is paid upon termination of employment according to the terms of the applicable collective bargaining agreement, personnel rules and regulations, and the employee's length of service. Vacation leave and compensatory time generally qualify for 100 percent payout. Sick leave is limited to 33 percent payout upon retirement.

All leave is accrued when incurred in the government-wide and proprietary fund financial statements. As of December 31, 2020, the city reported compensated absences of \$830,148 in governmental activities and \$151,143 in business-type activities.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Other Post-employment Benefits – See Note 11

Lifetime full medical coverage is provided to uniformed police personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the *Statement of Net Position*. The actual health care costs are reported as expenditures in the year they are incurred and are paid out of the LEOFF I Fund.

11. Other Accrued Liabilities

These accounts consist of accrued employee wages and benefits.

12. Long-Term Liabilities - See Note 7

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Under GASB 65, bond issue costs are expensed when incurred. Long-term obligations used to finance proprietary fund operations and payable from revenue of the proprietary funds are accounted for in the applicable fund.

13. Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

14. Custodial Deposits

Custodial deposits represent facility rental and developer deposits.



15. Fund Balance Classification

Assets in excess of liabilities are reported as fund balances, and are segregated into separate classifications indicating the extent to which the city is bound to honor constraints on the specific purposes for which those funds can be spent.

Nonspendable	Unavailable fund balance due to its form and legally or contractually required to remain intact
Restricted	Fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
Committed	Fund balance can only be used for specific purposes as determined by formal action of city council. City council is the highest level of decision-making authority and can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.
Assigned	Assigned fund balance includes resources intended to be used by the city for specific purposes, but are neither restricted nor committed. The city has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as nonspendable, restricted, or committed.
Unassigned	This classification represents fund balance not included in other categories. The general fund is the only fund which reports a positive unassigned fund balance.

*Flow assumption:* When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the city's policy to use restricted resources first. When expenditure is incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the city's policy to spend committed resources first, then assigned, and unassigned, in that order. However, prior to the commencement of any project, the flow assumptions are reviewed to ensure that the proper resources are being used.

16. Fund Reserve Goals

The city has financial management guidelines that set reserve goals for selected city funds.

*General Fund* - City council adopted Resolution 2020-06 which targets an unrestricted fund balance of 90 days of regular general fund operating expenditures. The target level is calculated on the monthly average of total annual budgeted general fund operating expenditures for the ensuing fiscal year. If the fund falls below its minimum level, the city will adjust the budget in subsequent fiscal years to restore the fund balance within three fiscal years.

*Economic Stabilization Fund* - City council adopted Resolution 2012-08 which created a cumulative reserve fund to maintain resources to provide continuing levels of service when projected revenue collections are not adequate. One-time revenues are placed in the fund and city council determines when to expend funds. This arrangement is disclosed as committed fund balance in the general fund – *Governmental Funds Balance Sheet*.

17. Use of Estimates

These financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates and assumptions.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The *Governmental Fund Balance Sheet* includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the *Government-wide Statement of Net Position*. One element of the reconciliation is “other long-term assets not available to pay for current-period expenditures and, therefore are deferred in the funds.” The details of this difference are as follows:

Earned but unavailable revenues	\$ 208,638
Net pension asset	1,357,463
Deferred outflows related to pensions	785,171
Deferred inflows related to pensions	<u>(608,079)</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 1,743,193</u>

Another element of that reconciliation explains, “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ (5,825,000)
Plus: Issuance premium (to be amortized as interest expense)	(42,247)
Accrued interest payable	(26,657)
Due to other governments	(300,000)
Capital lease payable	(57,250)
Net OPEB liability	(2,003,784)
Net pension liability	(1,103,820)
Compensated absences	(830,148)
Impact fee credits	<u>(382,552)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (10,571,458)</u>

Another element of that reconciliation explains that “internal service funds related to governmental activities.” The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. The details of this difference are as follows:

Net position of the internal service funds	\$ 1,171,101
Less: Internal payable representing charges in excess of cost to business-type activities – prior years	(536,918)
Less: Internal payable representing charges in excess of cost to business-type activities – current year	<u>(79,765)</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 554,418</u>

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balance* includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures.” However, in the *Statement of Activities* the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital Outlay	\$ 1,130,518
Depreciation expense	<u>(3,365,060)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (2,234,542)</u>

Another element of the reconciliation states, “the net effect of various miscellaneous transactions involving capital assets (ie sales, transfers, trade-ins, and donations) is to increase net position.” The details of this difference are as follows:

Sale of capital assets – decrease proceeds	\$ (95,298)
Special item – fire asset disposal	<u>(432,900)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (528,198)</u>

Another element of that reconciliation states, “revenues in the *Statement of Activities* that do not provide current financial resources are not reported as revenues in the funds.” The details of this difference are as follows:

Contribution from developers	\$ 2,525,308
Unearned revenue	(10,843)
Municipal court revenue - unavailable	(33,638)
Tax revenues - unavailable	<u>(9,903)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,470,924</u>

Another element of that reconciliation states that the “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of these differences are as follows:

Principal repayments:	
General obligation debt	\$ 1,500,000
Governmental loans	100,000
Capital leases	<u>56,184</u>
Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,656,184</u>

Another element of that reconciliation states, “some expenses reported in *the Statement of Activities* do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” These result from year-to-year changes in amounts on the *Statement of Net Position*. The details of this difference are as follows:

Compensated absences	\$ (70,331)
Total OPEB liability	(401,454)
Net pension liability	(33,465)
Net pension asset	(341,507)
Deferred outflow of resources – related to pensions	256,987
Deferred inflow of resources – related to pensions	597,251
Deferred outflow of resources – related to OPEB	2,382
Amortization of bond premium costs	13,781
Accrued interest	<u>4,687</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 28,331</u>

Another element of the reconciliation states “internal service funds used by management to charge the costs of vehicle and technology replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.” The details of this difference are as follows:

Change in net position of the internal service funds	\$ (432,782)
Less: gain from charges to business-type activities	<u>(79,765)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (512,547)</u>

C. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-wide Statement of Net Position

The *Proprietary Fund Statement of Net Position* includes reconciliation between net position – total enterprise funds and net position of business-type activities as reported in the *Government-wide Statement of Net Position*. The description of the sole element of that reconciliation is “adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.” The details of this difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$ 536,918
Internal receivable representing charges in excess of cost to business-type activities – current year	79,765
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$ 616,683</u>

### NOTE 3 – DEPOSITS AND INVESTMENTS

A reconciliation of cash, cash equivalents, and investments as shown in the government-wide and fund financial statements is as follows:

Cash and Investments - Adj Bank Statements	
Deposits with Financial Institutions	\$ 2,005,428
Cash on Hand	4,250
Local Government Investment Pool	20,130,867
Clark County Investment Pool	23,785,114
Fair Value of Securities Held in Safekeeping	4,001,255
	<u>\$ 49,926,914</u>

Financial Statements	
Cash and Cash Equivalents	\$ 45,358,778
Restricted Cash and Cash Equivalents	551,203
Investments	3,979,249
Restricted Investments	22,006
Fiduciary Funds	15,678
	<u>\$ 49,926,914</u>

	Cash & Equivalents, Pooled Investments	Restricted Cash	Restricted Investments
Governmental Funds			
General Fund	\$ 9,164,965	\$ -	\$ -
Debt Service Fund	-	-	-
Other Governmental Funds	10,474,141	253,425	22,006
Proprietary Funds			
Storm Drainage	3,672,843	-	-
Water	11,295,598	-	-
Sewer	13,990,561	297,778	-
Internal Service	739,919	-	-
Fiduciary Funds	15,678	-	-
	<u>\$ 49,353,705</u>	<u>\$ 551,203</u>	<u>\$ 22,006</u>
Grand Total Cash and Investments by Statements			<u>\$ 49,926,914</u>

State and county investment pools are available for use by all city funds. In general, interest earned from pooled deposits and investments is allocated to each fund based on the average earnings and daily cash balance of each fund. Investments in the state and county investment pools are classified as cash equivalents on the financial statements. Investments include nonnegotiable certificates of deposit and securities held in safekeeping.

**A. Deposits**

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 will not be able to recover collateral securities that are in possession of an outside party. The city's deposits are 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). The Federal Depository Insurance Commission (FDIC) insures deposits up to \$250,000 and the Washington Public Deposit Protection Commission (PDPC) insures deposits over \$250,000.

**B. Investments**

Investments are subject to the following risks:

Credit rate risk

While the city does not have a written credit risk policy, the city invests in securities identified as eligible investments by state statutes. All debt securities in the city's investment portfolio are obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.

Custodial credit risk

The city's investment policy requires the city to execute custodial agreements with its bank or other custodial agents which are chartered by the United States government or the State of Washington. All investment security transactions are conducted on a delivery-versus-payment (DVP) basis. A financial institution, designated by the finance director as primary agent to serve as a custodian acting on the city's behalf, holds securities purchased by the city. All transactions are evidenced by safekeeping receipts.

Concentration of credit risk

Safety of the principal is the foremost objective of the city's investment program. All investment securities of the city are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The city's policy requires that the portfolio be structured to diversify investments to reduce the risk of loss by over-concentration of assets in a specific maturity, a specific issuer, or a specific type of security. The city's investment policy states that no more than 90 percent of the total portfolio may be invested in U.S. treasuries or agencies. The state and local investment pools are not limited.

Interest rate risk

In accordance with its investment policy, the city manages exposure to declines in values from interest rates by limiting the weighted average maturity of its investment portfolio to maturities that will fulfill the cash flow needs of the city. The securities in the portfolio are structured in a manner that ensures sufficient cash is available to meet anticipated cash flow needs based on historical information.

The city's investment policy specifies the maximum maturity for security types. Maturities range from one year for commercial paper up to 10 years for U.S. treasuries.

Issuer	Value	Less than 1 Year	3-5 Years
Local Government Investment Pool	20,130,868	20,130,868	-
Clark County Pool	23,785,114	23,785,114	-
Federal National Mortgage Associatio	2,001,035	-	2,001,035
Federal Farm Credit Bank	2,000,220	-	2,000,220
	<u>\$ 47,917,237</u>	<u>\$ 43,915,982</u>	<u>\$ 4,001,255</u>

The city's investment policy states the average maturity of the portfolio will not exceed two years. However, the policy includes the state and local government investment pools as investments for calculating the maximum average maturity of investments.

Issuer	Value	Maturity	Average Maturity in Years	% of Portfolio
Local Government Investment Pool	20,130,867	-	0.14	42.0%
Clark County Pool	23,785,114	-	1.33	49.6%
Federal National Mortgage Association	2,001,035	5/17/2024	3.49	4.2%
Federal Farm Credit Bank	2,000,220	11/4/2024	3.96	4.2%
	<u>\$ 47,917,236</u>			100%
Portfolio weighted average maturity			1.03	

#### 1. Investments Measured at Amortized Cost

Investments Measured at Amortized Cost	City's Own Investments
Local State Investment Pool	<u>20,130,868</u>
Total Investments Measured at Amortized Cost Cash	
Equivalents Statement of Net Position	<u>\$ 20,130,868</u>

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

The city is a participant in the Local Government Investment Pool (LGIP) as authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized costs which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

As of December 31, 2020, the city held \$20,130,868 of investments at amortized cost in the LGIP. Average days to maturity of the LGIP was 49 days.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at <http://www.tre.wa.gov>.

## 2. **Investments Measured at Fair Value**

The city measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3: Unobservable inputs for an asset or liability

Investments by Fair Value Level	Fair Value 12/31/2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal National Mortgage Association	\$ 2,001,035	\$ -	\$ 2,001,035	\$ -
Federal Farm Credit Bank	\$ 2,000,220		\$ 2,000,220	
Clark County Investment Pool	23,785,114	23,785,114	-	-
Total Investments Measured at Fair Value				
Cash Equivalents Statement of Net Position	\$ 27,786,369	\$ 23,785,114	\$ 4,001,255	\$ -

### Investments in the Clark County Investment Pool (CCIP)

The city is a participant in the Clark County Investment Pool (CCIP), an external investment pool. The city reports its investment in the pool at the fair value amount, which is the same as the value of the pool per share. The responsibility for managing the pool resides with the county treasurer per RCW 36.29.022. Regulatory oversight is provided by the finance committee which, by statute, consists of the county treasurer, the county auditor, and the chair of the Board of County Commissioners. The CCIP does not have a credit rating.

As of December 31, 2020, the city held \$23,785,114 of investments at fair value in the CCIP. Weighted average days to maturity of the CCIP was 485 days.

Additional information on the CCIP is at [www.clark.wa.gov/treasurer](http://www.clark.wa.gov/treasurer).

### Investments with the Federal National Mortgage Association

The city invests with debt securities through US Bank safekeeping. The holds one security with the Federal National Mortgage Association. The Federal National Mortgage Association had a credit rating of AA+ from Standard and Poor as of December 31, 2020.

### Investments with the Federal Farm Credit Bank

The city invests with debt securities through US Bank safekeeping. The holds one security with the Federal Farm Credit Bank. The Federal Farm Credit Bank had a credit rating of AA+ from Standard and Poor as of December 31, 2020.



#### NOTE 4 - CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

A. Capital assets activity for the year ended December 31, 2020 is as follows:

	Beginning Balance 01/01/2020	Increases	Decreases	Ending Balance 12/31/2020
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 16,060,373	\$ -	528,197	\$ 15,532,176
Construction in progress	589,695	964,758	19,982	1,534,471
Total capital assets, not being depreciated	16,650,068	964,758	548,179	17,066,647
Capital assets, being depreciated/depleted:				
Buildings	15,132,847	19,982		15,152,829
Machinery & Equipment	5,172,336	281,460	1,456,810	3,996,986
Infrastructure	90,843,427	2,573,448	-	93,416,875
Improvements other than buildings	1,436,225	-	-	1,436,225
Total capital assets being depreciated	112,584,835	2,874,890	1,456,810	114,002,915
Less accumulated depreciation for:				
Buildings	5,872,375	384,641		6,257,016
Machinery & Equipment	4,095,267	257,489	1,060,231	3,292,525
Infrastructure	63,445,331	2,815,750	-	66,261,081
Improvements other than buildings	598,881	71,971	-	670,852
Total accumulated depreciation	74,011,854	3,529,851	1,060,231	76,481,474
Total capital assets, being depreciated, net	38,572,981	(654,961)	396,579	37,521,441
<b>Governmental activities capital assets, net</b>	<b>\$ 55,223,049</b>	<b>\$ 309,797</b>	<b>\$ 944,758</b>	<b>\$ 54,588,088</b>

	Beginning Balance 01/01/2020	Increases	Decreases	Ending Balance 12/31/2020
<b>Business-type Activities</b>				
Capital assets, not being depreciated				
Land	\$ 3,647,342	\$ 81,647	-	\$ 3,728,989
Construction in progress	269,510	729,923		999,433
Total capital assets, not being depreciated	<u>3,916,852</u>	<u>811,570</u>	<u>-</u>	<u>4,728,422</u>
Capital assets, being depreciated/depleted:				
Buildings	1,357,535	-	-	1,357,535
Machinery and equipment	564,855	297,963		862,818
Infrastructure	75,045,716	1,782,639		76,828,355
Improvements other than buildings	32,884	-	-	32,884
Intangible assets	18,535,576	-		18,535,576
Total capital assets being depreciated	<u>95,536,566</u>	<u>2,080,602</u>	<u>-</u>	<u>97,617,168</u>
Less accumulated depreciation for:				
Buildings	504,122	33,938	-	538,060
Machinery and equipment	412,865	27,753		440,618
Infrastructure	28,089,474	1,911,313		30,000,787
Improvements other than buildings	8,220	1,644	-	9,864
Intangible assets	9,638,499	1,112,135		10,750,634
Total accumulated depreciation	<u>38,653,180</u>	<u>3,086,783</u>	<u>-</u>	<u>41,739,963</u>
Total capital assets, being depreciated, net	<u>56,883,386</u>	<u>(1,006,181)</u>	<u>-</u>	<u>55,877,205</u>
<b>Business-type activities capital assets, net</b>	<b>\$ 60,800,238</b>	<b>\$ (194,611)</b>	<b>\$ -</b>	<b>\$ 60,605,627</b>

Depreciation expense charged to programs of the primary government is as follows:

<b>Governmental Activities</b>	
General Government	\$ 352,818
Public Safety	151,151
Physical Environment	13,639
Transportation	2,645,857
Culture and Recreation	366,386
Total Depreciation - Governmental Activities	<u>\$ 3,529,851</u>

<b>Business-type Activities</b>	
Storm Drainage	\$ 323,975
Water	849,546
Sewer	1,913,262
Total Depreciation -Business-Type Activities	<u>\$ 3,086,783</u>

B. Intangible asset

The city recognizes its future sewer treatment capacity rights in the Discovery Clean Water Alliance's Salmon Creek Treatment Plan in compliance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The city recorded an intangible asset of \$18,535,576 upon completion of expansion phases IV of the Salmon Creek Wastewater Treatment Facility for future capacity. See Note 15.

C. Capital Construction Commitments

The city has outstanding contractual commitments, which include construction and engineering contracts for capital projects currently in progress. The city's total outstanding contract obligations are as follows:

Project	Fund	Project to Date	Remaining Commitment
<i>Governmental type construction projects</i>			
Court Department Social Distancing Construction	General	\$ 31,598	\$ 40,566
Community Development Social Distancing Construction	General	\$ 63,507	\$ 12,517
W 8th & Main - Light Improvements	Streets	\$ 106,627	\$ 15,595
<i>Business type construction projects</i>			
2nd Court Waterline Replacement	Water	\$ 36,707	\$ 3,322
Sanitary Pump Station Improvement	Sewer	\$ 300,924	\$ 8,571
Lewisville Force Main Air Relief Valve Relocation	Sewer	\$ 40,208	\$ 4,843
Total		<u>579,571</u>	<u>85,414</u>

**NOTE 5 – INTERFUND TRANSACTIONS**

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These transfers are classified as “other financing sources or uses” in the fund statements. Interfund transfers are used to 1) fund construction and maintenance projects, 2) move certain revenue sources to debt service funds for principal and interest payments, and 3) move unrestricted general fund revenues to finance various programs that the city must account for in other funds in accordance with laws, regulations, or contracts. There were no significant transfers made during the year that do not occur on a routine basis or that are inconsistent with the activities of the fund making the transfer. The interfund transfer activity for the year is as follows:

	Transfers Out				
	General Fund	Special Revenue Funds	Capital Funds	Internal Service Funds	Total Transfers
General Fund	-	-	147,569	108,000	255,569
Special Revenue Funds	303,000	-	186	-	303,186
Debt Service Fund	-	-	1,856,238	-	1,856,238
Capital Funds	110,702	30,753	303,505	-	444,960
Enterprise Funds	-	-	-	25,000	25,000
Internal Service Funds	-	-	-	-	-
<b>Total</b>	<b>\$ 413,702</b>	<b>\$ 30,753</b>	<b>\$ 2,307,498</b>	<b>\$ 133,000</b>	<b>\$ 2,884,953</b>

## NOTE 6 – LEASES

### A. Capital Leases

The city entered into lease agreements as lessee for financing the acquisition of public safety vehicles and communications equipment and a facilities maintenance van. These lease agreements qualify as capital leases for accounting purposes and are recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Activities
Police vehicles	316,088
Public Safety Communications	270,593
Maintenance Van	28,345
Less: accumulated depreciation	(435,239)
Total	<u>\$ 179,787</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2020, were as follows:

Year Ending December 31	Governmental Activities
2021	<u>147,861</u>
Total Minimum Lease Payments	147,861
Less: Interest	<u>(3,724)</u>
Present Value of Minimum Lease Payments	<u>\$ 144,137</u>

### B. Operating Leases

Operating lease obligations are for business machines under contractual agreements. The cost in 2020 for operating leases was \$17,624. The following is a schedule of minimum future rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2020:

2021	16,767
2022	7,880
2023	<u>994</u>
Total	<u>\$ 25,641</u>

## NOTE 7 – LONG-TERM LIABILITIES

### A. General Obligation Bonds

The city issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the city. General obligation bonds are either created by 3/5 majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by city council, and financed from general revenues.

The city had \$5,825,000 in outstanding direct placement general obligation bonds (non-voted) as of December 31, 2020. The full faith, credit, and resources of the City are pledged for the annual levy and collection of taxes and the prompt payment of the interest and principle of all the direct placement obligation bonds as they become due. In addition, the 2011 Park Facilities Bonds have pledged against the revenue from the City's park impact fee and ¼% of the REET dedicated for parks as collateral for the 2011 Park Facilities Bonds.

Name of Issue	Governmental Purpose	Amount Issued	Issue Date	Maturity Date	Interest Rate	Outstanding 12/31/2020
2010B LTGO Bonds	Road Improvements	4,280,000	12/8/2010	12/1/2030	6.25%-7.0%	3,680,000
2011 LTGO Bonds	Park Facilities	5,265,000	11/16/2011	6/1/2026	2.0%-3.3%	2,145,000
Total LTGO Bonds		<u>\$ 9,545,000</u>				<u>\$ 5,825,000</u>

The annual debt service requirements to maturity for the direct placement general obligation bonds are as follows:

Direct Placement LTGO - Governmental Activities			
	Principal	Interest	Total Requirements
2021	685,000	305,788	990,788
2022	690,000	275,538	965,538
2023	695,000	244,170	939,170
2024	700,000	212,150	912,150
2025	710,000	179,485	889,485
2026-2030	2,345,000	436,193	2,781,193
	<u>\$ 5,825,000</u>	<u>\$ 1,653,324</u>	<u>\$ 7,478,324</u>

#### B. Government Loans

The city receives government loans to finance construction of capital projects in the business-type activity funds and to finance street improvements and the purchase of capital assets into purchase capital assets. Should default occur the PWTF Loans would incur a 12% per annum increase in interest due.

Government direct borrowing loans outstanding at year-end are as follows:

Name of Issue	Purpose	Amount Issued	Issue Date	Maturity Date	Interest Rate	Outstanding 12/31/2020
2003 PWTF Loan	Governmental	2,000,000	6/30/2003	6/1/2023	0.5%	300,000
	West Main St					
		<u>\$ 2,000,000</u>				<u>\$ 300,000</u>

Public Works Trust Fund (PWTF) loan debt service requirements to maturity are as follows:

Direct Borrowing Loans - Governmental Activities			
	Principal	Interest	Total Requirements
2021	100,000	1,500	101,500
2022	100,000	1,000	101,000
2023	100,000	500	100,500
	<u>\$ 300,000</u>	<u>\$ 3,000</u>	<u>\$ 303,000</u>

C. Revenue Bonds

Water and/or sewer revenue bonds are issued to finance capital projects. Revenue bonds are created by ordinance and adopted by the city council. The city pledges income derived from the acquired or constructed assets to pay debt service.

Restricted assets in the sewer fund contain an amount equal to the sum of one annual installment of the bond as required by bond indenture. The Sewer Revenue bonds are revenue-secured by the net revenues from the sewer facilities.

In addition to being secured by the full faith and credit obligation of the City, the Water Revenue bonds are also revenue-secured by the revenue from the sanitary sewer disposal system, reduced by the costs of maintenance and operation. Should default occur the Water Revenue bonds will incur an increase in interest of three percentage points. If the City makes a prepayment of the Water Revenue bonds the City will be held responsible for the expenses associated with the reimbursement of the banks breakage and redeployment cost in the case of LIBOR based borrowings and any accrued interest up to the date of redemption.

Direct placement Revenue bonds outstanding at year-end are as follows:

Name of Issue	Purpose	Amount Issued	Issue Date	Maturity Date	Interest Rate	Outstanding 12/31/2020
2012 Revenue Bonds	Sewer Facility	6,909,000	1/25/2012	1/25/2052	3.00%	6,040,062
2015 Revenue Bonds	Water Meters	2,774,409	5/7/2015	5/7/2030	3.26%	2,140,116
		<u>\$ 9,683,409</u>				<u>\$ 8,180,178</u>

Annual debt service requirements to maturity for these bonds are as follows:

Direct Placement - 2012 Sewer Revenue Bonds			
	Principal	Total Interest	Requirements
2021	117,450	180,328	297,778
2022	121,000	176,778	297,778
2023	124,658	173,120	297,778
2024	128,425	169,353	297,778
2025	132,307	165,471	297,778
2026-2030	723,993	764,897	1,488,890
2031-2035	840,223	648,667	1,488,890
2036-2040	975,114	513,776	1,488,890
2041-2045	1,131,659	357,231	1,488,890
2046-2050	1,313,337	175,553	1,488,890
2051-2052	431,896	12,995	444,891
	<u>\$ 6,040,062</u>	<u>\$ 3,338,169</u>	<u>\$ 9,378,231</u>
Direct Placement - 2015 Water Revenue Bonds			
	Principal	Total Interest	Requirements
2021	168,057	67,753	235,810
2022	180,166	62,128	242,294
2023	192,855	56,101	248,956
2024	206,148	49,654	255,802
2025	220,073	42,765	262,838
2026-2030	1,172,817	94,373	1,267,190
	<u>\$ 2,140,116</u>	<u>\$ 372,774</u>	<u>\$ 2,512,890</u>

D. Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. As of December 31, 2020, the city has no arbitrage rebate liability.

E. Developer Credits

Impact fees and system development charges (SDC) are levied at the time of permit issuance. The developer may be entitled to a nonrefundable credit against the applicable fee component for the fair market value of appropriate dedications of land, new construction, or system improvements. If the amount of the calculated credit is greater than the amount of the fee or charge due, the developer may apply the excess credit toward impact fees or SDC assessed on other developments within the same service area. Impact fee credits are disclosed as a governmental activity and SDC credits as business-type activities in the government-wide financial statements.

<b>Impact Fee Credits</b>	<b>At 12/31/19</b>	<b>Additions</b>	<b>Applied</b>	<b>At 12/31/20</b>
Traffic Impact Fees	\$ 148,668	\$ 80,430	\$ (9,187)	\$ 219,911
Park Impact Fees	223,042	263,793	(324,193)	162,642
Total Impact Fee Credits	<u>\$ 371,710</u>	<u>\$ 344,223</u>	<u>\$ (333,380)</u>	<u>\$ 382,553</u>

<b>System Development Charge Credits</b>	<b>At 12/31/19</b>	<b>Additions</b>	<b>Applied</b>	<b>At 12/31/20</b>
Water SDC Credits	\$ 932	\$ -	\$ -	\$ 932
Sewer SDC Credits	1,690,938	-	(28,308)	1,662,630
Total SDC Credits	<u>\$ 1,691,870</u>	<u>\$ -</u>	<u>\$ (28,308)</u>	<u>\$ 1,663,562</u>

**F. Changes in Long-Term Liabilities**

Long-term liability activity of the city for the year ended December 31, 2020 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities</u></b>					
General obligation bonds	\$ 7,325,000	\$ -	\$ (1,500,000)	\$ 5,825,000	\$ 685,000
Less deferred amounts					
For issuance premiums (discounts)	56,028	-	(13,781)	42,247	13,781
Total bonds payable	<u>7,381,028</u>	<u>-</u>	<u>(1,513,781)</u>	<u>5,867,247</u>	<u>698,781</u>
Capital leases	285,274		(141,137)	144,137	144,137
Government loan	400,000		(100,000)	300,000	100,000
Compensated absences	759,815	473,893	(403,560)	830,148	71,870
Total OPEB Liability	1,602,330	401,454		2,003,784	54,000
Net Pension Liability	1,070,355	33,465		1,103,820	-
Impact fee credits	371,710	344,223	(333,381)	382,552	-
Long-term liabilities	<u>\$ 11,870,512</u>	<u>\$ 1,253,035</u>	<u>\$ (2,491,859)</u>	<u>\$ 10,631,688</u>	<u>\$ 1,068,788</u>
<b><u>Business-type Activities</u></b>					
Revenue bonds	8,450,686		(270,510)	8,180,176	285,507
Government loan	53,998		(53,998)	-	-
Compensated absences	141,551	90,265	(80,673)	151,143	-
Net Pension Liability	349,832		(67,639)	282,193	-
System development charge credits	1,691,870		(28,307)	1,663,563	-
Asset Retirement Obligation	-	165,500	-	165,500	-
Long-term liabilities	<u>\$ 10,687,937</u>	<u>\$ 255,765</u>	<u>\$ (501,127)</u>	<u>\$ 10,442,575</u>	<u>\$ 285,507</u>

For governmental activities, compensated absences, net pension liability, and other post-employment benefit (OPEB) liability are liquidated by operating funds, such as the General Fund and Street Fund.

**NOTE 8 – RISK MANAGEMENT**

City of Battle Ground 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits. The city has not exceeded its insurance coverage in the last three years.

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 9– PROPERTY TAXES**

The Clark County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

<b>Property Tax Calendar</b>	
January 1	Tax is levied and becomes an enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment is due

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The city may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, subject to limitations by the Washington State Constitution and the Revised Code of Washington 84.55.0410.

The city's regular levy for 2020 collections was \$1.35 per \$1,000 on an assessed valuation of \$2,458,817,189 for a total regular levy of \$3,331,136.

#### **NOTE 10 – PENSION PLANS**

##### **A. Employee Retirement Systems and Pension Plan**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2020:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ 1,386,013
Pension assets	1,357,463
Deferred outflows of resources	855,346
Deferred inflows of resources	699,265
Pension expense/expenditures	67,214

##### **State Sponsored Pension Plans**

Substantially all city full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Annual Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

##### **Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is

the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

#### Contributions

The **PERS Plan 1** member contribution rate is established by state statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
<b>January – August 2020:</b>		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>
<b>September-December 2020:</b>		
PERS Plan 2/3	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include

duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
<b>January – August 2020:</b>		
PERS Plan 2/3	7.92%	7.41%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.86%</b>	<b>7.41%</b>
<b>September – December 2020:</b>		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>

The City's actual PERS plan contributions were \$203,306 to PERS Plan 1 and \$335,641 to PERS Plan 2/3 for the year ended December 31, 2020.

#### **Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**LEOFF Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

#### Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2019. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

#### Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2020.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
<b>January – December 2020</b>		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.33%</b>	<b>8.59%</b>
Ports and Universities	8.59%	

Administrative Fee	0.18%	
<b>Total</b>	<b>8.77%</b>	<b>8.59%</b>

The City's actual contributions to the plan were \$118,396 for the year ended December 31, 2020.

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. For the state fiscal year ending June 30, 2020, the state contributed \$76,297,643 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$76,936.

#### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table". The Society of Actuaries publishes this document. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at [leg.wa.gov/osa](http://leg.wa.gov/osa).
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.

- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See [leg.wa.gov/osa](http://leg.wa.gov/osa) for more information on this method change.

#### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

#### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various time horizons.

#### **Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

#### **Sensitivity of the Net Pension Liability/ (Asset)**

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	<b>1% Decrease 6.40%</b>	<b>Current Rate 7.40%</b>	<b>1% Increase 8.40%</b>
PERS 1	1,179,622	941,772	734,341
PERS 2/3	2,764,186	444,241	(1,466,235)
LEOFF 1	(83,682)	(102,810)	(119,359)
LEOFF 2	(24,838)	(1,254,653)	(2,261,626)

#### **Pension Plan Fiduciary Net Position**

Detailed information about the state's pension plans' fiduciary net position is available in the separately issued DRS financial report.

#### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the City reported a total pension liability of \$1,386,013 for its proportionate share of the net pension liabilities and \$1,357,463 for its share of net pension assets as follows:

<b>Plan</b>	<b>Liability or Asset</b>
PERS 1	941,772
PERS 2/3	444,241
LEOFF 1	(102,810)
LEOFF 2	(1,254,653)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for state pension support provided to the city. The amount recognized by the city as its proportionate share of the net pension asset, the related state support, and the total portion of the net pension asset that was associated with the city were as follows:

	<b>LEOFF 1 Asset</b>	<b>LEOFF 2 Asset</b>
LEOFF - employer's proportionate share	(102,810)	(1,254,653)
LEOFF - State's proportionate share of the net pension asset associated with the employer	(695,404)	(802,256)
<b>Total</b>	<b>(798,214)</b>	<b>(2,056,909)</b>

At June 30, the city's proportionate share of the collective net pension liabilities was as follows:

	<b>Proportionate Share 6/30/19</b>	<b>Proportionate Share 6/30/20</b>	<b>Change in Proportion</b>
PERS 1	0.02785%	0.02668%	-0.00117%
PERS 2/3	0.03596%	0.03474%	-0.00123%
LEOFF 1	0.00533%	0.00544%	0.00012%
LEOFF 2	0.06879%	0.06151%	-0.00728%



Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 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. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2020, the state of Washington contributed 39.00 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61.00 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

#### Pension Expense

For the year ended December 31, 2020, the city recognized pension expense as follows:

	Pension Expense
PERS 1	(10,555)
PERS 2/3	22,404
LEOFF 1	(7,357)
LEOFF 2	62,721
<b>Total</b>	<b>67,214</b>

#### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (5,243)
Contributions subsequent to the measurement date	111,802	-
<b>Total</b>	<b>\$ 111,802</b>	<b>\$ (5,243)</b>

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 159,032	\$ (55,674)
Net difference between projected and actual investment earnings on pension plan investments	-	(22,561)
Changes of assumptions	6,327	(303,455)

Changes in proportion and differences between contributions and proportionate share of contributions	16,737	(60,936)
Contributions subsequent to the measurement date	183,391	-
<b>Total</b>	<b>\$ 365,487</b>	<b>\$ (442,626)</b>
<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,075)
<b>Total</b>	<b>\$ -</b>	<b>\$ (1,075)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 173,602	\$ (22,252)
Net difference between projected and actual investment earnings on pension plan investments	-	(13,984)
Changes of assumptions	1,818	(194,276)
Changes in proportion and differences between contributions and proportionate share of contributions	138,535	(19,809)
Contributions subsequent to the measurement date	64,102	-
<b>Total</b>	<b>\$ 378,057</b>	<b>\$ (250,321)</b>

<b>TOTAL ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 332,634	\$ (77,926)
Net difference between projected and actual investment earnings on pension plan investments	-	(42,863)
Changes of assumptions	8,145	(497,731)
Changes in proportion and differences between contributions and proportionate share of contributions	155,272	(80,745)
Contributions subsequent to the measurement date	359,295	-
<b>Total</b>	<b>\$ 855,346</b>	<b>\$ (699,265)</b>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31</b>	<b>PERS 1</b>	<b>PERS 2/3</b>	<b>LEOFF 1</b>	<b>LEOFF 2</b>
2021	\$ (23,795)	\$ (190,190)	\$ (3,839)	\$ (76,746)
2022	(748)	(49,918)	(200)	(121)
2023	7,260	2,039	1,091	30,863
2024	12,040	30,984	1,873	54,272
2025	-	(26,781)	-	3,860
Thereafter	\$ -	\$ (26,664)	\$ -	\$ 51,506

#### NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

The following table represents the aggregate other postemployment benefits other than pension amounts for the city's single employer plan subject to the requirements of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year 2020:

OPEB Liabilities	\$	2,003,784
Deferred Outflows of Resources – OPEB		27,001
OPEB expense/expenditures		(450,588)

##### Plan Description

The city administers a single-employer Other Post Employment Benefit plan, which provides all health insurance benefits for retired public safety employees who are vested in LEOFF I. All city LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the city. The city has used the alternative measurement method permitted by GASB Statement 75.

There are three participants eligible to receive these benefits. There are currently no members actively employed at the city who are not yet receiving LEOFF I medical benefits. The benefits are 100 percent provided by the city in order to meet state statutory requirements under the LEOFF I system and provided pursuant to RCW 41.20 and 41.26, whereby the city pays their medical and dental premiums and out-of-pocket medical costs for life. This plan is closed to new entrants.

At December 31, 2020, the following retirees were covered by the benefit terms:

Active employees	0
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefit payments	0
<b>Total</b>	<b>3</b>

##### Contributions

The city has authority to establish and amend contribution requirements. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. For the year ending December 31, 2020, benefit payments made by the city were \$50,675.

##### Actuarial Assumptions

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The city's total OPEB liability of \$2,003,784 was measured as of June 30, 2020 with a valuation date of June 30, 2020. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The entry age normal actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

- Inflation: 2.75% total economic inflation
- Discount Rate: 3.50% beginning of measurement year, 2.21% end of measurement year
- Healthcare cost trend rate: for medical costs, 6.0% decreasing to 5.0% in the mid 2020's; for long-term care, 4.5%; Medicare Part B premiums vary, approximately 5%.

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index.

Mortality rates were based on the RP-2000 report's "+1 year Healthy Table" and "-2 years Disabled Table" published by the Society of Actuaries. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. The Age Setback was based on the Blended 50%/50% Healthy/Disabled table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime. Medicare participation is assumed at 100%.

#### Sensitivity of the Total OPEB Liability

The table below presents the City's total OPEB liability calculated using the discount rate of 3.50 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50 percent) or 1-percentage point higher (4.50 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,322,520	\$ 2,003,784	\$ 1,742,655

The following table presents the total OPEB liability of the City calculated using the health care cost trend rate of 6 percent decreasing to 5 percent and long term care rates of 4.5 percent, as well as what the OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage point lower (5% trending down to 4%, 3.5 % long term care trend rate) or 1-percentage point higher (7% trending down to 6%, 5.5 % long term care trend rate) than the current rate.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,753,604	\$ 2,003,784	\$ 2,301,080

#### Changes in the Total OPEB Liability

At the measurement date June 30, 2020, the changes in the total OPEB liability are as follows:

Total OPEB Liability at December 31, 2019	\$ 1,602,330
Interest	55,229
Changes in Experience Data and Assumptions	395,359
Estimated Benefit Payments	(49,134)
Net Changes	401,454
Total OPEB Liability at December 31, 2020	<u>\$ 2,003,784</u>

The city reported \$450,588 as OPEB expense for the calendar year 2020.

At December 31, 2020, the city reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$27,001. This will be recognized as expense in the period ending December 31, 2021.

#### **NOTE 12 – HEALTH AND WELFARE**

The City of Battle Ground 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, 2020, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, 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 2020, 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 13 – CONTINGENCIES AND LITIGATION**

The City has recorded in its financial statements all material liabilities based on available information. In the opinion of management, the city's insurance policies are adequate to pay all known or pending claims.

The city participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

#### NOTE 14 - RECEIVABLE BALANCES

Amounts are aggregated into a single accounts receivable line for governmental activities on the *Statement of Net Position*. Below is the detail of receivables for the general, non-major governmental funds and internal service funds in the aggregate:

Receivables	General	Nonmajor Governmental	Total Governmental Activities
Accounts	18,736		18,736
Property taxes	38,786	-	38,786
Sales taxes	836,697	-	836,697
Interest	262	676	938
Motor Vehicle Fuel Tax	-	59,808	59,808
Other taxes	545,402	43,157	588,559
Municipal court	173,410		173,410
State	44,460		44,460
Grants	45,406	240,032	285,438
	<u>\$ 1,703,159</u>	<u>\$ 343,673</u>	<u>\$ 2,046,832</u>

#### NOTE 15 – JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATIONS

##### Joint Venture

##### ***Discovery Clean Water Alliance***

The Discovery Clean Water Alliance (Alliance) was formed under the Joint Municipal Utility Services Authority Act, Chapter 39.106 RCW. The purpose of the Alliance is to provide cooperative, environmentally sound, and cost-effective municipal wastewater transmission and treatment to participating members. The four Alliance members, Clark County, Clark Regional Wastewater District, City of Battle Ground, and the City of Ridgefield, signed an Interlocal Formation Agreement (IFA) on September 27, 2012. The Alliance was incorporated with the Washington Secretary of State on January 4, 2013 and was fully operational as of January 1, 2015. The Alliance is governed by a Board of Directors (Board) comprised of one elected official appointed from each of the participating members.

Annual regional service charges are paid by the City of Battle Ground to the Alliance. The city's responsibility for regional asset operating costs is based on actual use of regional services during the previous year (or years) as measured by average annual flow. Responsibility for capital costs is based on agreed-upon allocated capacity. The city paid the Alliance regional service charges of \$3,129,841 in 2020.

The Alliance has a separate audit and financial information about the Alliance is on their website at [www.discoverycwa.org](http://www.discoverycwa.org).

##### Jointly Governed Organization

##### ***Clark Regional Emergency Services Agency (CRESA)***

In 1975, CRESA was originally created by agreement under the Interlocal Cooperation Act (RCW 39.34) between the City of Battle Ground, Clark County, and various other cities and political districts. CRESA provides regional 911 dispatch services, a regional 800 MHz and conventional radio system and services, and regional emergency management services in all incorporated and unincorporated areas of Clark

County. In prior years, the city did not report an equity interest in CRESA as a joint venture since the city's measurable equity interest was not readily determinable.

On October 24, 2017, the Clark County Council approved an Ordinance and Charter establishing CRESA as a Public Development Authority (PDA) under RCW 35.21.730. Bylaws were approved by the CRESA administrative board and revised agreements with founding public agencies and customers were drafted. The City of Battle Ground Council approved this revised agreement for services on January 16, 2018. The administrative board is comprised of nine members appointed by the entities receiving services. The city paid CRESA service charges of \$215,528 in 2020.

Financial statements for CRESA can be obtained from CRESA, 710 W. 13<sup>th</sup> Street, Vancouver, Washington 98660.

#### **NOTE 16 – PRIOR PERIOD ADJUSTMENT**

The following prior period adjustment was recorded for 2020:

- \$50,740 was recorded in the Water Fund related to the recording of an Asset Retirement Obligation. See Note 17 for more information.

#### **NOTE 17 - ASSET RETIREMENT OBLIGATION**

The City implemented GASB 83, *Certain Asset Retirement Obligations*, in 2019 which provides reporting guidance on asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset that has a substantial cost to a government. An ARO is recognized when the liability is incurred and reasonably estimable. Incurrence of a liability requires both an internal obligating event and an external obligating event resulting from normal operations. An internal obligating event includes acquiring or placing a capital asset into operation. An external obligating event requires federal, state, or local laws or regulations, a binding contract, or issuance of a court judgement requiring specific actions to retire an asset. The City has recorded a prior period adjustment related to this adoption of \$50,740.

The City owns, operates, and maintains 9 wells with an average useful life remaining of 42 year that the City currently does not foresee decommissioning into the foreseeable future. However, in the unlikely event that the City were to decommission these wells there are specific decommissioning requirements within the Washington Administrative code (WAC) 173-160-381. The City obtained estimates to support these potential decommissioning costs and has a liability at December 31, 2020, of \$165,500 and a Deferred Outflow of \$112,000. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

#### **NOTE 18 – COVID-19 PANDEMIC**

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



The City of Battle Ground saw decreases in its rental revenue, fines, and utility penalty revenue. Overall the city continued operations as normal while keeping offices shut down to the public.

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

**NOTE 19 – SPECIAL ITEM**

Under GASB 69, Government Combinations and Disposals, annexations qualify as a transfer of operations. During the fiscal year 2020, the City was annexed into the Fire District 3, fire protection district. On February 24, 2020, the City transferred \$1,328,006 of equipment and land with a book value of \$829,480 to the Fire District during an annexation. As such, these amounts are presented on the Statement of Activities as a Special Item. This annexation resulted in an estimated reduction of \$0 in property tax revenue to the City. This annexation resulted in an annual savings to the city of \$3,463,231 related to the fire services contract.

CITY OF BATTLE GROUND  
REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS - LEOFF I  
LAST THREE CALENDAR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Interest	\$ 55,229	\$ 65,858	\$ 63,170
Changes of assumptions or other inputs	395,359	(138,511)	(69,684)
Benefit payments	(49,134)	(53,022)	(59,467)
Net change in total OPEB liability	<u>401,454</u>	<u>(125,675)</u>	<u>(65,981)</u>
Total OPEB liability beginning	<u>1,602,330</u>	<u>1,728,005</u>	<u>1,793,986</u>
Total OPEB liability ending	<u>\$ 2,003,784</u>	<u>\$ 1,602,330</u>	<u>\$ 1,728,005</u>
Covered employee payroll	-	-	-
Total OPEB liability as a percentage of covered employee payroll	N/A	N/A	N/A

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.58%
2018	3.87%
2019	3.50%
2020	2.21%

2. The City implemented GASB 75 in 2018, therefore no data is presented before then. Eventually, ten years of data will be presented.

3. All participants in the plan are retired; therefore, there is no covered payroll or service cost.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**City of Battle Ground**

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30

Last Seven Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.026675%	\$ 941,772	\$ 3,883,769	24.25%	68.64%
2019	0.027849%	1,070,893	3,904,329	27.43%	67.12%
2018	0.029068%	1,298,187	3,883,356	33.43%	63.22%
2017	0.028947%	1,373,558	3,656,273	37.57%	61.24%
2016	0.028463%	1,528,597	3,693,562	41.39%	57.03%
2015	0.029242%	1,529,629	3,351,697	45.64%	59.10%
2014	0.028952%	1,458,471	3,191,502	45.70%	61.19%

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**City of Battle Ground**

Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

As of June 30

Last Seven Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.034735%	\$ 444,241	\$ 3,883,769	11.44%	97.22%
2019	0.035960%	349,294	3,904,329	8.95%	97.77%
2018	0.037318%	637,172	3,883,356	16.41%	95.77%
2017	0.037233%	1,293,669	3,656,273	35.38%	90.97%
2016	0.036471%	1,836,286	3,693,562	49.72%	85.82%
2015	0.037773%	1,349,651	3,351,697	40.27%	89.20%
2014	0.037276%	753,483	3,191,502	23.61%	93.29%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground

Schedule of Proportionate Share of the Net Pension Liability

LEOFF 1

As of June 30

Last Seven Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.005444%	\$ (102,810)	\$ (695,404)	\$ (798,214)	N/A	N/A	146.88%
2019	0.005327%	(105,294)	(712,206)	(817,500)	N/A	N/A	148.78%
2018	0.005234%	(95,023)	(642,736)	(737,759)	N/A	N/A	144.42%
2017	0.005180%	(78,592)	(531,594)	(610,186)	N/A	N/A	135.96%
2016	0.005107%	(52,617)	(355,898)	(408,515)	N/A	N/A	123.74%
2015	0.005052%	(60,888)	(411,845)	(472,733)	N/A	N/A	127.36%
2014	0.005011%	(60,773)	(411,067)	(471,840)	N/A	N/A	126.91%

**City of Battle Ground**  
Schedule of Proportionate Share of the Net Pension Liability  
LEOFF 2  
As of June 30  
Last Seven Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.061507%	\$ (1,254,653)	\$ (802,256)	\$ (2,056,909)	\$ 2,275,632	-55.13%	115.83%
2019	0.068791%	(1,593,676)	(1,043,644)	(2,637,320)	2,366,778	-67.34%	119.43%
2018	0.069907%	(1,419,264)	(919,416)	(2,338,680)	2,326,869	-60.99%	118.50%
2017	0.067405%	(935,363)	(606,753)	(1,542,116)	2,109,925	-44.33%	113.36%
2016	0.068973%	(401,168)	(261,532)	(662,700)	2,255,979	-17.78%	106.04%
2015	0.072053%	(740,561)	(489,682)	(1,230,243)	2,091,273	-35.41%	111.67%
2014	0.070077%	(929,952)	(607,276)	(1,537,228)	1,950,149	-47.69%	116.75%

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**City of Battle Ground**  
Schedule of Employer Contributions  
PERS 1  
As of December 31  
Last Seven Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2020	\$ 203,306	\$ (203,306)	\$ -	\$ 4,237,877	4.80%
2019	194,124	(194,124)	-	3,925,573	4.95%
2018	198,244	(198,244)	-	3,915,896	5.06%
2017	184,536	(184,536)	-	3,764,693	4.90%
2016	168,403	(168,403)	-	3,530,474	4.77%
2015	148,282	(148,282)	-	3,382,133	4.38%
2014	132,646	(132,646)	-	3,288,709	4.03%

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**City of Battle Ground**  
Schedule of Employer Contributions  
PERS 2/3  
As of December 31  
Last Seven Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2020	\$ 335,641	\$ (335,641)	\$ -	\$ 4,237,877	7.92%
2019	303,049	(303,049)	-	3,925,573	7.72%
2018	293,681	(293,681)	-	3,915,896	7.50%
2017	258,577	(258,577)	-	3,764,693	6.87%
2016	219,948	(219,948)	-	3,530,474	6.23%
2015	190,375	(190,375)	-	3,382,133	5.63%
2014	164,325	(164,325)	-	3,288,709	5.00%



**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**City of Battle Ground**  
Schedule of Employer Contributions  
LEOFF 2  
As of December 31  
Last Seven Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2020	\$ 118,396	\$ (118,396)	\$ -	\$ 2,276,264	5.20%
2019	124,743	(124,743)	-	2,347,732	5.31%
2018	125,335	(125,335)	-	2,387,329	5.25%
2017	113,887	(113,887)	-	2,207,554	5.16%
2016	106,584	(106,584)	-	2,110,577	5.05%
2015	104,689	(104,689)	-	2,073,049	5.05%
2014	103,449	(103,449)	-	2,048,503	5.05%

**City of Battle Ground**  
Notes to Required Supplemental Information - Pension

As of December 31  
Last Seven Fiscal Years

**Note 1:** Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available for years prior to 2014. Eventually, the schedules will show ten years of data.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 2:** Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit

**Note 3:** Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

**Note 4:** Contribution rates

Rates in effect during the periods covered by the Required Supplemental Information are below:

**PERS 1**

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	current	12.97% *

\* Employer contribution rate includes an administrative expense rate of 0.18%

**PERS 2/3**

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>

9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	current	12.97% *

\* Employer contribution rate includes an administrative expense rate of 0.18%

#### **LEOFF 1**

<u>From this</u>	<u>Through this</u>	<u>Employer</u>
<u>Date</u>	<u>Date</u>	<u>Rate</u>
7/1/2008	8/31/2013	0.16%
9/1/2013	current	0.18% *

\* Employer contribution rate includes an administrative expense rate of 0.18%

#### **LEOFF 2**

<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2017	5.23%
7/1/2017	6/30/2019	5.43%
7/1/2019	current	5.33% *

\* Employer contribution rate includes an administrative expense rate of 0.18%

Effective July 1, 2019, LEOFF employers must pay an additional 3.44% to pick up the state contributions on basis salary paid for services rendered to non-LEOFF employers

**City of Battle Ground**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8411	152	-	152	-	1,2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA9681	72,450	-	72,450	-	1,2
Total Highway Planning and Construction Cluster:				72,602	-	72,602	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	5,266	-	5,266	-	1,2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	948	-	948	-	1,2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	741	-	741	-	1,2
Total Highway Safety Cluster:				6,955	-	6,955	-	

The accompanying notes are an integral part of this schedule.

**City of Battle Ground**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

Expenditures							
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-111	968,327	-	968,327	157,787
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA State Administrative Office of the Courts)	COVID 19 - Coronavirus Relief Fund	21.019	NA	34,483	-	34,483	-
Total CFDA 21.019:				1,002,810	-	1,002,810	157,787
CDC NATIONAL CENTER FOR CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Drug-Free Communities Support Program Grants	93.276	E680P1	-	82,900	82,900	-
Total Federal Awards Expended:				1,082,367	82,900	1,165,267	157,787
							1,2
							1,2

## **CITY OF BATTLE GROUND**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2020**

#### **NOTE 1 - BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the City of Battle Ground's fund financial statements. The City uses the modified accrual 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 of Battle Ground's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **NOTE 3 – FEDERAL DE MINIMIS INDIRECT COST RATE**

The city has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance nor any other indirect cost rate. Expenditures reported are direct expenses to the program.



# City of Battle Ground

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## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**City of Battle Ground**  
**January 1, 2020 through December 31, 2020**

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

<b>Finding ref number:</b> 2020-001	<b>Finding caption:</b> The City lacked adequate internal controls to ensure it correctly calculated its major funds.
<b>Name, address, and telephone of City contact person:</b> Meagan Lowery 109 S.W. 1st Street, Suite 217 Battle Ground, WA 98604	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>During compilation of the financial statements in subsequent years, there will be two calculations of the major fund conducted by the Finance Director and Accountant Manager once the statements are compiled. Then each will review each other's calculation.</i>	
<b>Anticipated date to complete the corrective action:</b> Fiscal Year 2021 statement preparation	

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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

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