Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

City of Clarkston
Asotin County

Audit Period
January 1, 2010 through December 31, 2012

Report No. 1010478

Issue Date
September 23, 2013

WASHINGTON
TROY KELLEY
STATE AUDITOR

Washington State Auditor
Troy Kelley

September 23, 2013

Mayor and City Council
City of Clarkston
Clarkston, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Asotin County
January 1, 2010 through December 31, 2012

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Federal Summary

City of Clarkston
Asotin County
January 1, 2012 through December 31, 2012

The results of our audit of the City of Clarkston are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

CFDA No.	Program Title
66.458	Capitalization Grants for Clean Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

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

City of Clarkston
Asotin County
January 1, 2010 through December 31, 2012

Mayor and City Council
City of Clarkston
Clarkston, 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 Clarkston, Asotin County, Washington, as of and for the years ended December 31, 2012, 2011 and 2010, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 10, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

TROY KELLEY
STATE AUDITOR

September 10, 2013

Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

City of Clarkston
Asotin County
January 1, 2012 through December 31, 2012

Mayor and City Council
City of Clarkston
Clarkston, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Clarkston, Asotin County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

TROY KELLEY
STATE AUDITOR

September 10, 2013

Independent Auditor's Report on Financial Statements

City of Clarkston
Asotin County
January 1, 2010 through December 31, 2012

Mayor and City Council
City of Clarkston
Clarkston, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Clarkston, Asotin County, Washington, for the years ended December 31, 2012, 2011 and 2010, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Clarkston, for the years ended December 31, 2012, 2011 and 2010, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedules of Liabilities are also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Purpose of this Report

The report is intended for the information and use of the management, the Mayor and City Council, federal awarding agencies and pass-through entities of the City. 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2013 on our consideration of the City's internal control over financial reporting

and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

TROY KELLEY
STATE AUDITOR

September 10, 2013

Financial Section

City of Clarkston
Asotin County
January 1, 2010 through December 31, 2012

FINANCIAL STATEMENTS

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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 Current Expense Fund	102 Rescue Unit One Fund	103 Street Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	173,706	0	0	0
30880	Beg Fund Bal-Unreserved	6,152,870	1,907,751	9,150	302,419
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	3,980,516	3,021,033	0	345,381
320	Licenses & Permits	130,760	130,760	0	0
330	Intergovernmental Revenues	943,899	425,215	1,534	517,150
340	Charges for Goods and Services	2,831,901	17,662	0	0
350	Fines & Penalties	172,432	125,979	0	0
360	Miscellaneous Revenues	141,931	32,810	452	63,071
Total Operating Revenues:		8,201,440	3,753,459	1,986	925,601
Operating Expenditures					
510	General Government	539,147	539,147	0	0
520	Public Safety	3,486,619	2,591,491	1,503	0
530	Utilities And Environment	2,307,369	42,499	0	0
540	Transportation	634,893	0	0	634,893
550	Economic Environment	177,904	94,424	0	0
560	Mental & Physical Health	1,967	1,967	0	0
570	Culture And Recreation	140,957	140,957	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		7,288,855	3,410,484	1,503	634,893
Net Operating Increase (Decrease):		912,584	342,974	483	290,708
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	134,526	50,000	0	0
391-393	Debt Proceeds	1,287,022	0	0	0
397	Transfers-In	257,490	57,490	0	0
Total Nonoperating Revenues:		1,679,038	107,490	0	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	133,026	50,000	0	0
591-593	Debt Service	286,863	97,494	0	0
594-595	Capital Expenditures	2,289,944	178,090	3,210	392,213
597	Transfers-Out	257,490	200,000	0	0
Total Nonoperating Expenditures:		2,967,323	525,584	3,210	392,213
Increase (Decrease) in Cash and Investments		-375,701	-75,120	-2,727	-101,505
Ending Cash and Investments					
50810	End Fund Bal-Reserved	1,518,031	0	0	0
50880	End Fund Balance-Unreserved	4,432,844	1,832,632	6,423	200,915

The accompanying notes are an integral part of this Statement.

BARS Code		108 Drug Enforcement Fund	120 Ambulance / Ems Fund	130 Lodging Tax Fund	202 Municipal Cap Imprvment Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	53,446	50,666	535,443	53,238
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	499,859	81,835	32,409
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	377,439	0	0
350	Fines & Penalties	8,115	0	0	0
360	Miscellaneous Revenues	235	414	2,119	368
Total Operating Revenues:		8,350	877,711	83,953	32,777
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	32	893,593	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	83,480	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		32	893,593	83,480	0
Net Operating Increase (Decrease):		8,318	-15,882	474	32,777
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	50,000	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	100,000	0	0
Total Nonoperating Revenues:		0	150,000	0	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	50,000	0	0
591-593	Debt Service	0	24,036	0	0
594-595	Capital Expenditures	0	6,929	0	0
597	Transfers-Out	0	8,150	0	49,340
Total Nonoperating Expenditures:		0	89,115	0	49,340
Increase (Decrease) in Cash and Investments		8,318	45,004	474	-16,563
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	61,764	95,669	535,916	36,675

The accompanying notes are an integral part of this Statement.

BARS Code		400 Sewer M & O Fund	409 Fund Number	410 Util & Ent (santitation Fund)
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	173,706	0	0
30880	Beg Fund Bal-Unreserved	2,799,716	45,912	395,129
38880/58880	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	1,243,352	246,553	946,895
350	Fines & Penalties	14,926	8,486	14,926
360	Miscellaneous Revenues	10,819	29,391	2,252
Total Operating Revenues:		1,269,097	284,430	964,074
Operating Expenditures				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Utilities And Environment	900,901	370,157	993,812
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental & Physical Health	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		900,901	370,157	993,812
Net Operating Increase (Decrease):		368,196	-85,727	-29,739
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	1,500	0	33,026
391-393	Debt Proceeds	1,287,022	0	0
397	Transfers-In	0	100,000	0
Total Nonoperating Revenues:		1,288,522	100,000	33,026
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	0	0	33,026
591-593	Debt Service	165,334	0	0
594-595	Capital Expenditures	1,709,502	0	0
597	Transfers-Out	0	0	0
Total Nonoperating Expenditures:		1,874,836	0	33,026
Increase (Decrease) in Cash and Investments		-218,118	14,273	-29,739
Ending Cash and Investments				
50810	End Fund Bal-Reserved	1,518,031	0	0
50880	End Fund Balance-Unreserved	1,237,273	60,185	365,391

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	635 Agency Fund - Trust Account
308	Beginning Cash and Investments	-5,953	-5,953
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
370-390	Other Increases and Financing Sources	77,752	77,752
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	76,987	76,987
Increase (Decrease) in Cash and Investments		765	765
508	Ending Cash and Investments	-5,188	-5,188

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS Code		Total for All funds*	001 Current Expense Fund	102 Rescue Unit One Fund	103 Street Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	148,600	0	0	0
30880	Beg Fund Bal-Unreserved	6,120,555	2,701,025	9,746	376,369
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	3,929,203	3,019,224	0	339,179
320	Licenses & Permits	141,937	141,937	0	0
330	Intergovernmental Revenues	560,662	351,985	1,738	177,406
340	Charges for Goods and Services	2,636,319	18,138	0	0
350	Fines & Penalties	163,824	124,213	0	0
360	Miscellaneous Revenues	129,993	37,726	111	69,511
Total Operating Revenues:		7,561,938	3,693,224	1,849	586,096
Operating Expenditures					
510	General Government	790,125	790,125	0	0
520	Public Safety	3,406,839	2,517,299	0	0
530	Utilities And Environment	2,509,413	44,418	0	0
540	Transportation	671,048	0	0	671,048
550	Economic Environment	185,352	95,274	0	0
560	Mental & Physical Health	1,718	1,718	0	0
570	Culture And Recreation	291,614	291,614	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		7,856,110	3,740,447	0	671,048
Net Operating Increase (Decrease):		-294,171	-47,224	1,849	-84,952
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	77,792	20,000	0	150
391-393	Debt Proceeds	2,185,079	0	0	0
397	Transfers-In	547,600	387,600	0	68,000
Total Nonoperating Revenues:		2,810,471	407,600	0	68,150
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	197,170	20,000	0	0
591-593	Debt Service	182,693	98,844	0	0
594-595	Capital Expenditures	1,531,416	874,807	2,446	57,148
597	Transfers-Out	547,600	160,000	0	0
Total Nonoperating Expenditures:		2,458,879	1,153,650	2,446	57,148
Increase (Decrease) in Cash and Investments		57,421	-793,275	-597	-73,950
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,174,196	0	0	0
50880	End Fund Balance-Unreserved	4,152,380	1,907,751	9,150	302,419

The accompanying notes are an integral part of this Statement.

BARS Code		108 Drug Enforcement Fund	120 Ambulance / Ems Fund	130 Lodging Tax Fund	202 Municipal Cap Imprvment Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	110,000
30880	Beg Fund Bal-Unreserved	50,338	42,714	539,335	292,535
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	460,626	82,481	27,694
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	29,533	0	0
340	Charges for Goods and Services	0	347,819	0	0
350	Fines & Penalties	5,100	0	0	0
360	Miscellaneous Revenues	850	576	3,706	3,009
Total Operating Revenues:		5,950	838,554	86,187	30,702
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	2,842	886,698	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	90,079	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		2,842	886,698	90,079	0
Net Operating Increase (Decrease):		3,108	-48,144	-3,892	30,703
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	54	20,000	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	92,000	0	0
Total Nonoperating Revenues:		54	112,000	0	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	54	20,000	0	0
591-593	Debt Service	0	24,030	0	0
594-595	Capital Expenditures	0	4,274	0	0
597	Transfers-Out	0	7,600	0	380,000
Total Nonoperating Expenditures:		54	55,904	0	380,000
Increase (Decrease) in Cash and Investments		3,108	7,952	-3,892	-349,297
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	53,446	50,666	535,443	53,238

The accompanying notes are an integral part of this Statement.

BARS Code		400 Sewer M & O Fund	409 Stormwater O & M	410 Util & Ent (santitation Fund)
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	38,600	0	0
30880	Beg Fund Bal-Unreserved	1,586,418	0	522,074
38880/58880	Prior Period Adjustments, net	0	0	0
			0	
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	1,257,684	46,767	965,912
350	Fines & Penalties	17,255	0	17,255
360	Miscellaneous Revenues	10,639	1	3,863
Total Operating Revenues:		1,285,579	46,767	987,030
Operating Expenditures				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Utilities And Environment	1,519,354	856	944,786
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental & Physical Health	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		1,519,354	856	944,786
Net Operating Increase (Decrease):		-233,776	45,912	42,244
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	3,750	0	33,838
391-393	Debt Proceeds	2,185,079	0	0
397	Transfers-In	0	0	0
Total Nonoperating Revenues:		2,188,829	0	33,838
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	123,317	0	33,800
591-593	Debt Service	59,819	0	0
594-595	Capital Expenditures	423,513	0	169,228
597	Transfers-Out	0	0	0
Total Nonoperating Expenditures:		606,649	0	203,028
Increase (Decrease) in Cash and Investments		1,348,404	45,912	-126,946
Ending Cash and Investments				
50810	End Fund Bal-Reserved	2,174,196	0	0
50880	End Fund Balance-Unreserved	799,226	45,912	395,129

The accompanying notes are an integral part of this Statement.

MCAG NO. 0197

City of Clarkston

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

	Total for All Funds 1/	635 Agency Fund - Trust Account	
	Total Amount	**Actual Amount**	**Actual Amount**
Beginning Cash and Investments	($7,426.02)	($7,426.02)	$0.00
Prior Period Adjustments	$0.00	$0.00	$0.00
Revenue and Other Financing Sources	$0.00	$0.00	$0.00
Total Resources	($7,426.02)	($7,426.02)	$0.00
Expenditures And Other Financing Uses	$0.00	$0.00	$0.00
Excess (Deficit) of Resources Over Uses	($7,426.02)	($7,426.02)	$0.00
Nonrevenues (Except 384)	$74,617.16	$74,617.16	$0.00
Nonexpenditures (Except 584)	$73,143.79	$73,143.79	$0.00
Ending Cash and Investments	($5,952.65)	($5,952.65)	$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

City of Clarkston

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		Total for All Funds 1/ Total Amount	001 Current Expense Fund Actual Amount	102 Rescue Unit One Fund Actual Amount
Beginning Cash and Investments				
308.10	Reserved	$499,400.00	$0.00	$0.00
308.80	Unreserved	$6,076,185.67	$2,095,876.85	$33,576.74
388.80 or 588.80	Prior Period Adjustments	$0.00	$0.00	$0.00
Revenues and Other Sources				
310	Taxes	$3,808,954.01	$2,933,136.98	$0.00
320	Licenses and Permits	$128,021.23	$128,021.23	$0.00
330	Intergovernmental	$652,656.80	$457,975.85	$2,186.00
340	Charges for Goods and Services	$2,390,638.25	$6,833.46	$0.00
350	Fines and Penalties	$185,730.34	$145,177.64	$0.00
360	Miscellaneous	$94,774.25	$40,466.81	$1,211.83
370	Capital Contributions	$0.00	$0.00	$0.00
390	Other Financing Sources	$2,312,683.05	$1,731,960.00	$0.00
Total Revenues and Other Financing Sources		$9,573,457.93	$5,443,571.97	$3,397.83
	Total Resources	$16,149,043.60	$7,539,448.82	$36,974.57
Operating Expenditures:				
510	General Government	$460,462.45	$460,462.45	$0.00
520	Public Safety	$3,229,633.63	$2,425,363.97	$0.00
530	Physical Environment	$2,039,866.85	$43,984.37	$0.00
540	Transportation	$660,042.58	$0.00	$0.00
550	Economic Environment	$197,133.82	$106,776.20	$0.00
560	Mental and Physical Health	$1,880.94	$1,880.94	$0.00
570	Culture and Recreational	$293,639.37	$293,639.37	$0.00
	Total Operating Expenditures	$6,882,659.64	$3,332,107.30	$0.00
591-593	Debt Service	$93,009.28	$74,198.32	$0.00
594-595	Capital Outlay	$1,687,242.03	$1,181,114.12	$27,228.24
	Total Expenditures	$8,662,910.95	$4,587,419.74	$27,228.24
597-599	Other Financing Uses	$950,683.05	$341,800.00	$0.00
Total Expenditures and Other Financing Uses		$9,613,594.00	$4,929,219.74	$27,228.24
Excess (Deficit) of Resources Over Uses		$7,486,132.65	$2,610,229.08	$9,746.33
380	Nonrevenues (Except 384)	$324,135.25	$190,700.00	$0.00
580	Nonexpenditures (Except 584)	$590,525.85	$100,000.00	$0.00
Ending Cash and Investments:				
508.10	Reserved	$148,600.00	$0.00	$0.00
508.80	Unreserved	$6,120,459.00	$2,700,929.08	$9,746.33

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

City of Clarkston

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		103 Street Dept. Reserve Fund Actual Amount	108 Drug Enforcement Fund Actual Amount	130 Lodging Tax Fund Actual Amount
Beginning Cash and Investments				
308.10	Reserved	$0.00	$0.00	$0.00
308.80	Unreserved	$849,531.67	$45,508.13	$549,414.64
388.80 or 588.80	Prior Period Adjustments	$0.00	$0.00	$0.00
Revenues and Other Sources				
310	Taxes	$331,037.96	$0.00	$76,224.75
320	Licenses and Permits	$0.00	$0.00	$0.00
330	Intergovernmental	$174,287.95	$0.00	$0.00
340	Charges for Goods and Services	$0.00	$0.00	$0.00
350	Fines and Penalties	$0.00	$3,710.00	$0.00
360	Miscellaneous	$23,943.89	$1,388.77	$4,053.15
370	Capital Contributions	$0.00	$0.00	$0.00
390	Other Financing Sources	$17,600.00	$0.00	$0.00
Total Revenues and Other Financing Sources		$546,869.80	$5,098.77	$80,277.90
	Total Resources	$1,396,401.47	$50,606.90	$629,692.54
Operating Expenditures:				
510	General Government	$0.00	$0.00	$0.00
520	Public Safety	$0.00	$268.74	$0.00
530	Physical Environment	$0.00	$0.00	$0.00
540	Transportation	$660,042.58	$0.00	$0.00
550	Economic Environment	$0.00	$0.00	$90,357.62
560	Mental and Physical Health	$0.00	$0.00	$0.00
570	Culture and Recreational	$0.00	$0.00	$0.00
	Total Operating Expenditures	$660,042.58	$268.74	$90,357.62
591-593	Debt Service	$0.00	$0.00	$0.00
594-595	Capital Outlay	$359,989.48	$0.00	$0.00
	Total Expenditures	$1,020,032.06	$268.74	$90,357.62
597-599	Other Financing Uses	$0.00	$0.00	$0.00
Total Expenditures and Other Financing Uses		$1,020,032.06	$268.74	$90,357.62
Excess (Deficit) of Resources Over Uses		$376,369.41	$50,338.16	$539,334.92
380	Nonrevenues (Except 384)	$0.00	$112.36	$0.00
580	Nonexpenditures (Except 584)	$0.00	$112.36	$0.00
Ending Cash and Investments:				
508.10	Reserved	$0.00	$0.00	$0.00
508.80	Unreserved	$376,369.41	$50,338.16	$539,334.92

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

City of Clarkston

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		202 Municipal Cap Imprvment Fund Actual Amount	400 Sewer M & O Fund Actual Amount	410 Util & Ent (santitation Fund) Actual Amount
Beginning Cash and Investments				
308.10	Reserved	$410,000.00	$89,400.00	$0.00
308.80	Unreserved	$230,128.24	$1,657,390.13	$479,123.13
388.80 or 588.80	Prior Period Adjustments	$0.00	$0.00	$0.00
Revenues and Other Sources				
310	Taxes	$58,294.98	$0.00	$0.00
320	Licenses and Permits	$0.00	$0.00	$0.00
330	Intergovernmental	$0.00	$0.00	$0.00
340	Charges for Goods and Services	$0.00	$1,219,969.84	$926,907.74
350	Fines and Penalties	$0.00	$18,421.27	$18,421.43
360	Miscellaneous	$4,111.89	$13,713.27	$4,570.76
370	Capital Contributions	$0.00	$0.00	$0.00
390	Other Financing Sources	$0.00	$219,400.00	$0.00
Total Revenues and Other Financing Sources		$62,406.87	$1,471,504.38	$949,899.93
	Total Resources	$402,535.11	$3,218,294.51	$1,429,023.06
Operating Expenditures:				
510	General Government	$0.00	$0.00	$0.00
520	Public Safety	$0.00	$0.00	$0.00
530	Physical Environment	$0.00	$1,096,474.33	$899,408.15
540	Transportation	$0.00	$0.00	$0.00
550	Economic Environment	$0.00	$0.00	$0.00
560	Mental and Physical Health	$0.00	$0.00	$0.00
570	Culture and Recreational	$0.00	$0.00	$0.00
	Total Operating Expenditures	$0.00	$1,096,474.33	$899,408.15
591-593	Debt Service	$0.00	$15,908.61	$0.00
594-595	Capital Outlay	$0.00	$66,548.74	$7,540.53
	Total Expenditures	$0.00	$1,178,931.68	$906,948.68
597-599	Other Financing Uses	$300,000.00	$219,400.00	$0.00
Total Expenditures and Other Financing Uses		$300,000.00	$1,398,331.68	$906,948.68
Excess (Deficit) of Resources Over Uses		$402,535.11	$1,819,962.83	$522,074.38
380	Nonrevenues (Except 384)	$0.00	$750.00	$32,572.89
580	Nonexpenditures (Except 584)	$0.00	$195,695.14	$32,573.11
Ending Cash and Investments:				
508.10	Reserved	$110,000.00	$38,600.00	$0.00
508.80	Unreserved	$292,535.11	$1,586,417.69	$522,074.16

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

City of Clarkston

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		420 Ambulance / Ems Fund Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
308.10	Reserved	$0.00	$0.00	$0.00
308.80	Unreserved	$135,636.14	$0.00	$0.00
388.80 or 588.80	Prior Period Adjustments	$0.00	$0.00	$0.00
Revenues and Other Sources				
310	Taxes	$410,259.34	$0.00	$0.00
320	Licenses and Permits	$0.00	$0.00	$0.00
330	Intergovernmental	$18,207.00	$0.00	$0.00
340	Charges for Goods and Services	$236,927.21	$0.00	$0.00
350	Fines and Penalties	$0.00	$0.00	$0.00
360	Miscellaneous	$1,313.88	$0.00	$0.00
370	Capital Contributions	$0.00	$0.00	$0.00
390	Other Financing Sources	$343,723.05	$0.00	$0.00
Total Revenues and Other Financing Sources		$1,010,430.48	$0.00	$0.00
	Total Resources	$1,146,066.62	$0.00	$0.00
Operating Expenditures:				
510	General Government	$0.00	$0.00	$0.00
520	Public Safety	$804,000.92	$0.00	$0.00
530	Physical Environment	$0.00	$0.00	$0.00
540	Transportation	$0.00	$0.00	$0.00
550	Economic Environment	$0.00	$0.00	$0.00
560	Mental and Physical Health	$0.00	$0.00	$0.00
570	Culture and Recreational	$0.00	$0.00	$0.00
	Total Operating Expenditures	$804,000.92	$0.00	$0.00
591-593	Debt Service	$2,902.35	$0.00	$0.00
594-595	Capital Outlay	$44,820.92	$0.00	$0.00
	Total Expenditures	$851,724.19	$0.00	$0.00
597-599	Other Financing Uses	$89,483.05	$0.00	$0.00
Total Expenditures and Other Financing Uses		$941,207.24	$0.00	$0.00
Excess (Deficit) of Resources Over Uses		$204,859.38	$0.00	$0.00
380	Nonrevenues (Except 384)	$100,000.00	$0.00	$0.00
580	Nonexpenditures (Except 584)	$262,145.24	$0.00	$0.00
Ending Cash and Investments:				
508.10	Reserved	$0.00	$0.00	$0.00
508.80	Unreserved	$42,714.14	$0.00	$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0197

STATEMENT C-5

City of Clarkston

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

	Total for All Funds 1/	**635 Agency Fund - Trust Account**			
	Total Amount	**Actual Amount**	**Actual Amount**	**Actual Amount**	**Actual Amount**
Beginning Cash and Investments	($7,522.04)	($7,522.04)	$0.00	$0.00	$0.00
Prior Period Adjustments	$0.00	$0.00	$0.00	$0.00	$0.00
Revenue and Other Financing Sources	$0.00	$0.00	$0.00	$0.00	$0.00
Total Resources	($7,522.04)	($7,522.04)	$0.00	$0.00	$0.00
Expenditures And Other Financing Uses	$0.00	$0.00	$0.00	$0.00	$0.00
Excess (Deficit) of Resources Over Uses	($7,522.04)	($7,522.04)	$0.00	$0.00	$0.00
Nonrevenues (Except 384)	$723,858.03	$723,858.03	$0.00	$0.00	$0.00
Nonexpenditures (Except 584)	$723,762.01	$723,762.01	$0.00	$0.00	$0.00
Ending Cash and Investments	($7,426.02)	($7,426.02)	$0.00	$0.00	$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Clarkston reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting S*ystem (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Clarkston was incorporated in 1902 and operates under the laws of the state of Washington applicable to a non-charter code city. The City is a general purpose government and provides police, fire, ambulance, community development, parks, sewer, streets, surface water management and sanitation services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City. 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 City.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

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.

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 City in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that City holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

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

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001 – General Fund	$4,312,715	$3,968,573	$344,142
004 - CE Reserve	$0	$0	$0
006 – Emp Benefit Reserve	$0	$0	$0
007 – Community Projects	$16,000	$12,000	$4,000
010 - National Night Out	$1,600	$621	$979
011 – Victims' Rights	$4,000	$2,893	$1,107
016 - Vehicle Reserve	$29,000	$29,000	$0
017 - DARE Fund	$4,750	$3,982	$768
037 – CDBG Fund	$25,000	$0	$25,000
102 – Rescue One	$7,700	$4,713	$2,987
103 – Street Fund	$1,146,888	$1,027,106	$119,782
105 – Street Reserve	$0	$0	$0
108- Drug Enforcement	$7,500	$32	$7,468
120-Ambulance	$1,108,300	$991,707	$116,593

121-EMS Capital Reserve	$6,700	$6,700	$0
130 – Lodging Tax	$83,580	$83,480	$100
202 – Capital Improvement	$49,340	$49,340	$0
400 – Sewer O & M	$1,293,360	$1,237,476	$55,884
401 – Sewer Equip Reserve	$0	$0	$0
402 – Sewer Line Reserve	$0	$0	$0
403 – Sewer Cap Replacement	$0	$0	$0
404 – Sewer Reserve	$0	0	$0
405 – Sewer Construction	$4,937,640	$1,949,667	$2,987,973
406 – Sewer Revenue Bond	$85,400	$81,750	$3,650
407 – PWTF Loan Fund	$25,000	$0	$25,000
408 – SRF Loan Fund	$63,625	$38,585	$25,040
409 – Stormwater O & M	$465,360	$370,157	$95,203
410 – Sanitation O & M	$1,077,510	$1,046,837	$30,673
411 – Sanitation Equip Rsrv	$0	0	0

Budgeted amounts are authorized to be transferred between 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 legislative body.

d. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The City deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

f. Investments See Note #3.

g. Capital Assets

Capital assets are assets with an initial individual cost of more than $2,500. The capital assets of the City are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 1.5 x the annual earnable amount for each employee and is payable upon separation or retirement.

Sick leave may be accumulated up to 960 hours for general employees with larger accumulative amounts as determined by collective bargaining agreements. Upon separation or retirement employees with a hire date prior to January 1, 1985 will be compensated for a portion of unused sick leave.

j. Long-Term Debt See Note #6

k. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers in and out.

l. Risk Management

The City of Clarkston is a member of 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 153 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, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are $4 million per occurrence self insured layer, and $16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are $20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to $750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

m. Reserved Fund Balance

The City has three funds with Reserved Ending Balances. They are the WWTP Construction Fund with a reserve of $1,344,325, which is dedicated to a construction project funded with a revenue bond and Public Works Trust Fund Loan; the Sewer Revenue Bond Fund with a reserve of $135,106 required by bond covenants; and the SRF Loan Fund with a reserve of $38,600 required by the loan agreement.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

There have been no expenditures exceeding legal appropriations in any of the funds of the City.

NOTE 3 - INVESTMENTS

The City investments are either insured, registered or held by the City or its agent in the City's name.

Investments are presented at face value.

Investments by type at December 31, 2012 are as follows:

Type of Investment	(City/County/District's) own investments	Investments held by City as an agent for other local governments, individual or private organizations.	Total
L.G.I.P.	$2,152,739.23	$	$2,152,739.23
US Bank (US Gov Securities)	$3,635,000.00		$3,635,000.00
Banner Bank (CD)	$ 245,000.00		$ 245,000.00
Twin River Bank (CD)	$ 245,000.00		$ 245,000.00
Total	$6,277,739.23	$ 0	$6,277,739.23

NOTE 4 - PROPERTY TAX

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

Property tax revenues are recognized when cash is received by 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 2012 was $2.18909709 per $1,000 on an assessed valuation of $396,537,460 for a total regular levy of $868,059.

In 2012 the City also levied $1.29366254 per $1,000 of the assessed valuation of $89,284,675 (which is the adjusted assessed valuation deducting the senior citizen exemptions) for an E.M.S. levy for a total additional levy of $503,603..

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2012:

Borrowing Fund	Lending Fund	Balance 1/1/2012	New Loans	Repayments	Balance 12/31/2012
120	001	$0	$50,000	$50,000	$0
	Totals	$0	$50,000	$50,000	$0

NOTE 6 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for the year ended December 31, 2012

The debt service requirements for general obligation bonds, revenue bonds, notes and public works loan, including both principle and interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2012	$121,524	$164,749	$0	$286,273
2013	$120,174	$217,381	$23,058	$360,613
2014	$111,809	$216,381	$24,630	$352,820
2015	$98,294	$215,381	$24,522	$338,197
2016	$96,794	$214,131	$24,414	$335,339
2017	$99,794	$212,881	$24,306	$336,981
2018 - 2022	$485,070	$896,551	$119,905	$1,501,526
2023 - 2027	$484,288	$862,957	$117,205	$1,464,450
2028 - 2032	$296,809	$856,657	$114,505	$1,267,971
2033 – 2037	-0-	$636,500	$111,805	$748,305
2038 - 2042	-0-	$501,750	$87,503	$589,253
Totals	$1,914,556	$4,995,319	$671,853	$7,581,728

The City has been awarded a Public Works Trust Fund Loan for $10,000,000 at an interest rate of 0.05% for a Wastewater Treatment Plant Improvement project. As of December 31, 2012 the City had drawn $671,853. The loan payments are reflected in the "Other Debt" column.

NOTE 7 - PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS, LEOFF, or Volunteer Firefighters Relief & Pension Fund administered by the Washington State Department of Retirement Systems or the Board of Volunteer Firefighters, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 8 - OTHER DISCLOSURES

OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to the LEOFF I retirement system. These benefits include health insurance, medical, vision, nursing care and related expenses. Twelve retirees received benefits during the year and $208,237 was paid out for those benefits during the year.

Ongoing Litigation

The City is involved in litigation with Skyline Contractors, Inc. The City contracted with Skyline in 2011 to remodel the Public Safety Building. Substantial completion date of the project according to the contract was to have been January 15, 2012. The City issued a letter of substantial completion on March 21, 2012. However, the City has received claims against the bond and retainage totaling $178,000. The bonding company is nonresponsive to the claims and they are still outstanding. Skyline filed suit against the City in the amount of $870,000. The City is in possession of retainage in the amount of $37,600 and the outstanding contract balance of $52,000. Skyline has subsequently filed for bankruptcy protection. There is no anticipated date for resolution of this case.

Construction Commitment

The City has an active construction project as of December 31, 2012. The project is an upgrade of the Wastewater Treatment Plant.

At year-end the city's commitment with the contractoris as follows:

Project	**Spent to Date**	**Remaining Commitment**
WWTP Upgrade	$1,100,596	$14,403,260

The City received a Public Works Trust Fund loan for $10,000,000 to be repaid over thirty years at an interest rate of 0.05%. The City also issued a sewer revenue bond for $2,210,000 in 2011 with final maturity in 2041 at an interest rate of 4.26%. The City plans to issue additional sewer revenue bonds to complete the project in 2013 for approximately $2,500,000.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Clarkston reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting S*ystem (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Clarkston was incorporated in 1902 and operates under the laws of the state of Washington applicable to a non-charter code city. The City is a general purpose government and provides police, fire, ambulance, community development, parks, sewer, streets and sanitation services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City. 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 City.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

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.

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 City in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that City holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

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

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001 – General Fund	$5,286,020	$4,869,196	$416,824
004 - CE Reserve	$200,000	$200,000	$0
006 – Emp Benefit Reserve	$0	$0	$0
007 – Community Projects	$900	$203	$697
010 - National Night Out	$1,600	$649	$951
011 – Victims' Rights	$4,000	$2,578	$1,422
016 - Vehicle Reserve	$99,000	$92,000	$7,000
017 - DARE Fund	$4,725	$3,472	$1,253
037 – CDBG Fund	$25,200	$0	$25,200
102 – Rescue One	$10,200	$2,446	$7,754
103 – Street Fund	$1,151,120	$728,197	$422,923
105 – Street Reserve	$125,000	$125,000	$0
108= Drug Enforcement	$7,600	$2,895	$4,705
130 – Lodging Tax	$90,500	$90,079	$421
202 – Capital Improvement	$380,000	$380,000	$0
400 – Sewer O & M	$2,336,235	$2,034,867	$301,368
401 – Sewer Equip Reserve	$150,000	$150,000	$0
402 – Sewer Line Reserve	$150,000	$60,000	$90,000
403 – Sewer Cap Replacement	$120,000	$120,000	$0
404 – Sewer Reserve	$100,000	0	$100,000

405 – Sewer Construction	$184,610	$183,736	$874
406 – Sewer Revenue Bond	$0	0	0
407 – PWTF Loan Fund	$96,875	$95,921	$954
408 – SRF Loan Fund	$38,600	$38,584	$16
409 – Stormwater O & M	$2,000	$856	$1,144
410 – Sanitation O & M	$1,202,630	1,167,814	$34,816
411 – Sanitation Equip Rsrv	$0	0	0
420 – Ambulance	$1,100,520	$948,602	$151,918
421 – EMS Capital Reserve	$0	0	0

Budgeted amounts are authorized to be transferred between 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 legislative body.

d. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The City deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

f. Investments See Note #3.

g. Capital Assets

Capital assets are long-lived assets of the City and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 1.5 x the annual earnable amount for each employee and is payable upon separation or retirement.

Sick leave may be accumulated up to 960 hours for general employees with larger accumulative amounts as determined by collective bargaining agreements. Upon separation or retirement employees employees with a hire date prior to January 1, 1985 will be compensated for a portion of unused sick leave.

j. Long-Term Debt See Note #6

k. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers in and out.

l. Risk Management

The City of Clarkston is a member of 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 150 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, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are $4 million per occurrence self insured layer, and $16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are $20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to $500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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. These revenues directly offset portions of the membership's annual assessment.

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.

m. Reserved Fund Balance

The City has three funds with Reserved Ending Balances. They are the WWTP Construction Fund with a reserve of $2,000,490, which is dedicated to a construction project funded with revenue bond; the Sewer Revenue Bond Fund with a reserve of $135,106 required by bond covenants; and the SRF Loan Fund with a reserve of $38,600 required by the loan agreement.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

There have been no expenditures exceeding legal appropriations in any of the funds of the City.

NOTE 3 - INVESTMENTS

The City investments are either insured, registered or held by the City or its agent in the City's name.

Investments are presented at face value.

Investments by type at December 31, 2011 are as follows:

Type of Investment	(City/County/District's) own investments	Investments held by City as an agent for other local governments, individual or private organizations.	Total
L.G.I.P.	$1,677,866.60	$	$1,677,866.60
US Bank	$2,505,000.00		$2,505,000.00
Banner Bank (CD)	$ 245,000.00		$ 245,000.00
Twin River Bank (CD)	$ 245,000.00		$ 245,000.00
Total	$4,672,866.60	$ 0	$4,672,866.60

NOTE 4 - PROPERTY TAX

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

Property tax revenues are recognized when cash is received by 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 2011 was $2.19578173 per $1,000 on an assessed valuation of $387,764,407 for a total regular levy of $851,446.
In 2011 the City also levied $1.21725563 per $1,000 of the assessed valuation of $381,048,967 (which is the adjusted assessed valuation deducting the senior citizen exemptions) for an E.M.S. levy for a total additional levy of $463,834.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2011:

Borrowing Fund	Lending Fund	Balance 1/1/2011	New Loans	Repayments	Balance 12/31/2011
420	001	$0	$20,000	$20,000	$0
	Totals	$0	$20,000	$20,000	$0

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liability of the City and summarizes the City debt transactions for 2011. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2011	$ 122,874	$134,506	$	$257,380
2012	$ 121,524	$164,749		$286,273
2013	$ 120,174	$173,372		$293,546
2014	$ 111,809	$172,372		$284,181
2015	$ 98,294	$171,372		$269,666
2016	$ 96,794	$170,121		$266,915
2017 - 2021	$ 486,769	$718,414		$1,205,183
2022 - 2026	$ 485,319	$638,789		$1,121,108
2027 - 2031	$ 393,875	$664,705		$1,058,580
2032 – 2036	-0-	$636,750		$636,750
2037 - 2041	-0-	$626,500		$626,500
Totals	$2,037,432	$4,271,650	$ -0-	$6,309,082

The City has been awarded a Public Works Trust Fund Loan for $10,000,000 at an interest rate of 0.05% for a Wastewater Treatment Plant Improvement project. No funds have been drawn from that loan as of August 21, 2012.

NOTE 7 - PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS, LEOFF, or Volunteer Firefighters Relief & Pension Fund administered by the Washington State Department of Retirement Systems or the Board of Volunteer Firefighters, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 8 - OTHER DISCLOSURES

OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to the LEOFF I retirement system. These benefits include health insurance, medical, vision, nursing care and related expenses. Twelve retirees received benefits during the year and $184,976 was paid out for those benefits during the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Clarkston reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System, (BARS) manual. The basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Clarkston was incorporated in 1902 and operates under the laws of the State of Washington applicable to a non-charter code city. The City is a general purpose government and provides police, fire, ambulance, community development, parks, sewer, streets and sanitation services. The City uses single entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Clarkston:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City. 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 revenues that are legally restricted or committed to expenditures for specified purposes of the City.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Project 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.

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 City in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account for assets that the City holds for others in an agency capacity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

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

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001 - General Fund	$5,148,228	$4,825,137	$323,091
004 – CE Reserve	$600	$600	$0
006 – Emp Benefit Rsrv	$0	$0	$0
007 – Community Projects	$0	$0	$0
102 – Rescue One	$29,000	$27,228	$1,772
103 – Street Fund	$1,404,380	$1,020,033	$384,347
105 – Street Reserve	$150,000	$125,000	$25,000
106 – Vehicle Reserve	$79,200	$79,200	$0
107 – DARE Fund	$4,825	$4,766	$59
108 – Drug Enforcement	$5,500	$269	$5,231
110 – National Night Out	$1,600	$65	$1,535
111 – Victims Rights	$4,000	$2,450	1,550
130 – Lodging Tax	$140,450	$90,358	$50,092
202 – Capital Improvement	$385,000	$300,000	$85,000
378 – CDBG Fund	$25,200	17,000	8,200
400 – Sewer O & M	$1,662,060	$1,382,423	279,637
401 – Sewer Equip Rsrv	$0	$0	$0
402 – Sewer Line Reserve	$0	$0	$0
403 – Sewer Capital Rplcmnt	$0	$0	$0
404 – Sewer Reserve	$0	$0	$0
407 – PWTF Loan	$96,875	$96,871	$4
408 – SRF Loan	$89,485	$114,732	$(25,247)
410 – Sanitation O & M	$1,157,840	$926,949	$230,891
411 – Sanitation Equip Rsrv	$0	$0	$0
420 – Ambulance	$939,584	$877,483	$62,101
421 – EMS Capital Reserve	$0	$0	$0

Budgeted amounts are authorized to be transferred between object classes within department; 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.

D. Cash

It is the city's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments

See Note #3

G. Capital Assets

Capital assets are long-lived assets of the City and are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 1.5 x the annual earnable amount for each employee and is payable upon separation or retirement.

Sick leave may be accumulated up to 960 hours for general employees with larger accumulative amounts as determined by collection bargaining agreements. Upon separation or retirement employees with a hire date prior to January 1, 1985 will be compensated for any unused sick leave up to a maximum of 720 hours.

I. Long Term Debt

See Note #6

J. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consist of operating transfers in and out.

K. Risk Management

The City of Clarkston is a member of 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 145 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, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are $4 million per occurrence self-insured layer, and $16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are $20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to $500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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. These revenues directly offset portions of the membership's annual assessment.

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.

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.

L. Reserved Fund Balance

The City has two funds with Reserved Ending Balances. They are the Municipal Capital Improvement Fund with a reserve of $110,000 which is dedicated to a construction project and the Sewer Fund with a reserved balance of $38,600 which is designated by bond covenants.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

One fund exceeded legal appropriations in 2010. An early payment was made on a State Revolving Fund loan in Fund 408 at year end, resulting in $25,247 expenditure over the appropriated budget. That was the final payment on the loan and actually due in January 2011.

NOTE 3 - INVESTMENTS

The City's investments are either insured, registered or held by the City or its agent in the City's name.

Investments are presented at face value.

Investments by type at December 31, 2010 are as follows:

Type of Investment	Balance
L.G.I.P.	$3,346,536.21
U S Bank (PiperJaffray)	$2,500,000.00
Twin River Bank (CD)	$ 245,000.00
Banner Bank (CD)	$ 254,375.00
Total	$6,345,911.21

NOTE 4 - PROPERTY TAXES

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

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

The City's regular levy for the year 2010 was $2.2644491 per $1,000 on an assessed valuation of $368,614,603 for a total regular levy of $834,709.

In 2010 the City also levied $1.142724 per $1,000 of the assessed valuation of 362,146,907 (which is the adjusted assessed valuation deducting the senior citizen exemptions) for an E.M.S. levy for a total additional levy of $413,834.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2010:

Borrowing Fund	Lending Fund	Balance 1/1/2010	New Loans	Repayments	Balance 12/31/2010
420	001	$-0-	$90,700.00	$90,700.00	$ 0-
420	001	$-0-	$100,000.00	$100,000.00	$-0-
	TOTALS	$-0-	$190,700.00	$190,700.00	$-0-

NOTE 6 - LONG TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City and summarizes the City's debt transactions for 2010. The debt service requirements, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2010	37,890	211,603	0	249,493
2011	122,874	134,505	0	257,379
2012	121,524	38,584	0	160,108
2013	120,174	38,584	0	158,758
2014	111,809	38,584	0	150,393
2015	98,294	38,584	0	136,878
2016-2020	487,769	96,460	0	584,229
2021-2025	485,394	0	0	485,394
2026-2030	489,592	0	0	489,592
TOTAL	$2,075,320	$596,904	0	$2,672,224

NOTE 7 - PENSION PLAN

Substantially all City of Clarkston, full-time and qualifying part-time employees participate in PERS, LEOFF, or Volunteer Fire Fighters Relief & Pension Fund administered by the Washington State Department of Retirement Systems or the Board of Volunteer Firefighters, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both the employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement System
Communications Unit
P O Box 48380
Olympia, WA 98504-8380

NOTE 8 – OTHER DISCLOSURES

In 2010 the City applied for a Public Works Trust Fund loan and USDA Rural Development loan to fund a planned upgrade to the City's Waste Water Treatment Plant. The City received notice on May 27, 2011 that we were awarded a $10 million loan through the Public Works Trust Fund. The total project is estimated at $12 million. The balance of the funding is expected to come from USDA and the project should go to bid in the fall of 2011.

MCAG NO. 0197

City of Clarkston

Schedule 09

Schedule of Liabilities

For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2012
General Obligations								
	251.11	GO Bond, City Hall	12/1/2012	1,225,000	0	45,000	59119	1,180,000
	259.11	Compensated Balances		395,727	253,367	250,002		399,092
	263.96	LOCAL #0197-3-1, Ambulance	12/1/2012	58,310	0	22,975	58226	35,335
			Total General Obligations:	**1,679,037**	**253,367**	**317,977**		**1,614,427**
Revenue Obligations								
	263.82	PWTF Loan, PC12-951-035	6/1/2013	0	626,542	0	58235	626,542
	263.82	SRF Loan, L9700039	9/1/2012	216,785	0	29,577	58235	187,208
	252.11	Sewer REvenue Bond, 2011	12/1/2012	2,210,000	0	45,000	58235	2,165,000
	259.12	Compensated Balances		155,716	54,874	65,248		145,342
	263.82	SRF Loan #L1200009	6/30/2013	0	660,480	0	58235	660,480
			Total Revenue Obligations:	**2,582,501**	**1,341,896**	**139,825**		**3,784,572**
			Total Liabilities:	**4,261,538**	**1,595,263**	**457,802**		**5,398,999**

MCAG NO. 0197

City of Clarkston

Schedule 09

Schedule of Liabilities

For the year ended December 31, 2011

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2011
General Obligations								
	251.11	GO Bond, City Hall	12/1/2011	1,270,000	0	45,000	59119	1,225,000
	259.11	Compensated Balances		344,560	224,332	173,165		395,727
	263.96	LOCAL #0197-3-1	12/1/2011	80,831	0	22,521	58226	58,310
			Total General Obligations:	**1,695,391**	**224,332**	**240,686**		**1,679,037**
Revenue Obligations								
	252.11	Sewer REvenue Bond, 2011	12/1/2012	0	2,210,000	0	58235	2,210,000
	259.12	Compensated Balances		344,560	96,448	285,292		155,716
	263.82	PWTF Loan, Sewer	6/1/2011	94,971	0	94,971	58235	0
	263.82	SRF Loan #L9700039	9/1/2011	245,130	0	28,345	58211	216,785
			Total Revenue Obligations:	**684,661**	**2,306,448**	**408,608**		**2,582,501**
			Total Liabilities:	**2,380,052**	**2,530,780**	**649,294**		**4,261,538**

MCAG NO. 0197

City of Clarkston

Schedule 09

Schedule of Liabilities

For the year ended December 31, 2010

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2010	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2010
General Obligations								
	263.96			0	92,000	12,015	58226	79,985
	251.11			0	1,270,000		59119	1,270,000
	259.11			344,560			59119	344,560
			Total General Obligations:	**344,560**	**1,362,000**	**12,015**		**1,694,545**
Revenue Obligations								
	263.82			73,558		73,558	58235	0
	263.82			189,942		94,971	58235	94,971
	263.82			272,294		27,164	58235	245,130
	259.12			344,560			58238	344,560
			Total Revenue Obligations:	**880,354**		**195,693**		**684,661**
			Total Liabilities:	**1,224,914**	**1,362,000**	**207,708**		**2,379,206**

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City of Clarkston

Schedule 16

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2012

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award I.D. Number	Expenditures			Foot Note Ref.
				From Pass-Through Awards	From Direct Awards	Total Amount	
Violence Against Women Office, Department Of Justice/Commerce	Violence Against Women Formula Grants	16.588	F11-31103-005	15,189		15,189	1,2
Bureau Of Justice Assistance, Department Of Justice/	Bulletproof Vest Partnership Program	16.607	n/a		1,094	1,094	1,2
Bureau Of Justice Assistance, Department Of Justice/Whitman County	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M12-34021-018	36,001		36,001	1,2
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Traffic Safety Commission	State and Community Highway Safety	20.600	n/a	1,927		1,927	1,2
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	n/a	1,265		1,265	1,2
Office Of Water, Environmental Protection Agency/Dept of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1200009	380,840		380,840	1,2

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City of Clarkston

Schedule 16

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2012

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award I.D. Number	Expenditures			Foot Note Ref.
				From Pass-Through Awards	From Direct Awards	Total Amount	
Department Of Homeland Security/	Assistance to Firefighters Grant	97.044	EMW-2010-FR-00253		91,113	91,113	1,2,4
Department Of Homeland Security/Asotin County	Homeland Security Grant Program	97.067	2010-SS-TO-0084	16,193		16,193	1,2,3
Department Of Homeland Security/	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2008-FF-01250		20,957	20,957	1,2
Department Of Homeland Security/	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2011-FH-00998		53,730	53,730	1,2
			Total CFDA 97.083	**0**	**74,687**	**74,687**	
			Total Federal Awards Expended:	**451,415**	**166,894**	**618,309**	

City of Clarkston

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

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NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City of Clarkston uses the cash basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

NOTE 3 - NONCASH AWARDS - EQUIPMENT

The City received equipment and supplies that were purchased with federal Homeland Security funds by Asotin County. The amount reported on the schedule is the value of the property on the date it was received by City and priced by Asotin County.

NOTE 4 – AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is $$9,352 in equipment that was passed through to a subrecipient.

ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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Chief of Staff	**Doug Cochran**
Director of State and Local Audit	**Chuck Pfeil, CPA**
Deputy Director of State and Local Audit	**Kelly Collins, CPA**
Deputy Director of State and Local Audit	**Jan M. Jutte, CPA, CGFM**
Deputy Director of State and Local Audit	**Sadie Armijo**
Deputy Director of Quality Assurance	**Barb Hinton**
Deputy Director of Communications	**Thomas Shapley**
Local Government Liaison	**Mike Murphy**
Public Records Officer	**Mary Leider**
Main number	**(360) 902-0370**
Toll-free Citizen Hotline	**(866) 902-3900**

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