



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Ruston

For the period January 1, 2020 through December 31, 2021

Published October 5, 2023

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

October 5, 2023

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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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, 2020 through December 31, 2021

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 27, 2023.

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 audits 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

September 27, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Ruston January 1, 2020 through December 31, 2021

Mayor and City Council
City of Ruston
Ruston, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Ruston, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the financial section of our report.

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 Ruston, and its changes in cash and investments, for the years ended December 31, 2021 and 2020, 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 Ruston, as of December 31, 2020 and 2021, or the changes in financial position or cash flows thereof for the years 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.

Matters of Emphasis

As discussed in Note 3 to the 2021 and 2020 financial statements, as a result of the COVID-19 pandemic, 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 3. Our opinion is not modified with respect to this matter.

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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 27, 2023

FINANCIAL SECTION

City of Ruston January 1, 2020 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions (Statement C-4) – 2021
Fund Resources and Uses Arising from Cash Transactions (Statement C-4) – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions (Statement C-5) –
2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions (Statement C-5) –
2020
Notes to the Financial Statements – 2021
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities (Schedule 09) – 2021
Schedule of Liabilities (Schedule 09) – 2020

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

		Total for All Funds (Memo Only)	001 General Fund	101 City Street Fund	122 Ruston Playfield Report On Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,224,077	536,554	1	34,411
388 / 588	Net Adjustments	4,382	4,382	-	-
Revenues					
310	Taxes	1,494,810	1,374,088	53,599	13,524
320	Licenses and Permits	152,340	126,747	25,593	-
330	Intergovernmental Revenues	919,004	158,031	760,281	-
340	Charges for Goods and Services	1,849,862	106,716	-	-
350	Fines and Penalties	62,912	60,902	-	-
360	Miscellaneous Revenues	36,408	36,408	-	-
Total Revenues:		4,515,336	1,862,892	839,473	13,524
Expenditures					
510	General Government	647,971	621,387	14,977	-
520	Public Safety	1,053,858	1,053,858	-	-
530	Utilities	1,530,035	407	-	-
540	Transportation	74,109	-	74,109	-
550	Natural/Economic Environment	366,738	366,738	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	6,631	-	-	6,631
Total Expenditures:		3,679,342	2,042,390	89,086	6,631
Excess (Deficiency) Revenues over Expenditures:		835,994	(179,498)	750,387	6,893
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	69,178	69,178	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	344,571	324,459	-	-
Total Other Increases in Fund Resources:		413,749	393,637	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	955,636	12,005	733,730	-
591-593, 599	Debt Service	194,971	13,765	-	-
597	Transfers-Out	69,178	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	97,722	(501)	-	-
Total Other Decreases in Fund Resources:		1,317,507	25,269	733,730	-
Increase (Decrease) in Cash and Investments:		(67,764)	188,870	16,657	6,893
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,204,064	4,186	398,685	41,303
50841	Committed	750	750	-	-
50851	Assigned	1,672,946	59,907	-	-
50891	Unassigned	282,935	664,964	(382,029)	-
Total Ending Cash and Investments		3,160,695	729,807	16,656	41,303

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, 2021

		301 Capital Construction Fund	401 Electric Utility Fund	403 Sewer Utility Fund	405 Garbage Utility Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	387,486	459,571	1,382,769	207,344
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	53,599	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	1,067,616	643,777	(1,727)
350	Fines and Penalties	-	1,448	562	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		53,599	1,069,064	644,339	(1,727)
Expenditures					
510	General Government	11,607	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	889,222	554,354	50,064
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		11,607	889,222	554,354	50,064
Excess (Deficiency) Revenues over Expenditures:		41,992	179,842	89,985	(51,791)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	20,112	-	-
Total Other Increases in Fund Resources:		-	20,112	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	74,887	-	-
591-593, 599	Debt Service	-	-	181,206	-
597	Transfers-Out	-	-	-	69,178
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	11,848	-	86,375
Total Other Decreases in Fund Resources:		-	86,735	181,206	155,553
Increase (Decrease) in Cash and Investments:		41,992	113,219	(91,221)	(207,344)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	429,478	137,305	193,107	-
50841	Committed	-	-	-	-
50851	Assigned	-	435,484	1,098,442	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		429,478	572,789	1,291,549	-

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, 2021

		407 Storm Sewer Utility Fund
		<hr/>
Beginning Cash and Investments		
308	Beginning Cash and Investments	215,941
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	692
340	Charges for Goods and Services	33,480
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		<hr/> 34,172
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	35,988
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> 35,988
Excess (Deficiency) Revenues over Expenditures:		<hr/> (1,816)
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> -
Other Decreases in Fund Resources		
594-595	Capital Expenditures	135,014
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> 135,014
Increase (Decrease) in Cash and Investments:		<hr/> (136,830)
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	79,113
50891	Unassigned	-
Total Ending Cash and Investments		<hr/> 79,113

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, 2020

		Total for All Funds (Memo Only)	001 General Fund	101 City Street Fund	122 W.r. Rust Playfield Imp. Fund Report On
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,504,293	975,991	120,388	27,752
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,351,317	1,282,132	28,954	11,277
320	Licenses and Permits	76,223	68,198	8,025	-
330	Intergovernmental Revenues	534,523	73,206	461,317	-
340	Charges for Goods and Services	1,757,293	81,583	-	-
350	Fines and Penalties	62,904	59,964	-	-
360	Miscellaneous Revenues	153,043	153,038	5	-
Total Revenues:		3,935,303	1,718,121	498,301	11,277
Expenditures					
510	General Government	626,323	607,996	9,756	-
520	Public Safety	1,077,412	1,077,412	-	-
530	Utilities	1,193,259	-	-	-
540	Transportation	34,004	-	34,004	-
550	Natural/Economic Environment	407,612	407,612	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	4,618	-	-	4,618
Total Expenditures:		3,343,228	2,093,020	43,760	4,618
Excess (Deficiency) Revenues over Expenditures:		592,075	(374,899)	454,541	6,659
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	148,101	8,506	83,439	-
Total Other Increases in Fund Resources:		148,101	8,506	83,439	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	777,383	31,571	658,366	-
591-593, 599	Debt Service	197,631	13,765	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	45,380	27,709	-	-
Total Other Decreases in Fund Resources:		1,020,394	73,045	658,366	-
Increase (Decrease) in Cash and Investments:		(280,218)	(439,438)	(120,386)	6,659
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	973,782	-	382,030	34,411
50841	Committed	750	750	-	-
50851	Assigned	2,201,976	106,206	-	-
50891	Unassigned	47,569	429,598	(382,029)	-
Total Ending Cash and Investments		3,224,077	536,554	1	34,411

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, 2020

		301 Capital Construction Fund	401 Electric Utility Fund	403 Sewer Utility Fund	405 Garbage Utility Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	367,104	353,629	1,317,035	133,271
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	28,954	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	844,783	616,248	182,400
350	Fines and Penalties	-	2,049	694	197
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		28,954	846,832	616,942	182,597
Expenditures					
510	General Government	8,571	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	661,528	370,003	136,268
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		8,571	661,528	370,003	136,268
Excess (Deficiency) Revenues over Expenditures:		20,383	185,304	246,939	46,329
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	18,156	-	38,000
Total Other Increases in Fund Resources:		-	18,156	-	38,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	87,446	-	-
591-593, 599	Debt Service	-	-	181,206	2,660
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	10,075	-	7,596
Total Other Decreases in Fund Resources:		-	97,521	181,206	10,256
Increase (Decrease) in Cash and Investments:		20,383	105,939	65,733	74,073
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	387,486	129,042	40,813	-
50841	Committed	-	-	-	-
50851	Assigned	-	330,529	1,341,956	207,344
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		387,486	459,571	1,382,769	207,344

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, 2020

		407 Storm Sewer Utility Fund
		<hr/>
Beginning Cash and Investments		
308	Beginning Cash and Investments	209,123
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	32,279
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		<hr/> 32,279
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	25,460
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> 25,460
Excess (Deficiency) Revenues over Expenditures:		<hr/> 6,819
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> -
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> -
Increase (Decrease) in Cash and Investments:		<hr/> 6,819
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	215,941
50891	Unassigned	-
Total Ending Cash and Investments		<hr/> 215,941

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, 2021

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	(58)	(58)
388 & 588	Net Adjustments	-	-
310-390	Additions	131,472	131,472
510-590	Deductions	56,502	56,502
	Net Increase (Decrease) in Cash and Investments:	74,970	74,970
508	Ending Cash and Investments	74,911	74,911

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, 2020

		<u>Custodial</u>
308	Beginning Cash and Investments	-
388 & 588	Net Adjustments	-
310-390	Additions	54,813
510-590	Deductions	54,871
	Net Increase (Decrease) in Cash and Investments:	(58)
508	Ending Cash and Investments	(58)

The accompanying notes are an integral part of this statement.

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

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, 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 *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 different from the ending net position classifications 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.

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

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 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 2020. 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.

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

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, 2021 the amount of accrued but unpaid Compensated Absence liability is \$49,116.

F. Long-Term Debt

See Note 5 – *Debt Service Requirements*.

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 the 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:

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
Fund 001	4,186	750	4,936	Restricted Funding Source
Fund 101	398,685		398,685	Restricted Revenue Sources
Fund 301	429,478		429,478	Restricted Revenue Sources
Fund 410	193,107		193,107	USDA Bond Covenants
Fund 411	137,305		137,305	Customer Utility Deposits
Fund 122	41,303		41,303	Restricted Revenue Sources, Unexpendable Trust
Fund 635	75,000		75,000	Custodial Funding for Signage
Totals	\$ 1,279,064	\$ 750	\$ 1,279,814	

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.

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

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

Fund/Department	Appropriated Amounts	Actual Expenses	Variance
General Fund	\$ 1,762,382	\$ 1,956,390	\$ (194,008)
Surplus Real Estate	1,689,000		\$ 1,689,000
Point Ruston Development	14,000	12,046	\$ 1,955
Cumulative Reserve For Equip.	7,400	8,005	\$ (605)
School Building Maint. Fund	191,066	86,834	\$ 104,232
Total 001 - General Fund	\$ 3,663,848	\$ 2,063,275	\$ 1,600,573
City Street Fund	\$ 472,400	\$ 822,817	\$ (350,417)
Cumulative Reserve For Streets	108,100		\$ 108,100
Total 101 - City Street Fund	\$ 580,500	\$ 822,817	\$ (242,317)
122 - Ruston Playfield Report On Fund	\$ 50,299	\$ 6,631	\$ 43,668
301 - Capital Construction Fund	\$ 434,000	\$ 11,607	\$ 422,393
Electric Utility Fund	\$ 1,123,300	\$ 889,221	\$ 234,079
Electric Utility Reserve Fund	755,000	74,887	\$ 680,113
Electric Meter Deposit Fund	12,000	11,848	\$ 152
Total 401 - Electric Utility Fund	\$ 1,890,300	\$ 975,956	\$ 914,344
Sewer Utility Fund	\$ 1,860,405	\$ 554,352	\$ 1,306,053
Cumul.res./sewer Equip&repairs	311,000		311,000
Sewer Debt Service Fund	374,215	181,206	193,009
Total 403 - Sewer Utility Fund	\$ 2,545,620	\$ 735,558	\$ 1,810,062
Garbage Utility Fund		\$ 128,355	\$ (128,355)
Garbage Utility Reserve Fund		77,262	(77,262)
Total 405 - Garbage Utility Fund		\$ 205,617	\$ (205,617)
407 - Storm Sewer Utility Fund	\$ 316,995	\$ 171,000	\$ 145,995
634 - Custodial Funds	\$ 200	\$ 56,502	\$ (56,302)

Budgeted amounts are authorized to be transferred between departments within any fund and 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 had variances in its budget in 2021. The City budgets for residual fund balances as an appropriation annually. Positive variances represent residual fund balances.

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

The City overexpended its Street fund budget due to advance payment of construction expenditures related to a TIB grant funded street improvement of 52 and 53rd streets. The City had overexpenditures in the General fund due to additional planning and engineering expenditures. The City finished closing out its Garbage utility fund in 2021, transferring the balance to the Surplus Property Fund (a fund consolidated into the General Fund) as interfund transfers.

The City has excluded \$444,000 and \$483,000 of appropriated and actual interfund transfer expenditures respectively due to consolidation of like funds.

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

The city 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 city received a first round \$117,940 in ARPA funding for disposition to allowed uses. The City is considering which uses will be preferred but has not expended any funds in 2021

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

Note 4 – Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2022 are as follows:

Type of Deposit or Investment	(City/Town/District)'s own deposits & investments	Deposits & investments held by the (City,Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
Deposits	639,251	74,912	714,163
Outstanding Warrants	-27,286		-27,286
LGIP	2,548,728		2,548,728
<i>Totals</i>	\$ 3,160,693	\$ 74,912	\$ 3,235,605

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

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

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.

Note 5 – 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, 2022.

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

Year	Principal	Interest	Total Debt Service
2022	\$ 68,801	\$ 112,405	\$ 181,206
2023	70,968	110,238	181,206
2024	73,203	108,003	181,206
2025	75,509	105,697	181,206
2026	77,887	103,319	181,206
2027-2031	427,810	478,220	906,030
2032-2036	499,557	406,473	906,030
2037-2041	583,336	322,694	906,030
2042-2046	681,166	224,864	906,030
2047-2051	795,402	110,628	906,030
2052-2056	260,337	8,128	268,465
Totals	\$ 3,613,975	\$ 2,090,670	\$ 5,704,645

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

Significant Debt Agreement Terms

The City issued USDA guaranteed revenue bonds in 2013 for Sewer related infrastructure. These bonds require the city to maintain payment and repair reserves.

Note 6 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had 1 (one) member, retired. As of December 31, 2021, the City's total OPEB liability was \$535,897, as calculated using the alternative measurement method. For the year ended December 31, 2021, the City paid \$20,195 in benefits.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

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

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.

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.

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

At June 30, 2020 (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 Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	18,441.27	0.0024760%	1,221,234,000	30,238	
PERS 2/3	28,396.79	0.0029980%	-9,961,609,000		(298,649)
LEOFF 1		0.0010560%	-3,425,562,000		(36,174)
LEOFF 2	12,461.20	0.0062510%	-5,808,414,000		(363,084)
VFFRPF	\$60.00	0.0000300%	22,005,000		(6,787)
Totals				\$ 30,238	\$ (704,694)

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 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 \$ 1.81337033501 per \$1,000 on an assessed valuation of \$329,388,321 for a total regular levy of \$597,303.

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

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

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, 2021, 105 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. Pollution, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and 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 National League of Cities Mutual Insurance Company (NLC MIC) 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 Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2021, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides 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, 2021

Note 10 – Other Disclosures

Legal Claims and Actions

1. *State Department of Retirement Systems v. City of Ruston*. This is a compliance case brought by the State Department of Retirement Systems against the City of Ruston. The matter is still pending at the administrative level. The City has retained Davis Grimm Payne & Marra as legal counsel for the City.
2. *Karey A. Gamino v. City of Ruston and Michael K. Anderson*, Pierce Co. Cause No. 22-2-05813-2. Complaint for personal injuries was filed on April 13, 2022. The City's insurance company has assigned Dynan & Associates as legal counsel for the City.
3. *Alex P. Grimm v. City of Ruston, et al.*, Pierce Co. Cause No. 21-2-0661-7. Complaint for Personal Injuries and Damages which was filed on July 15, 2021. The case was dismissed with prejudice on December 15, 2021.
4. *Pierce County v. Various Parcels*, Pierce Co. Cause No. 21-2-05792-8. The City was named in a tax foreclosure action since it had LID liens on some of the properties subject to foreclosure. The City was dismissed from the matter.
5. *MB Electric LLC f. PR Building 11/9 LLC*, Pierce Co. Cause No. 21-2-05827-4. The City was named in a lien foreclosure action since it had LID liens on some of the properties. The City was dismissed from the matter.
6. *PR Retail v. City of Ruston*, Pierce Co. Cause No. 20-2-05993-1. The City was sued for declaratory judgment. The plaintiff requested that the court to declare the properties to not be part of the City of Ruston's sewer service area, to order the City to refund sewer connection fees and monthly sewer service fees. The City hired Pacifica Law Group, LLP. The City was granted a full summary judgment on September 17, 2021 and the case has concluded as no appeal was timely filed.

This list does not include criminal or civil enforcement actions brought by the City or pending land use permit/entitlement issues.

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. The City completed work with the Department of Ecology for a 100% grant funded Stormwater Management project for the Pearl Street Greenspace in 2021. Additionally, the city will continue to improve the street infrastructure through grant funding from the WA Transportation Improvement Board, for the 52nd and 53rd Street projects.

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

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

City of Ruston
Notes to the Financial Statements
For the year ended December 31, 2020

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:

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- 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.

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

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

City of Ruston
Notes to the Financial Statements
For the year ended December 31, 2020

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 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 2020. 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

City of Ruston
Notes to the Financial Statements
For the year ended December 31, 2020

separation or retirement. Employees may buy out their comp time. Payments are recognized as expenditures when paid. As of December 31, 2020 the amount of accrued but unpaid Compensated Absence liability is \$49,277.

F. Long-Term Debt

See Note 6 – *Debt Service Requirements*.

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:

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
001-General Fund		750	750	Drug Investigation cash for police department
101-City Street Fund	354,321		354,321	Restricted due to revenue source (100% REET 1, MVFT, Grants)
122-W.R. Rust Playfield Fund	34,411		34,411	Restricted due to revenue source (Zoo, Aquarium and Wildlife Facilities Sales and Use Tax)
301-Capital Construction Fund	387,486		387,486	Restricted due to revenue source (100% REET 2)
401-Electric Utility Fund	129,042		129,042	Restricted due to customer utility deposits.
403-Sewer Utility Fund	40,813		40,813	Restricted due to bond covenant.
<i>Totals</i>	946,073	750	946,823	

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.

City of Ruston
Notes to the Financial Statements
For the year ended December 31, 2020

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
001 - General Fund				
General Fund	1,942,192	1,962,570	(20,378)	Spent more on planning services and police wages than anticipated.
Surplus Real Estate	1,321,432		1,321,432	Spent less than anticipated.
Point Ruston Development		53,516	(53,516)	Spent more on planning and engineering services than originally anticipated.
Cumulative Reserve For Equip.		31,571	(31,571)	Spent more on police, fire, and city hall equipment than anticipated.
School Building Maint. Fund	330,200	84,374	245,826	Spent less than anticipated.
Total 001 - General Fund	3,593,824	2,132,031	1,461,792	
101 - City Street Fund				
City Street Fund	478,400	702,126	(223,726)	Spent more on street projects than anticipated.
Cumulative Reserve For Streets	108,100		108,100	Spent less than anticipated.
Total 101 - City Street Fund	586,500	702,126	(115,626)	
122 - W.r. Rust Playfield Imp. Fund Report On	46,921	4,618	42,303	Spent less than anticipated.
301 - Capital Construction Fund	422,200	8,571	413,629	Spent less than anticipated.
401 - Electric Utility Fund				
Electric Utility Fund	1,152,300	661,526	490,774	Spent less than anticipated.
Electric Utility Reserve Fund	418,000	87,446	330,554	Spent less than anticipated.
Electric Meter Deposit Fund	117,800	10,075	107,725	
Total 401 - Electric Utility Fund	1,688,100	759,047	929,053	
403 - Sewer Utility Fund				
Sewer Utility Fund	1,681,000	370,002	1,310,998	Spent less than anticipated.
Cumul.res./sewer Equip&repairs	398,000		398,000	Spent less than anticipated.
Sewer Debt Service Fund	223,000	181,206	41,794	Spent less than anticipated.
Total 403 - Sewer Utility Fund	2,302,000	551,208	1,750,792	Spent less than anticipated.
405 - Garbage Utility Fund				
Garbage Utility Fund	335,800	146,525	189,275	Spent less than anticipated.
Garbage Utility Reserve Fund	77,000		77,000	Spent less than anticipated.
Total 405 - Garbage Utility Fund	412,800	146,525	266,275	Spent less than anticipated.
407 - Storm Sewer Utility Fund	287,000	25,461	261,539	Spent less than anticipated.
634 - Custodial Funds	200	54,871.06	(54,671)	Change in accounting principal not budgeted for.

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.

Consolidation

\$491,433 of appropriations was excluded due to consolidation. \$465,447 of expenditures was excluded due to consolidation.

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

City of Ruston
Notes to the Financial Statements
For the year ended December 31, 2020

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 city received \$45,225 in CARES Act funding to reimburse COVID-19 related expenses.

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

Note 4 – Deposits and Investments

Investments are reported at fair value. Deposits and investments by type on December 31, 2020 are as follows:

Type of Deposit or Investment	City's own deposits & investments	Deposits & investments held by the City as custodian for other local governments, individuals, or private organizations.	Combined
Bank Deposits	705,300	-58	705,242
LGIP	2,546,062		2,546,062
<i>Totals</i>	3,251,362	-58	3,251,304

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.

City of Ruston
Notes to the Financial Statements
For the year ended December 31, 2020

Note 5- Interfund Loans

The following table displays interfund loan activity during 2020:

Borrowing Fund	Lending Fund	Beginning Balance	New Loans	Payments	Ending Balance
405	005 (001)	7596		7,596.00	-
101	005 (001)	-	27,709	-	27,709

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, 2020.

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

Year	Principal	Interest	Total Debt Service
2021	\$ 78,596	\$ 116,376	\$ 194,971
2022	\$ 68,801	\$ 112,405	\$ 181,206
2023	\$ 70,968	\$ 110,238	\$ 181,206
2024	\$ 73,203	\$ 108,003	\$ 181,206
2025	\$ 75,509	\$ 105,697	\$ 181,206
2026-2030	\$ 414,748	\$ 491,282	\$ 906,030
2031-2035	\$ 484,304	\$ 421,726	\$ 906,030
2036-2040	\$ 565,525	\$ 340,505	\$ 906,030
2041-2045	\$ 660,368	\$ 245,662	\$ 906,030
2046-2050	\$ 771,116	\$ 134,914	\$ 906,030
2051-2053	\$ 429,433	\$ 20,238	\$ 449,671
<i>Totals</i>	\$ 3,692,571	\$ 2,207,045	\$ 5,899,616

Note 7 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the city through AWC Benefits Trust. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2020, the plan had 1 member, all retirees. As of December 31, 2020, the city's total OPEB liability was \$522,850, as calculated using the alternative measurement method. For the year ended December 31, 2020, the city paid \$19,421 in benefits.

City of Ruston
Notes to the Financial Statements
For the year ended December 31, 2020

Note 8 – Pension Plans

A. State Sponsored Pension Plans

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

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

At June 30, 2020 (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 Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	\$ 8,970	0.00123763%	3,530,540,000	\$ 43,695	
PERS 2/3	\$ 14,743	0.00160039%	1,278,943,000	\$ 20,468	
LEOFF 1		0.00103064%	(1,888,509,000)		\$ (19,464)
LEOFF 2	\$ 11,587	0.00592307%	(2,039,854,000)		\$ (120,822)
VFFRPF	\$ 30	0.020000%	(35,240,000)		\$ (5,442)
		<i>Totals</i>		\$ 64,163	\$ (145,728)

City of Ruston
Notes to the Financial Statements
For the year ended December 31, 2020

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 2020 was \$1.978380 per \$1,000 on an assessed valuation of \$299,778,877 for a total regular levy of \$593,077.

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, 2020, 103 municipalities/entities participate in the AWC RMSA pool.

City of Ruston
Notes to the Financial Statements
For the year ended December 31, 2020

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 National League of Cities Mutual Insurance Company (NLC MIC) 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 Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through Lexington Insurance Company and CHUBB in 2020, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, Lexington provides excess insurance up to \$50 million, 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 11 – Other Disclosures

DRS Audit Findings

The Washington State Department of Retirements systems audited the city and issued findings resulting in potential liability and additional costs to the city. The LEOFF 2 audit adjustment liability is \$152,633. The city is currently appealing the LEOFF 2 finding. The PERS 2 audit adjustment is \$35,557. Upon council approval the city will pay the PERS 2 audit adjustment in 2021.

City of Ruston
Notes to the Financial Statements
For the year ended December 31, 2020

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. 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. Additionally, the city will continue to improve the street infrastructure through grant funding from the WA Transportation Improvement Board.

Discontinuance of Major Program

The City contracted with the City of Tacoma and Murray's Disposal Inc. to take over solid waste services for the city effective July 31, 2020. Additionally, Murray's disposal purchased the surplus solid waste vehicles and equipment.

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.

Litigation

PR Retail, LLC, Point Ruston Phase II, LLC and Point Ruston, LLC v. City of Ruston.

This lawsuit is a Declaratory Judgment Action and was filed earlier this year in Pierce County Superior Court. The lawsuit requests that the court to declare the properties to not be part of the City of Ruston's sewer service area, to order the City to refund sewer connection fees of at least \$16,000 and monthly sewer service fees of \$112,610.29, and requests costs and attorneys' fees. The City has hired outside legal counsel (Pacifica Law Group, LLP) and is defending against these claims.

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.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	US Bank Govt Finance - Police	4/1/2021	11,895	-	11,895	-
Total General Obligation Debt/Liabilities:			11,895	-	11,895	-
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	USDA Guaranteed Sewer 40 Year Bond	4/1/2052	3,680,676	-	66,708	3,613,968
259.12	Compensated Absences		49,277	-	161	49,116
264.30	Pension Liability		64,163	-	33,925	30,238
264.40	OPEB Liabilities		522,850	13,047	-	535,897
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,316,966	13,047	100,794	4,229,219
Total Liabilities:			4,328,861	13,047	112,689	4,229,219

City of Ruston
Schedule of Liabilities
For the Year Ended December 31, 2020

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	US Bank Govt Finance - Police	4/1/2021	24,897	-	13,002	11,895
Total General Obligation Debt/Liabilities:			24,897	-	13,002	11,895
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	USDA Guaranteed Sewer 40 Year Bond	4/1/2052	3,745,347	-	64,671	3,680,676
259.12	Compensated Absences		43,271	6,006	-	49,277
264.30	Pension Liability		78,448	-	14,285	64,163
264.40	OPEB Liabilities		467,268	55,582	-	522,850
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,334,334	61,588	78,956	4,316,966
Total Liabilities:			4,359,231	61,588	91,958	4,328,861

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

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

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

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