



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Stevenson

For the period January 1, 2021 through December 31, 2021

Published December 22, 2022

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

December 22, 2022

Mayor and City Council
City of Stevenson
Stevenson, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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City of Stevenson

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Stevenson January 1, 2021 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period: 2020	Report Ref. No.: 1029079	Finding Ref. No.: 2020-001
Finding Caption: The City did not have adequate internal controls to ensure accurate financial reporting on the Schedule of Expenditures of Federal Awards.		
Background: The City prepared a Schedule of Expenditures of Federal Awards (SEFA) to document the federal grant funding it spent during the year. The SEFA is required by the federal government and used to determine which federal programs require additional audit procedures. The City did not have a process in place to ensure only federal expenditures incurred during the year were reported on the schedule.		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Staff attended training in the fall of 2021 on federal award requirements and will continue to pursue additional trainings as they are offered to keep up to date on current requirements.</i> <i>The city has created a master contract spreadsheet which contains information on funding sources, reimbursement percentage, amount reimbursed and other pertinent information. This document is then used to tie-out to the information on the contract within the financial software and the SEFA.</i> <i>Each project also has a checklist within the file which tracks applicable contract requirements. It includes account set-up requirements for the financial software system, funding sources and reporting requirements. The foundation is set and we will continue to improve this tool and update as needed.</i>		

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 Stevenson January 1, 2021 through December 31, 2021

Mayor and City Council
City of Stevenson
Stevenson, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Stevenson, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 14, 2022.

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

REPORT ON 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) as a basis for designing 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 above 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 or significant deficiencies may exist that were not identified.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

December 14, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Stevenson January 1, 2021 through December 31, 2021

Mayor and City Council
City of Stevenson
Stevenson, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Stevenson, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Stevenson, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Stevenson, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is 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 December 14, 2022 on our consideration of the City's internal control over financial reporting and on the 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 the effectiveness of the City's 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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 14, 2022

**City of Stevenson
January 1, 2021 through December 31, 2021**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021

City of Stevenson
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Expense Fund</u>	<u>100 Street Fund</u>	<u>103 Tourism Promo & Develop Fund</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	4,860,242	2,746,656	310,692	631,600
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,806,862	904,720	357,887	483,909
320	Licenses and Permits	5,343	4,918	425	-
330	Intergovernmental Revenues	753,680	475,591	45,839	-
340	Charges for Goods and Services	2,221,745	249,199	-	-
350	Fines and Penalties	15,526	15,526	-	-
360	Miscellaneous Revenues	344,447	26,684	(10)	(1,219)
Total Revenues:		<u>5,147,603</u>	<u>1,676,638</u>	<u>404,141</u>	<u>482,690</u>
Expenditures					
510	General Government	384,625	384,625	-	-
520	Public Safety	308,164	308,164	-	-
530	Utilities	1,208,908	-	-	-
540	Transportation	523,936	-	411,192	-
550	Natural/Economic Environment	370,272	370,272	-	-
560	Social Services	10,421	10,225	196	-
570	Culture and Recreation	359,454	45,964	-	313,490
Total Expenditures:		<u>3,165,780</u>	<u>1,119,250</u>	<u>411,388</u>	<u>313,490</u>
Excess (Deficiency) Revenues over Expenditures:		1,981,823	557,388	(7,247)	169,200
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	228,427	-	-	-
397	Transfers-In	77,586	-	66,995	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	5,392	-	5,392	-
Total Other Increases in Fund Resources:		<u>311,405</u>	<u>-</u>	<u>72,387</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	631,376	7,951	59,375	3,021
591-593, 599	Debt Service	93,756	-	-	-
597	Transfers-Out	77,586	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>802,718</u>	<u>7,951</u>	<u>59,375</u>	<u>3,021</u>
Increase (Decrease) in Cash and Investments:		<u>1,490,510</u>	<u>549,437</u>	<u>5,765</u>	<u>166,179</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,335,522	274,812	-	797,781
50841	Committed	-	-	-	-
50851	Assigned	3,967,445	1,973,494	316,457	-
50891	Unassigned	1,047,784	1,047,784	-	-
Total Ending Cash and Investments		<u>6,350,751</u>	<u>3,296,090</u>	<u>316,457</u>	<u>797,781</u>

The accompanying notes are an integral part of this statement.

City of Stevenson
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		105 Affordable Housing Fund	300 Capital Improvement Fund	309 Russell Ave	311 First Street
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,216	107,274	(119)	(40,967)
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	5,161	55,185	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	67,115	64,812
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	(64)	-	-
Total Revenues:		5,161	55,121	67,115	64,812
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		5,161	55,121	67,115	64,812
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	10,591
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	10,591
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	34,436
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	10,591	66,995	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	10,591	66,995	34,436
Increase (Decrease) in Cash and Investments:		5,161	44,530	120	40,967
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	6,376	151,804	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		6,376	151,804	-	-

The accompanying notes are an integral part of this statement.

City of Stevenson
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

	400 Water/Sewer Fund	500 Equipment Service Fund
Beginning Cash and Investments		
308 Beginning Cash and Investments	912,942	190,948
388 / 588 Net Adjustments	-	-
Revenues		
310 Taxes	-	-
320 Licenses and Permits	-	-
330 Intergovernmental Revenues	100,323	-
340 Charges for Goods and Services	1,846,944	125,602
350 Fines and Penalties	-	-
360 Miscellaneous Revenues	319,096	(40)
Total Revenues:	2,266,363	125,562
Expenditures		
510 General Government	-	-
520 Public Safety	-	-
530 Utilities	1,208,908	-
540 Transportation	-	112,744
550 Natural/Economic Environment	-	-
560 Social Services	-	-
570 Culture and Recreation	-	-
Total Expenditures:	1,208,908	112,744
Excess (Deficiency) Revenues over Expenditures:	1,057,455	12,818
Other Increases in Fund Resources		
391-393, 596 Debt Proceeds	228,427	-
397 Transfers-In	-	-
385 Special or Extraordinary Items	-	-
381, 382, 389, 395, 398 Other Resources	-	-
Total Other Increases in Fund Resources:	228,427	-
Other Decreases in Fund Resources		
594-595 Capital Expenditures	526,593	-
591-593, 599 Debt Service	93,756	-
597 Transfers-Out	-	-
585 Special or Extraordinary Items	-	-
581, 582, 589 Other Uses	-	-
Total Other Decreases in Fund Resources:	620,349	-
Increase (Decrease) in Cash and Investments:	665,533	12,818
Ending Cash and Investments		
50821 Nonspendable	-	-
50831 Restricted	104,749	-
50841 Committed	-	-
50851 Assigned	1,473,727	203,767
50891 Unassigned	-	-
Total Ending Cash and Investments	1,578,476	203,767

The accompanying notes are an integral part of this statement.

City of Stevenson
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		<u>Custodial</u>
308	Beginning Cash and Investments	-
388 & 588	Net Adjustments	-
310-390	Additions	9,140
510-590	Deductions	9,140
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	-

The accompanying notes are an integral part of this statement.

City of Stevenson
Notes to the Financial Statements
For the year ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

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

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see *Notes 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 presented using classifications that are similar to the ending balance classification 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. The City uses three Special Revenue Funds: A Street Fund, a Tourism Promotion Fund (Lodging tax fund) and an Affordable Housing Fund.

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. The City uses one primary Capital Projects Fund with separate capital projects funds for each major project.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. The City uses one Enterprise Fund, the combined Water/Sewer Fund.

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity. The City uses one Custodial Fund for Municipal Court Activities which are passed through to the state or other agencies.

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

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

E. Compensated Absences

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

F. Long-Term Debt

See Note 6 – *Long Term Debt*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed 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 the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

- General Fund – The primary source of revenue is American Rescue Plan Act (ARPA) funds restricted by the Act, unclaimed property, which is reserved in accordance with RCW 63.29 and a private pass-through grant for the Park Plaza Project.
- Tourism Promotion Fund – The primary source of revenue is lodging tax receipts, which are reserved for tourism promotion activities per state law (RCW 67.28.1816)
- Affordable Housing Fund – The primary source of revenue is the sales tax credit authorized in 2019 by SHB 1406, which is reserved for affordable housing activities per state law (RCW 82.14.540)
- Capital Improvement Fund – The primary source of revenue is the Real Estate Excise Tax (REET), which is reserved for certain types of capital improvements per state law (RCW 82.46.010)
- Water/Sewer Fund – Balances required as part of USDA loans the City has incurred.

Note 2 - Budget Compliance

The City adopts annual appropriated budgets for 14 funds, for a total of 9 funds when rolled up. 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	Actual	Variance
001 - General Expense Fund	1,280,666.16	1,127,202.32	153,463.84
100 - Street Fund	628,550.00	470,763.36	157,786.64
103-Tourism Promo& Develop Fund	598,100.00	316,510.51	281,589.49
300 - Capital Improvement Fund	73,700.00	10,590.54	63,109.46
309 - Russell Ave	0.00	66,995.41	-66,995.41
311 - First Street	619,100.00	34,435.67	584,664.33
400 - Water/Sewer Fund			
Water/Sewer Fund	1,534,019.07	1,405,945.45	128,073.62
Wastewater System Upgrades	2,609,468.47	423,312.47	2,186,156.00
Total 400 - Water/Sewer Fund	4,143,487.54	1,829,257.92	2,314,229.62
500 - Equipment Service Fund	152,750.00	112,742.72	40,007.28

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

For reporting purposes, the Water System Improvements Fund was rolled into the Water/Sewer Fund.

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

The Actual Expenditures for the Russell Ave fund was a transfer to the Street Fund of additional grant funds received for the project as part of the close-out process, no outside expenditures were made.

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

On March 17, 2020 Mayor Scott Anderson issued an Emergency Proclamation declaring the COVID-19 pandemic to be an Emergency in the City of Stevenson. The local 258-room resort was closed from March 18th until June 1st, 2020 a significant impact to the City’s lodging tax, sales tax and utility revenues. It slowly reopened with lower occupancy rates to comply with local health requirements. A local beverage producer also notified the City they would be cutting back dramatically on production, impacting the City’s utility revenues. While the City has seen a decrease in revenues, expenses have also been reduced allowing the City to maintain adequate fund balances and reserves. While Skamania County is slowly reopening, the CDC continues to recommend limited travel, which impacts our local tourism economy.

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

Note 4 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2021 are as follows:

Type of deposit or investment	City’s own deposits and investments	Total
Bank deposits	\$1,161,963	\$1,161,963
Local Government Investment Pool	3,273,323	3,273,323
U.S. Government securities	1,915,465	1,915,465
Total	\$6,350,751	\$6,350,751

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.

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.

Intergovernmental Loans

In 2022, the City loaned the Stevenson Community Pool District \$40,000 to be paid back over two years at 2% interest.

Note 5 – Environmental and Certain Asset Retirement Liabilities

The City owns 1 well located on city owned property. The life of the well is perpetual due to its use as an emergency water source on an intermittent basis. There are currently no decommissioning requirements.

Note 6 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the city and summarizes the city’s debt transactions for year ended December 31, 2021.

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

Year	Principal	Interest	Total
2022	\$ 649,939	\$ 25,688	\$ 675,627
2023	113,012	22,345	135,357
2024	115,266	20,319	135,585
2025	117,577	18,242	135,820
2026	119,948	16,113	136,061
2027 - 2031	464,665	48,647	513,312
2032 - 2036	228,509	17,961	246,470
2037-2041	234,737	6,579	241,317
Total	\$2,043,653	\$175,894	\$2,219,549

The city received principal forgiveness from a design loan for the Wastewater System Upgrades through the Washington State Department of Ecology in the amount of \$562,947.38, which payment is confirmed for 2022.

The city also has a loan for the construction of Wastewater System Upgrades through the Washington State Department of Ecology it will be drawing on from 2022 through 2023. The total loan of \$9,936,000 contains \$931,946 of forgivable principal.

The city has also secured a loan through USDA Rural Development of \$873,000 for wastewater collection system improvements at a term of 40 years at 1.375% interest. The city will begin drawing on this loan in 2022 and the project is expected to be complete in 2023.

Assets Pledged as Collateral for Debt

The following debt is secured by assets that are pledged as collateral:

Debt	Asset
2020 Opus Loan	City Water Meters

Note 7 – 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.

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 Annual Comprehensive 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

Also, the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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

At June 30, 2021 (the measurement date of the plans), the City’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$37,931	0.005092%	\$62,185
PERS 2/3	\$61,915	0.006536%	(\$651,091)
VFFRPF	\$ 660	0.34%	(\$74.662.25)

Note 8 - 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 2021 was \$1.867137 per \$1,000 on an assessed valuation of \$268,252,761 for a total regular levy of \$500,865.

Note 9 – Risk Management

The City of Stevenson is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 166 members.

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

Note 10 – Health & Welfare

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

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

As of December 31, 2021, 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 11 – Significant Obligation

On July 6, 2017 the City of Stevenson was put under an Administrative Order related to the operation of its Wastewater Treatment Plant. The Order requires construction of improvements to the Plant. The current contractual obligation for the construction totals \$12,670,726. Staff continues to pursue grants, however there will be significant debt incurred to fulfill the requirements of the Order. The sewer rates and system development charges have increased, and will continue to do so, in order to meet the increased debt obligations.

**City of Stevenson
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	PWTF Loan, Water System Upgrade	6/1/2026	139,641	-	23,273	116,368
252.11	USDA RD Loan, Sewer Outfall	12/20/2033	320,208	-	24,029	296,179
252.11	DOE SRF Loan, WWTP Design	12/30/2041	1,124,011	228,427	-	1,352,438
252.11	SMART Water Lease	4/1/2030	307,287	-	28,621	278,666
264.30	State Retirement System		254,303	-	192,118	62,185
259.12	Sick Leave Buyout		849	1,893	-	2,742
259.12	Vacation Accrual		48,041	-	11,338	36,703
	Total Revenue and Other (non G.O.) Debt/Liabilities:		2,194,340	230,320	279,379	2,145,281
	Total Liabilities:		2,194,340	230,320	279,379	2,145,281

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. 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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