



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Ruston

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

*Published August 26, 2021*

Report No. 1028833



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

August 26, 2021

Mayor and City Council  
City of Ruston  
Ruston, Washington

**Report on Financial Statements**

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

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***

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## 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 Ruston January 1, 2018 through December 31, 2019**

Mayor and City Council  
City of Ruston  
Ruston, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Ruston, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated July 20, 2021.

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

As discussed in Note 6 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 6.

As discussed in Note 7 to the financial statements, during the year ended December 31, 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

July 20, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

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

Mayor and City Council  
City of Ruston  
Ruston, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

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

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Ruston, and its changes in cash and investments, for the years ended December 31, 2019 and 2018, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Ruston, as of December 31, 2019 and 2018, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.



## **Matter of Emphasis**

As discussed in Note 6 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the city is unknown. Management's plans in response to this matter are also described in Note 6. Our opinion is not modified with respect to this matter.

As discussed in Note 7 to the financial statements, in 2019, the District adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 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 that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

July 20, 2021

## **FINANCIAL SECTION**

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

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
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#### **SUPPLEMENTARY AND OTHER INFORMATION**

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Schedule of Liabilities – 2018

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 City Street Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	528,471	750	136,470
30880	Unreserved	3,202,814	1,339,070	-
388 / 588	Net Adjustments	117,934	-	-
<b>Revenues</b>				
310	Taxes	1,060,404	947,884	50,734
320	Licenses and Permits	62,072	56,697	5,375
330	Intergovernmental Revenues	66,014	43,771	22,243
340	Charges for Goods and Services	1,892,386	263,566	-
350	Fines and Penalties	111,411	100,531	-
360	Miscellaneous Revenues	243,457	243,230	15
Total Revenues:		3,435,744	1,655,679	78,367
<b>Expenditures</b>				
510	General Government	664,123	628,024	5,157
520	Public Safety	1,072,220	1,072,220	-
530	Utilities	1,284,484	223	-
540	Transportation	33,704	-	33,704
550	Natural and Economic Environment	332,360	322,322	-
560	Social Services	-	-	-
570	Culture and Recreation	9,536	-	-
Total Expenditures:		3,396,427	2,022,789	38,861
Excess (Deficiency) Revenues over Expenditures:		39,317	(367,110)	39,506
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	86,271	86,271	-
381, 382, 395, 398	Other Resources	31,109	14,079	-
Total Other Increases in Fund Resources:		117,380	100,350	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	204,041	9,129	55,587
591-593, 599	Debt Service	197,632	13,766	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	74,179	74,179	-
581, 582	Other Uses	25,775	-	-
Total Other Decreases in Fund Resources:		501,627	97,074	55,587
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(344,930)</b>	<b>(363,834)</b>	<b>(16,081)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	648,973	750	120,387
5088000	Unreserved	2,855,320	975,241	-
<b>Total Ending Cash and Investments</b>		<b>3,504,293</b>	<b>975,991</b>	<b>120,387</b>

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

<b>301 Capital Construction Fund</b>	<b>401 Electric Utility Fund</b>	<b>403 Sewer Utility Fund</b>	<b>405 Garbage Utility Fund</b>	<b>407 Storm Sewer Utility Fund</b>	<b>700 WR Rust Playfield Report On Fund</b>
363,033	-	2,225	-	-	25,993
-	313,857	1,193,072	135,472	221,343	-
-	117,934	-	-	-	-
50,734	-	-	-	-	11,052
-	-	-	-	-	-
-	-	-	-	-	-
-	779,230	612,912	203,163	33,515	-
-	7,517	2,579	784	-	-
-	(13)	(10)	(7)	-	242
<b>50,734</b>	<b>786,734</b>	<b>615,481</b>	<b>203,940</b>	<b>33,515</b>	<b>11,294</b>
5,157	10,314	5,157	5,157	5,157	-
-	-	-	-	-	-
-	761,270	307,381	175,032	40,578	-
-	-	-	-	-	-
10,038	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	9,536
<b>15,195</b>	<b>771,584</b>	<b>312,538</b>	<b>180,189</b>	<b>45,735</b>	<b>9,536</b>
<b>35,539</b>	<b>15,150</b>	<b>302,943</b>	<b>23,751</b>	<b>(12,220)</b>	<b>1,758</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	17,030	-	-	-	-
<b>-</b>	<b>17,030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
31,468	96,338	-	11,519	-	-
-	-	181,206	2,660	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	14,003	-	11,772	-	-
<b>31,468</b>	<b>110,341</b>	<b>181,206</b>	<b>25,951</b>	<b>-</b>	<b>-</b>
<b>4,071</b>	<b>(78,161)</b>	<b>121,737</b>	<b>(2,200)</b>	<b>(12,220)</b>	<b>1,758</b>
367,104	120,961	12,019	-	-	27,752
-	232,669	1,305,016	133,271	209,123	-
<b>367,104</b>	<b>353,630</b>	<b>1,317,035</b>	<b>133,271</b>	<b>209,123</b>	<b>27,752</b>

The accompanying notes are an integral part of this statement.

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 City Street Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	433,612	750	94,179
30880	Unreserved	3,064,999	1,507,511	-
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	976,172	861,391	52,237
320	Licenses and Permits	378,558	374,558	4,000
330	Intergovernmental Revenues	51,691	28,975	22,716
340	Charges for Goods and Services	1,850,496	235,617	-
350	Fines and Penalties	140,226	128,886	-
360	Miscellaneous Revenues	253,974	253,930	43
Total Revenues:		3,651,118	1,883,358	78,996
<b>Expenditures</b>				
510	General Government	614,892	591,302	3,370
520	Public Safety	982,984	982,984	-
530	Utilities	1,074,061	125	-
540	Transportation	33,334	-	33,334
550	Natural and Economic Environment	312,058	312,058	-
560	Social Services	-	-	-
570	Culture and Recreation	7,998	49	-
Total Expenditures:		3,025,327	1,886,518	36,704
Excess (Deficiency) Revenues over Expenditures:		625,790	(3,161)	42,292
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	1,006	1,006	-
381, 382, 395, 398	Other Resources	14,423	14,423	-
Total Other Increases in Fund Resources:		15,429	15,429	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	203,965	171,770	-
591-593, 599	Debt Service	197,631	13,765	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	(4,825)	(4,825)	-
581, 582	Other Uses	11,772	-	-
Total Other Decreases in Fund Resources:		408,544	180,710	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>232,676</b>	<b>(168,442)</b>	<b>42,292</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	528,471	750	136,470
5088000	Unreserved	3,202,816	1,339,070	-
<b>Total Ending Cash and Investments</b>		<b>3,731,287</b>	<b>1,339,820</b>	<b>136,470</b>

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

<b>301 Capital Construction Fund</b>	<b>401 Electric Utility Fund</b>	<b>403 Sewer Utility Fund</b>	<b>405 Garbage Utility Fund</b>	<b>407 Storm Sewer Utility Fund</b>	<b>700 WR Rust Playfield Report On Fund</b>
316,618	-	(1,569)	-	-	23,633
-	223,855	1,004,639	119,200	209,794	-
-	-	-	-	-	-
52,237	-	-	-	-	10,308
-	-	-	-	-	-
-	-	-	-	-	-
-	773,283	615,443	191,643	34,510	-
-	7,990	2,440	910	-	-
-	-	-	-	-	1
<b>52,237</b>	<b>781,273</b>	<b>617,883</b>	<b>192,553</b>	<b>34,510</b>	<b>10,309</b>
3,370	6,740	3,370	3,370	3,370	-
-	-	-	-	-	-
-	654,788	241,080	158,478	19,591	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	7,949
<b>3,370</b>	<b>661,528</b>	<b>244,450</b>	<b>161,848</b>	<b>22,961</b>	<b>7,949</b>
<b>48,867</b>	<b>119,745</b>	<b>373,433</b>	<b>30,705</b>	<b>11,549</b>	<b>2,360</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>2,452</b>	<b>29,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
-	-	181,206	2,660	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	11,772	-	-
<b>2,452</b>	<b>29,743</b>	<b>181,206</b>	<b>14,432</b>	<b>-</b>	<b>-</b>
<b>46,415</b>	<b>90,002</b>	<b>192,227</b>	<b>16,273</b>	<b>11,549</b>	<b>2,360</b>
363,033	-	2,225	-	-	25,993
-	313,857	1,193,072	135,472	221,343	-
<b>363,033</b>	<b>313,857</b>	<b>1,195,297</b>	<b>135,472</b>	<b>221,343</b>	<b>25,993</b>

The accompanying notes are an integral part of this statement.

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

		<b>Custodial</b>
308	Beginning Cash and Investments	<u>117,934</u>
388 & 588	Net Adjustments	(117,934)
310-390	Additions	-
510-590	Deductions	<u>-</u>
Net Increase (Decrease) in Cash and Investments:		-
508	Ending Cash and Investments	-

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



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

		<u>Custodial</u>
308	Beginning Cash and Investments	113,787
388 & 588	Net Adjustments	-
310-390	Additions	21,333
510-590	Deductions	<u>17,186</u>
	Net Increase (Decrease) in Cash and Investments:	4,147
508	Ending Cash and Investments	117,934

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

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

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

The City of Ruston was incorporated on October 19, 1906 and operates under the laws of the state of Washington applicable to a non-chartered code City with a mayor – council form of government. The city is a general purpose local government and provides public safety, fire prevention, street improvement, parks and recreation, and general administrative services. The City owns and operates electric, sewer, garbage, and storm drainage utility systems.

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

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

**A. Fund Accounting**

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

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Special Revenue Funds**

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

**Capital Projects Funds**

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

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

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

**B. Basis of Accounting and Measurement Focus**

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

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

**C. Cash and Investments**

See Note 4 - Deposits and Investments.

**D. Capital Assets**

The City did not have a capitalization policy in place in 2018. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Accumulations exceeding this limit may be approved by the Mayor but must be used within one year. Sick leave may be accumulated up to 224 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

Comp Time may be accumulated up to 80 hours and is payable upon separation or retirement. Employees may buy out their comp time.

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

Payments are recognized as expenditures when paid. As of December 31, 2019 the amount of accrued but unpaid Compensated Absence liability is \$43,271.

**F. Long-Term Debt**

See Note 3 - Debt Service Requirements.

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

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City Council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
1	\$750	Drug Investigation cash for police department
101	\$136,470	Restricted due to source revenue (100% REET 1, MVFT, Grants
301	\$363,033	Restricted due to source revenue (100% REET 2)
401	\$120,961	Customer Utility Deposits

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

**Note 2 – Budget Compliance**

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
<b>001 - General Fund</b>			
General Fund	\$ 1,789,693	\$ 2,009,943	\$ (220,250)
Surplus Real Estate	\$ 1,850,864		\$ 1,850,864
Point Ruston Development	\$ (450,000)	\$ 23,188	\$ (473,188)
Cumulative Reserve For Equip.		\$ 8,809	\$ (8,809)
School Building Maint. Fund	\$ 162,609	\$ 83,234	\$ 79,375
<b>Total 001 - General Fund</b>	<b>\$ 3,353,166</b>	<b>\$ 2,125,174</b>	<b>\$ 1,227,992</b>
<b>101 - City Street Fund</b>			
City Street Fund	\$ 478,400	\$ 91,179	\$ 387,221
Cumulative Reserve For Streets	\$ 108,100		\$ 108,100
Winnifred St. Project	\$ 1,000		\$ 1,000
<b>Total 101 - City Street Fund</b>	<b>\$ 587,500</b>	<b>\$ 91,179</b>	<b>\$ 496,321</b>
<b>301 - Capital Construction Fund</b>			
	\$ 426,400	\$ 46,663	\$ 379,737
<b>401 - Electric Utility Fund</b>			
Electric Utility Fund	\$ 942,800	\$ 771,584	\$ 171,216
Electric Utility Reserve Fund	\$ 270,000	\$ 96,665	\$ 173,335
Street Light Replacement - Capital Fund		\$ (327)	\$ 327
Electric Meter Deposit Fund		\$ 14,003	\$ (14,003)
<b>Total 401 - Electric Utility Fund</b>	<b>\$ 1,212,800</b>	<b>\$ 881,926</b>	<b>\$ 330,874</b>
<b>403 - Sewer Utility Fund</b>			
Sewer Utility Fund	\$ 1,250,000	\$ 312,538	\$ 937,462
Cumul.res./sewer Equip&repairs	\$ 373,000		\$ 373,000
Sewer Debt Service Fund	\$ 182,000	\$ 181,206	\$ 794
<b>Total 403 - Sewer Utility Fund</b>	<b>\$ 1,805,000</b>	<b>\$ 493,744</b>	<b>\$ 1,311,256</b>
<b>405 - Garbage Utility Fund</b>			
Garbage Utility Fund	\$ 352,800	\$ 206,141	\$ 146,659
Garbage Utility Reserve Fund	\$ 67,000		\$ 67,000
<b>Total 405 - Garbage Utility Fund</b>	<b>\$ 419,800</b>	<b>\$ 206,141</b>	<b>\$ 213,659</b>
<b>407 - Storm Sewer Utility Fund</b>			
	\$ 258,000	\$ 43,689	\$ 214,311
<b>630 - Electric Meter Deposit Report On Fund</b>	<b>\$ 117,800</b>	<b>\$ 117,934</b>	<b>\$ (134)</b>
<b>700 - WR Rust Playfield Report On Fund</b>	<b>\$ 37,921</b>	<b>\$ 9,535</b>	<b>\$ 28,386</b>

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

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

The City includes expected residual balances as part of its published budget. Developer Tracking funds include amounts invoiced to developers for payment as part of the permitting process of the City. Due to the uncertain nature of the timing of this work the City is not able to budget for these expenditures.

**Note 3 – Debt Service Requirements**

**Debt Service**

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

The debt service requirements for revenue bonds and other debt are as follows:

Year	Principal	Interest	Total Debt Service
2020	77,666	117,305	194,971
2021	80,079	114,892	194,971
2022	68,801	112,405	181,206
2023	70,968	110,238	181,206
2024	73,203	108,003	181,206
2025-2029	402,085	503,945	906,030
2030-2034	469,517	436,513	906,030
2035-2039	548,258	357,772	906,030
2040-2044	640,205	265,825	906,030
2045-2049	747,572	158,458	906,030
2050-2054	591,890	37,511	629,401
Totals	3,770,244	2,322,867	6,093,111

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

**Note 4 – Deposits and Investments**

Investments are reported at fair value. Investments by type at December 31, 2019 are as follows:

Type of Investment	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	Total
Bank Deposits	\$ 602,227		\$ 602,227
LGIP	2,929,351		2,929,351
<i>Totals</i>	\$ 3,531,578	\$ -	\$ 3,531,578

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

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

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

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

**Custodial Credit Risk**

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

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

**Note 5 - Interfund Loans**

The following table displays interfund loan activity during 2019:

From	To	Beginning Balance	Additions	Reductions	Ending Balance
405 005 (001)		19368		11,772.00	7,596.00

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

**Note 6 - Other Disclosures**

Add Other Disclosures information from your Excel workbook.

**Subsequent Events**

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

The city issued an emergency proclamation in response to the COVID-19 pandemic and is following the guidance of county, state, and national officials. There have been significant impacts on the operations of city employees.

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

**Future Contingent Liabilities**

As part of the EPA Consent Decree relating to the ASARCO superfund site, ASARCO, and its assignor Point Ruston, agreed to undertake remediation of the Ruston Tunnel and other actions. The City has approved Point Ruston's remediation plans. The State Legislature has set aside funds to complete this project, and the City began this project in 2016. This project was completed in 2019.

**Private Development**

The City of Ruston formerly provided engineering, planning, and other development services to a number of private developers engaged in work at Point Ruston, Stack Hill, and other areas within the City boundaries under a Master Development Plan Agreement. The City now contracts with the City of Tacoma for permitting and inspection services. The City reviews all permits and inspections made by the City of Tacoma. The City has a fee sharing agreement with the City of Tacoma to cover its own costs in the development process. The City resolved and settled issues of unpaid balances with Developers in 2018.

**Service changes with component units**

The City contracted with the City of Fircrest to take over municipal court services. This contract took effect in 2019. The City receives all amounts due in citations and judgments to offset the contract payments to the City of Fircrest for court services.

**Legal Actions**

In 2014, a lawsuit was filed against the City of Ruston by Kye S. Barker and D-Song, LLC, owners of the Unicorn Bar and Grill. The suit alleges harassment by the City of Ruston, its Mayor, its police force, its Police Chief, and various police officers. The Plaintiff also alleges that the city has taken property by requiring the plaintiff to remove an outdoor sidewalk seating area that encroached on the City's Right-of-Way.

The City has coverage under its insurance policy from AWC, and AWC is currently defending the suit. As of May 29, 2019, the harassment and discrimination portion of the lawsuit have been dismissed, and the value impairment portion of the lawsuit has been dismissed. The Plaintiff's last appeal to the Washington State Supreme Court has been dismissed.



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

*Capital Construction Schedule*

The City will continue to underground its electric utility service. The average annual cost is expected to be \$150,000 to \$200,000 per year. 10% of the City's service has been installed underground.

The City will work with the Department of Ecology for a 100% grant funded Stormwater Management Winnifred St. project in 2020. The anticipated cost will be \$1.2 million dollars.

**Note 7 – Other Post-Employment Benefits (OPEB) Plans**

The City has one (1) LEOFF 1 Retiree. The City maintains health insurance through AWC Benefits Trust for this individual. In 2019, the total cost for this plan was \$19,421.28. As of December 31, 2019, the City's total OPEB liability was \$467,268 as calculated using the alternative measurement method.

**Note 8 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2 & 3, LEOFF 1, LEOFF 2, & VFFRPF.

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

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

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

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

The city also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

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

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

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1 UAAL	11,029	3,845,355,000	0.00153816%	59,148	
PERS 2/3	16,229	971,340,000	0.00198703%	19,301	
LEOFF 1		(1,976,611,000)	0.00100851%		(19,934)
LEOFF 2	13,389	(2,316,693,000)	0.00726210%		(168,240)
VFFRPF	90	(67,993,000.00)	0.050000%		(30,817)
			<i>Totals</i>	\$ 78,448	\$ (218,992)

**LEOFF Plan 1**

The city also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

**LEOFF Plan 2**

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

**Note 9 - Property Tax**

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

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

The city's regular levy for the year 2019 was \$1.733314076 per \$1,000 on an assessed valuation of \$286,176,105 for a total regular levy of \$496,033.

**Note 10 – Risk Management**

The City of Ruston is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2019, 100 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability,

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

cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime), pollution liability, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Great American for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2019, AWC RMSA carried a retention of \$200,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

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

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

The City of Ruston was incorporated on October 19, 1906 and operates under the laws of the state of Washington applicable to a non-chartered code City with a mayor – council form of government. The City is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, and general administrative services. The City owns and operates electric, sewer, garbage, and storm drainage utility systems.

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

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

**A. Fund Accounting**

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

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Special Revenue Funds**

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

**Capital Projects Funds**

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

**Permanent Funds**

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its

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

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**PROPRIETARY FUND TYPES:**

Enterprise Funds

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

**FIDUCIARY FUND TYPES:**

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

Custodial Funds

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

**B. Basis of Accounting and Measurement Focus**

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

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

**C. Cash and Investments**

See Note 3, *Deposits and Investments*.

**D. Capital Assets**

The City did not have a capitalization policy in place in 2018. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Accumulations exceeding this limit may be approved by the Mayor but must be used within one year.

Sick leave may be accumulated up to 224 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

Comp Time may be accumulated up to 80 hours and is payable upon separation or retirement. Employees may buy out their comp time.

Payments are recognized as expenditures when paid. As of December 31, 2018 the amount of accrued but unpaid Compensated Absence liability is \$40,228.

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

F. Long-Term Debt

See Note 6, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
1	\$750	Drug Investigation cash for police department
101	\$136,470	Restricted due to source revenue (100% REET 1, MVFT, Grants
301	\$363,033	

**Note 2– Budget Compliance**

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
<b>001 - General Fund</b>			
General Fund	1,605,015	1,762,720	(157,705)
Surplus Real Estate	1,986,432		1,986,432
Point Ruston Development		46,437	(46,437)
<b>Commencement Development</b>			
Baumgardner Development		2,002	(2,002)
Cumulative Reserve For Equip.	126,000	151,895	(25,895)
School Building Maint. Fund	191,200	104,174	87,026
Total 001 - General Fund	\$ 3,908,647	\$ 2,067,228	\$ 1,841,419
<b>101 - City Street Fund</b>			
City Street Fund	453,600	36,704	416,896
Cumulative Reserve For Streets	108,100		108,100
Winnifred St. Project	1,000		1,000
Total 101 - City Street Fund	\$ 562,700	\$ 36,704	\$ 525,996
<b>301 - Capital Construction Fund</b>			
	\$ 381,000	\$ 5,822	\$ 375,178
<b>401 - Electric Utility Fund</b>			
Electric Utility Fund	716,300	661,528	54,772
Electric Utility Reserve Fund	270,000	29,743	240,257
Total 401 - Electric Utility Fund	\$ 986,300	\$ 691,271	\$ 295,029
<b>403 - Sewer Utility Fund</b>			
Sewer Utility Fund	1,024,000	244,450	779,550
Cumul.res./sewer Equip&repairs	348,000		348,000
Sewer Debt Service Fund	185,000	181,206	3,794
Total 403 - Sewer Utility Fund	\$ 1,557,000	\$ 425,656	\$ 1,131,344
<b>405 - Garbage Utility Fund</b>			
Garbage Utility Fund	290,700	176,280	114,420
Garbage Utility Reserve Fund	67,000		67,000
Total 405 - Garbage Utility Fund	\$ 357,700	\$ 176,280	\$ 181,420
<b>407 - Storm Sewer Utility Fund</b>			
	\$ 245,000.00	\$ 22,960.91	\$ 222,039.09
<b>630 - Electric Meter Deposit Report On Fund</b>			
	\$ 117,800.00	\$ 17,186.16	\$ 100,613.84
<b>700 - WR Rust Playfield Report On Fund</b>			
	\$ 31,301.00	\$ 7,948.83	\$ 23,352.17

Budgeted amounts are authorized to be transferred between (departments within any fund or object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the

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

number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

The City includes expected residual balances as part of its published budget. Developer Tracking funds include amounts invoiced to developers for payment as part of the permitting process of the City. Due to the uncertain nature of the timing of this work the City is not able to budget for these expenditures.

**Note 3– Deposits and Investments**

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name.

Investments are reported at fair market value. Investments by type at December 31, 2018 are as follows:

Type of Investment	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.			Total
LGIP	2,862,635				2,862,635
	<i>Totals</i>	\$ 2,862,635	\$ -	\$	2,862,635

**Note 4 - Property Taxes**

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

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

The City's regular levy for the year 2018 was \$1.998704938616 per \$1,000 on an assessed valuation of \$235,133,256 for a total regular levy of \$469,962.

**Note 5- Interfund Loans**

The following table displays interfund loan activity during 2018:

From	To	Beginning Balance	Additions	Reductions	Ending Balance
405 005 (001)		31140		11,772.00	19,368.00

**Note 6 – Debt Service Requirements**

**Debt Service**



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

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2018.

The debt service requirements for revenue bonds and other debt are as follows:

Year	Principal	Interest	Total Debt Service
2019	75,326	119,645	194,971
2020	77,666	117,305	194,971
2021	80,079	114,892	194,971
2022	68,801	112,405	181,206
2023	70,968	110,238	181,206
2024-2028	389,808	516,222	906,030
2029-2033	455,182	450,848	906,030
2034-2038	531,519	374,511	906,030
2039-2043	620,658	285,372	906,030
2044-2048	724,747	181,283	906,030
2049-2053	750,817	59,790	810,607
2054-2058			-
<i>Totals</i>	<i>\$ 3,845,571</i>	<i>\$ 2,442,512</i>	<i>\$ 6,288,083</i>

**Note 7– OPEB Plans**

The City has one (1) LEOFF 1 Retiree. The City maintains health insurance through AWC Benefits Trust for this individual. In 2018, the total cost for this plan was \$18,597.

**Note 8 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2 and LEOFF 2.

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

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

Department of Retirement Systems  
Communications Unit

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

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

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

The City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2018 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1	5,750.05	4,466,034,000	0.00086000%	38,408	
PERS 1 UAAL	8,218.98	4,466,034,000	0.00123000%	54,932	
PERS 2/3	12,116.91	1,707,411,000	0.00157000%	26,806	
LEOFF 1		(1,815,502,000)	0.00099100%		(17,992)
LEOFF 2	16,301.37	(2,030,218,000)	0.00940100%		(190,861)
VFFRPF	1,080.00	(52,844,000.00)	0.090000%		(123,793)
<i>Totals</i>				\$ 120,146	\$ (332,645)

#### LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

#### LEOFF Plan 2

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

#### **Note 9– Risk Management**

The City of Ruston is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured

**City of Ruston**  
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**For the year ended December 31, 2018**

losses and jointly purchase insurance and administrative services. As of December 31, 2018, 100 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime), pollution liability, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2018, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

**Note 10 - Other Disclosures**

**Future Contingent Liabilities**

As part of the EPA Consent Decree relating to the ASARCO superfund site, ASARCO, and its assignor Point Ruston, agreed to undertake remediation of the Ruston Tunnel and other actions. The City has approved Point Ruston's remediation plans. The State Legislature has set aside funds to complete this project, and the City began this project in 2016. This project was completed in 2019.

**Private Development**

The City of Ruston formerly provided engineering, planning, and other development services to a number of private developers engaged in work at Point Ruston, Stack Hill, and other areas within the City boundaries under a Master Development Plan Agreement. The City now contracts with the City of Tacoma

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

for permitting and inspection services. The City reviews all permits and inspections made by the City of Tacoma. The City has a fee sharing agreement with the City of Tacoma to cover its own costs in the development process. The City resolved and settled issues of unpaid balances with Developers in 2018.

*Service changes with component units*

The City contracted with the City of Fircrest to take over municipal court services. This contract took effect in 2019. The City receives all amounts due in citations and judgments to offset the contract payments to the City of Fircrest for court services.

*Legal Actions*

In 2014, a lawsuit was filed against the City of Ruston by Kye S. Barker and D-Song, LLC, owners of the Unicorn Bar and Grill. The suit alleges harassment by the City of Ruston, its Mayor, its police force, its Police Chief, and various police officers. The Plaintiff also alleges that the city has taken property by requiring the plaintiff to remove an outdoor sidewalk seating area that encroached on the City's Right-of-Way.

The City has coverage under its insurance policy from AWC, and AWC is currently defending the suit. As of May 29, 2019, the harassment and discrimination portion of the lawsuit have been dismissed, and the value impairment portion of the lawsuit has been dismissed. The Plaintiff's last appeal to the Washington State Supreme Court has been dismissed.

*Capital Construction Schedule*

The City will continue to underground its electric utility service. The average annual cost is expected to be \$150,000 to \$200,000 per year. 10% of the City's service has been installed underground.

The City will work with the Department of Ecology for a 100% grant funded Stormwater Management Winnifred St. project in 2020. The anticipated cost will be \$1.2 million dollars.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.51	US Bank Govt Finance - Police	4/1/2021	37,534	-	12,637	24,897
<b>Total General Obligation Debt/Liabilities:</b>			<b>37,534</b>	<b>-</b>	<b>12,637</b>	<b>24,897</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	USDA Guaranteed Sewer 40 Year Bond	4/1/2052	3,808,037	-	62,690	3,745,347
259.12	Compensated Absences		40,228	3,043	-	43,271
264.30	Pension Liability		120,146	-	41,698	78,448
264.40	OPEB Liabilities		-	467,268	-	467,268
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>3,968,411</b>	<b>470,311</b>	<b>104,388</b>	<b>4,334,334</b>
<b>Total Liabilities:</b>			<b>4,005,945</b>	<b>470,311</b>	<b>117,025</b>	<b>4,359,231</b>

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.51	US Bank Govt Finance - Police	4/1/2021	51,299	-	13,765	37,534
<b>Total General Obligation Debt/Liabilities:</b>			<b>51,299</b>	<b>-</b>	<b>13,765</b>	<b>37,534</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	USDA Guaranteed Sewer 40 Year Bond	4/1/2052	3,868,813	-	60,776	3,808,037
264.30	Pension Liability		175,106	-	54,960	120,146
259.12	Compensated Absences		28,940	11,288	-	40,228
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>4,072,859</b>	<b>11,288</b>	<b>115,736</b>	<b>3,968,411</b>
<b>Total Liabilities:</b>			<b>4,124,158</b>	<b>11,288</b>	<b>129,501</b>	<b>4,005,945</b>

## 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.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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