



Office of the Washington State Auditor

Pat McCarthy

Exit Conference: City of Clarkston

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Accountability audit for January 1, 2019 through December 31, 2020 – see draft report.
- Financial statement audit for January 1, 2019 through December 31, 2020 – see draft report.
- Federal grant compliance audit for January 1, 2020 through December 31, 2020 – see draft report.

Audit Highlights

- We thank City officials and staff for the time and resources rendered to us during the audit.
- In particular, we would like to thank Steve Austin, Darren White, Michelle Courtney, and Erica Fisher for their cooperation, assistance and providing us with all necessary documentation to perform the audit.

Recommendations not included in the Audit Reports

Management Letters

Management letters communicate control deficiencies, non-compliance or abuse with a less-than-material effect on the financial statements or other items significant to our audit objectives. Management letters are referenced, but not included, in the audit report. We noted certain matters that we are communicating in a letter to management related to financial statement preparation.

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Status of Prior Management Letter items

Brief Description	In Progress	Unresolved	Resolved
Financial statement preparation		X	
Cost allocation plan	X		
Theft-sensitive assets	X		

Communications required by audit standards

In relation to our financial statement audit report, we would like to bring to your attention:

- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements.
- There were no material misstatements in the financial statements corrected by management during the audit.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal>.

Management Representation Letter

We have included a copy of representations requested of received from management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be \$34,800 and actual audit costs will approximate \$40,000. Additional time was required to address audit exceptions identified in the financial statement and federal grant compliance audits.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in 2022 and will cover the following general areas:

- Accountability for Public Resources
- Financial Statement
- Federal Programs

The estimated cost for the next audit based on current rates is \$28,000 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

Working Together to Improve Government

Audit Survey

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation of the Office of the Washington State Auditor is designed to offer services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean, peer-to-peer networking and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

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Attachment: Schedule of Uncorrected Misstatements

Year	Statement / Schedule	Description
2019	Fund Resources and Uses Arising from Cash Transactions	Miscellaneous revenues reported in the financial statements did not agree to the general ledger by \$16,533, which understated both revenues and ending cash and investments.
2019	Notes to Financial Statements	Actual expenditures for the Sanitation O & M Fund 410 disclosed in the budget note do not agree to the general ledger by \$42,922 (understatement).
2019	Notes to Financial Statements	The City did not disclose bank deposits in its deposits and investments note and the amounts disclosed in the note do not agree to the financial statements by \$27,111 as the BARS Manual prescribes (overstatement).
2020	Fund Resources and Uses Arising from Cash Transactions	Difference of approximately \$3,612 between the auditor's expectation of total beginning cash and investments and actual beginning cash and investments reported in the financial statements (overstatement).
2020	Fund Resources and Uses Arising from Cash Transactions	Difference of approximately \$218,203 between the auditor's expectation of total revenues and actual revenues reported in the financial statements (understatement).
2020	Fund Resources and Uses Arising from Cash Transactions	Difference of approximately \$232,340 between the auditor's expectation of total expenditures and actual expenditures reported in the financial statements (understatement).
2020	Fund Resources and Uses Arising from Cash Transactions	Difference of approximately \$491 between the auditor's expectation of total ending cash and investments and actual ending cash and investments reported in the financial statements (overstatement).
2020	Notes to Financial Statements	Actual expenditures for the Sanitation O & M Fund 410 disclosed in the budget note do not agree to the general ledger by \$47,136 (understatement).
2020	Notes to Financial Statements	The City did not disclose bank deposits in its deposits and investments note and the amounts disclosed in the note do not agree to the financial statements by \$321,269 as the BARS Manual prescribes (understatement).



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Clarkston

For the period January 1, 2019 through December 31, 2020

Published (Inserted by OS)

Report No. 1030199



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

Issue Date – (Inserted by OS)

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,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Federal Award Findings and Questioned Costs.....	6
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.....	13
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	16
Independent Auditor's Report on the Financial Statements	19
Financial Section.....	23
Corrective Action Plan for Findings Reported Under Uniform Guidance	49
About the State Auditor's Office.....	50

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Clarkston January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Clarkston are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified 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 identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified 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 findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
97.044	Assistance to Firefighters Grant

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2020-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Clarkston January 1, 2020 through December 31, 2020

2020-001 The City had inadequate internal controls for ensuring compliance with federal procurement, suspension and debarment, and cash management requirements.

CFDA Number and Title:	97.044 – Assistance to Firefighters Grant
Federal Grantor Name:	Federal Emergency Management Agency (FEMA)
Federal Award/Contract Number:	EMW-2018-FO-01923 EMW-2019-FO-01017 EMW-2020-FO-00798
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$0

Background

The purpose of the Assistance to Firefighters Grant (AFG) is to enhance the safety of the public and firefighters by providing direct financial assistance for critically needed resources that equip and train emergency personnel to recognized standards. During fiscal year 2020, the City spent \$369,623 in AFG program funds to pay for self-contained breathing apparatus (SCBA) devices, rapid intervention team (RIT) kits, and radio equipment.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Procurement

Federal regulations require award recipients to follow their own documented procurement procedures, which must reflect the most restrictive of applicable federal, state or local laws. The procedures must conform to federal procurement standards of 2 CFR 200.318-327 and ensure recipients follow the most restrictive thresholds and methods when using federal funds. Additionally, federal regulations require recipients to maintain written standards of conduct covering conflicts of interest and governing the actions of employees engaged in the selection, award, or administration of contracts procured with federal funds.

When using federal funds to procure goods or services, governments must apply the more restrictive of federal requirements, state law or local policy by obtaining quotes or following a competitive bidding process, depending on the estimated cost of the purchase. City policy and state law are most restrictive and require a formal bid process for purchases of goods and services of \$15,000 or more.

State and federal requirements allow local entities to bypass normal procurement laws through a process commonly referred to as “piggybacking.” This process allows entities to purchase goods and services using contracts awarded by another government or group of governments via an interlocal agreement or cooperative. To comply with piggybacking law, the entity must enter into this interlocal agreement before it purchases services or goods from the other entity’s bid contract. If the City uses such an agreement, federal regulations require it to confirm the awarding entity followed all procurement laws and regulations applicable to the City when selecting the contractor.

Suspension and debarment

Federal requirements prohibit grant recipients from contracting with parties suspended or debarred from doing business with the federal government. Whenever the City contracts for goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractor is not suspended or debarred. The City can verify a contractor’s status by obtaining written certification from the contractor, or it can insert a clause into the contract stating the contractor is not suspended or debarred. Alternatively, the City can check the U.S. General Services Administration’s Excluded Parties List System (EPLS). The City must meet one of these requirements before awarding the contract or making purchases, and it must keep documentation demonstrating compliance with this federal requirement.

Cash management

The City's grant agreements allowed it to receive award funds as cash advances or reimbursements for allowable program costs. For cash advances, federal regulations and the grant agreements require recipients to:

- Maintain written procedures that minimize the time between the receipt of federal funds from the grantor and the disbursement of those funds to contractors providing goods and services. The grantor requires recipients to disburse funds within 30 days of receiving advances.
- Track interest earned on cash advances and remit interest earnings exceeding \$500 back to the grantor.

Description of Condition

Procurement

The City's established purchasing policy does not conform to federal procurement standards and does not include all methods for procurement, such as piggybacking. Additionally, the City's own written conflict of interest policy does not conform to federal regulations because it does not include the following elements:

- No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if they have a real or apparent conflict of interest.
- The officers, employees, and agents may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.

Although the City has controls over procurement, they were ineffective for ensuring compliance with all applicable requirements. The City did not perform competitive procurement procedures or establish an interlocal agreement to piggyback on a lead awarding agency's contract before purchasing \$210,902 in RIT kits and SCBA equipment of which the City charged \$207,359 to the federal program. Further, the City did not obtain a copy of the lead agency's cost or price analysis to confirm it performed the analysis before receiving bids or proposals, as federal regulations require.

We consider this internal control deficiency to be a material weakness, which led to material noncompliance.

Suspension and debarment

The City did not have effective internal controls for verifying the suspension and debarment status of contractors for purchases exceeding \$25,000. The City did business with two contractors without maintaining documentation demonstrating it verified the contractors were not suspended or debarred.

We consider this internal control deficiency to be a material weakness, which led to material noncompliance.

Cash management

The City did not have effective internal controls for ensuring it established written procedures over cash advances and disbursed federal funds to the contractor within 30 days, as the grantor requires. Additionally, the City did not have a process in place to track interest earned on cash advances for remittance back to the grantor when applicable.

We consider this internal control deficiency to be a significant deficiency.

These issues were not reported as findings in the prior audit.

Cause of Condition

Procurement

City employees were aware the purchasing and conflict of interest policies needed updating to conform to federal procurement standards. However, the City did not prioritize updating the policies before procuring contracts with federal funds. City employees thought they followed piggybacking procedures, but they were unaware the City did not enter into an interlocal agreement with the lead agency that procured and awarded the contracts. Further, the City had copies of the lead agency's procurement documentation, but could not locate the cost or price analysis and did not perform its own analysis before making the purchase.

Suspension and debarment

The Clerk Treasurer said the Fire Chiefs, who are no longer with the City, provided verbal confirmation that they verified the contractors' suspension and debarment status. However, the City did not keep documentation demonstrating it verified contractors were not suspended or debarred from participating in federal programs before entering into contracts.

Cash management

City employees were not aware the City was required to establish written procedures for cash advances. They also said they did not track interest earned from cash advances because the amount of time that elapses between receiving and disbursing federal funds is typically less than 30 days and they keep all federal funds received in a noninterest-bearing account. The City intended to spend the cash advance in a timely manner, but did not receive the contractor's invoice to allow for payment until about four months after it delivered the goods. Further, the City did not document its efforts to obtain the contractor's invoice or to notify the grantor of the delay in disbursing funds.

Effect of Condition

Procurement

Without updated written procedures, the City is at greater risk of noncompliance with following the most restrictive procurement methods and standards of conduct requirements when procuring contractors paid all or in part with federal funds.

Additionally, because the City did not enter into an interlocal agreement with the lead agency, state law would have required it to competitively procure the equipment purchases. Without effective internal controls that ensure it followed procurement or piggybacking procedures, the City cannot demonstrate it complied with applicable federal procurement requirements and received the best price when purchasing equipment. However, since the purchase was allowable under the federal program, we are not questioning costs.

Suspension and debarment

The City paid two contractors \$369,264 in federal funds during fiscal year 2020, and it did not obtain written certifications, insert clauses into contracts, or check the EPLS to verify the contractors were not suspended or debarred before contracting.

Without effective internal controls and maintaining documentation, the City cannot ensure the contractors it paid with federal funds are eligible to participate in federal programs. Any program funds the City used to pay contractors that have been suspended or debarred would be unallowable, and the federal grantor could potentially recover them. We subsequently verified the contractors were not suspended or debarred. Therefore, we are not questioning costs.

Cash management

We tested 12 invoices and found the City did not disburse payment for one invoice, totaling \$2,309, until 125 days after receipt of the cash advance. Because the City held the cash advance in a noninterest-bearing account, it was not required to remit any interest earnings to the grantor.

Recommendation

We recommend the City:

- Update and maintain its written procurement and standards of conduct policies and procedures and ensure they conform to federal standards for all procurement transactions
- Strengthen internal controls to ensure it procures goods and services in accordance with federal regulations and the City's own procurement policies and procedures
- Strengthen internal controls to maintain documentation demonstrating it verified contractors paid \$25,000 or more, all or in part with federal funds, are not suspended or debarred
- Establish and follow written policies and procedures for cash advances that ensure it minimizes the time between receiving and disbursing federal funds and tracks interest earned on cash advances

City's Response

The City is in the process of modifying the policy regarding federal procurement, suspension and debarment, and cash management to ensure compliance with usage of federal funds.

The City plans to update the procurement policy and standards of conduct policy to ensure that federal standards are being maintained.

The City will strengthen internal controls to ensure that procurement of goods and services will comply with federal regulations and the City's procurement policy.

The City will ensure that suspension and debarment documentation will be retained for purchases of \$25,000 or more to any contractor paid all or in part with federal funds.

The City will establish written cash management policy to minimize time between receiving and disbursing federal funds and to ensure compliance with the policy.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and professionalism during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures and requirements for maintaining records sufficient to detail the history of procurement.

Title 2 CFR Part 200, Uniform Guidance, section 320, Methods of procurement to be followed, establishes requirements for procuring with Federal funds by non-federal entities.

Title 2 CFR Part 180, OMB *Guidelines on Agencies on Government Wide Department and Suspension (Nonprocurement)* establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

Title 2 CFR Part 200, Uniform Guidance, section 305, Payment, establishes requirements for the method of reimbursement and disbursement of Federal funds by non-Federal entities.

Department of Homeland Security (DHS) Notice of Funding Opportunity (NOFO), section VIII, Payments and Amendments, specifies recipients shall be paid in advance, provided they maintain, or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of funds and its disbursement by the recipient (not to exceed 30 days).

INDEPENDENT AUDITOR'S REPORT

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

City of Clarkston January 1, 2019 through December 31, 2020

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, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 18, 2022.

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

As discussed in Note 9 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 9.

As discussed in Note 8 to the 2019 financial statements, during the year ended December 31, 2019 the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

In addition, we noted certain matters that we will report to the management of the City in a separate letter dated March 22, 2022.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

March 18, 2022

INDEPENDENT AUDITOR'S REPORT

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

City of Clarkston
January 1, 2020 through December 31, 2020

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed

below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001 to be a significant deficiency.

City's Response to Findings

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

March 18, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Clarkston January 1, 2019 through December 31, 2020

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, for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 23.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Clarkston, and its changes in cash and investments, for the years ended December 31, 2020 and 2019, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Clarkston, as of December 31, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matters of Emphasis

As discussed in Note 9 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 9. Our opinion is not modified with respect to this matter.

As discussed in Note 8 to the financial statements, in 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

March 18, 2022

FINANCIAL SECTION

City of Clarkston January 1, 2019 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to the Financial Statements – 2020
Notes to the Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Liabilities – 2019
Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020



City of Clarkston

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CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Clarkston

January 1, 2020 through December 31, 2020

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

Finding ref number: 2020-001	Finding caption: The City had inadequate internal controls for ensuring compliance with federal procurement, suspension and debarment, and cash management requirements
Name, address, and telephone of City contact person: Steve Austin, Clerk Treasurer 829 5th Street Clarkston, WA 99403 (509) 758-5541	
Corrective action the auditee plans to take in response to the finding: <i>The City is in the process of modifying the policy regarding federal procurement, suspension and debarment, and cash management to ensure compliance with usage of federal funds.</i> <i>The City plans to update the procurement policy and standards of conduct policy to ensure that federal standards are being maintained.</i> <i>The City will strengthen internal controls to ensure that procurement of goods and services will comply with federal regulations and the City's procurement policy.</i> <i>The City will ensure that suspension and debarment documentation will be retained for purchases of \$25,000 or more to any contractor paid all or in part with federal funds.</i> <i>The City will establish written cash management policy to minimize time between receiving and disbursing federal funds and to ensure compliance with the policy.</i>	
Anticipated date to complete the corrective action: Completed before the City's FY 2023.	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

March 22, 2022

City Council and Mayor
City of Clarkston
Clarkston, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our audit of the City of Clarkston from January 1, 2019 through December 31, 2020. We believe our recommendations will assist you in improving the City's internal controls in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to City officials and personnel. If you have any further questions, please contact me at Alisha.Shaw@sao.wa.gov.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for their cooperation and assistance during the audit.

Sincerely,

Alisha Shaw, Program Manager

Attachment

Management Letter
City of Clarkston
January 1, 2019 through December 31, 2020

Financial statement preparation

City management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance financial reporting is reliable and complete. The City prepares its financial statements, notes and schedules in accordance with the cash basis accounting method prescribed in the *Budgeting, Accounting and Reporting System* (BARS) manual.

The City's processes for preparing and reviewing the financial statements and notes were ineffective for detecting and correcting all reporting errors before submitting them for audit. Our audit found the following errors resulting from this deficiency. The City:

- Incorrectly classified ending cash and investment balances in the 2019 financial statements, understating reserved and overstating unreserved balances by \$1,943,362
- Underreported restricted and committed ending cash and investments by \$4,488,504 in the 2020 Notes to the Financial Statements and \$346,687 in the 2019 Notes to the Financial Statements
- Understated revenues and ending cash and investments in the 2019 financial statements by \$16,533 as compared to the City's general ledger
- Could not provide documentation to fully support beginning and ending cash and investments, revenues, and expenditures reported in the 2020 financial statements that exceed the auditor's expectations. This resulted in the following likely misstatements:

Balance	Estimated Under/(Over)statement
Beginning cash and investments	(\$3,612)
Revenues	\$218,203
Expenditures	\$232,340
Ending cash and investments	(\$491)

- Overstated deposits and investments in the 2019 Notes to the Financial Statements by \$27,111, and understated the same disclosure in 2020 by \$321,269

We found other, less significant errors in the Notes to the Financial Statements.

We recommend City management strengthen internal controls over financial reporting. Specifically, management should:

- Ensure cash and investments, revenues, and expenditures reported in the financial statements agree to the reconciled general ledger and bank balances at year-end
- Properly classify and disclose ending cash and investments in the financial statements and notes

- Perform an effective review of the financial statements and notes to identify and correct errors before submitting them for audit



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Clarkston

For the period January 1, 2019 through December 31, 2020

Published (Inserted by OS)

Report No. 1030197



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Office of the Washington State Auditor Pat McCarthy

Issue Date – (Inserted by OS)

Mayor and City Council
City of Clarkston
Clarkston, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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

TABLE OF CONTENTS

Audit Results..... 4

Related Reports..... 5

Information about the City..... 6

About the State Auditor's Office..... 7

AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, City operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the City of Clarkston from January 1, 2019 through December 31, 2020.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress
- Payroll – gross wages, overtime, leave balances and accruals, and electronic funds transfers
- Self-insurance for unemployment compensation
- Selected IT security policies, procedures, practices, and controls protecting financial systems, IT systems and data – user access

RELATED REPORTS

Financial

Our opinion on the City's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the City's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the City's major federal program, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report includes a federal finding regarding not having adequate internal controls for ensuring compliance with cash management, procurement and suspension and debarment requirements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Clarkston was incorporated in 1902 and currently serves approximately 7,220 citizens in Asotin County. The City provides an array of services including a sewer/sanitation system, parks and recreation, general administration, street maintenance/improvement, fire prevention, ambulance services, public safety and animal control.

An elected, seven-member Council with a separately elected Mayor governs the City. The Mayor oversees the City's daily operations as well as its approximately 60 full and part-time employees. For the 2019 and 2020 fiscal years, the City operated on annual budgets of approximately \$12 million and \$14.7 million, respectively.

Contact information related to this report

Address:	City of Clarkston 829 5th Street Clarkston, WA 99403
Contact:	Stephen Austin, Clerk/Treasurer
Telephone:	(509) 758-5541
Website:	www.clarkston-wa.com

Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Clarkston at <http://portal.sao.wa.gov/ReportSearch>.

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March 18, 2022

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Office of the Washington State Auditor
316 W. Boone Ave., Ste. 680
Spokane, WA 99201

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audits of the City of Clarkston for the period from January 1, 2019 through December 31, 2020 for the accountability and financial statement audits and January 1, 2020 through December 31, 2020 for the federal grant compliance audit. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

1. We have provided you with unrestricted access to people you wished to speak with and made available all relevant and requested information of which we are aware, including:
 - a. Financial records and related data.
 - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
 - d. Communications from regulatory agencies, government representatives or others concerning possible material noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
 - e. Related party relationships and transactions.
 - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.



TREE CITY USA.

2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.
3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. Except as discussed with you, we have complied with all material aspects of laws, regulations, contracts and grant agreements.
6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
7. Except as discussed with you, we have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records, notwithstanding immaterial uncorrected items referenced below.
10. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings, and we have provided you with all the information on the status of the follow-up on prior audit findings.
11. We are responsible for taking corrective action on audit findings and have developed a corrective action plan.

Additional representations related to the financial statements:

12. We acknowledge our responsibility for fair presentation of the financial statements and believe financial statements are fairly presented in accordance with the *Budgeting, Accounting and Reporting Standards Manual* (BARS Manual), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
13. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.
14. The financial statements properly classify all funds and activities.

15. Revenues are appropriately classified by fund and account in accordance with the BARS Manual.
16. Expenses are appropriately classified by fund and account, and allocations have been made on a reasonable basis.
17. Ending cash and investments are properly classified as nonspendable, restricted, committed, assigned, and unassigned.
18. Significant assumptions we used in making accounting estimates are reasonable.
19. The following have been properly classified, reported and disclosed in the financial statements, as applicable:
 - a. Interfund, internal, and intra-entity activity and balances.
 - b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - c. Joint ventures and other related organizations.
 - d. Guarantees under which the government is contingently liable.
 - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements and other loss contingencies.
20. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
21. We acknowledge our responsibility to include all necessary and applicable disclosures required by the BARS Manual, including:
 - a. Description of the basis of accounting, summary of significant accounting policies and how this differs from Generally Accepted Accounting Principles (GAAP).
 - b. Disclosures similar to those required by GAAP to the extent they are applicable to items reported in the financial statements.
 - c. Any additional disclosures beyond those specifically required by the BARS Manual that may be necessary for the statements to be fairly presented.
22. We acknowledge our responsibility for reporting supplementary information (the Schedule of Liabilities and the Schedule of Expenditures of Federal Awards) in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.

23. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.
24. We believe the effects of uncorrected financial statement misstatements summarized below are not material, both individually and in the aggregate, to the financial statements taken as a whole.

Year	Statement / Schedule	Description
2019	Fund Resources and Uses Arising from Cash Transactions	Miscellaneous revenues reported in the financial statements did not agree to the general ledger by \$16,533, which understated both revenues and ending cash and investments.
2019	Notes to Financial Statements	Actual expenditures for the Sanitation O & M Fund 410 disclosed in the budget note do not agree to the general ledger by \$42,922 (understatement).
2019	Notes to Financial Statements	The City did not disclose bank deposits in its deposits and investments note and the amounts disclosed in the note do not agree to the financial statements by \$27,111 as the BARS Manual prescribes (overstatement).
2020	Fund Resources and Uses Arising from Cash Transactions	Difference of approximately \$3,612 between the auditor's expectation of total beginning cash and investments and actual beginning cash and investments reported in the financial statements (overstatement).
2020	Fund Resources and Uses Arising from Cash Transactions	Difference of approximately \$218,203 between the auditor's expectation of total revenues and actual revenues reported in the financial statements (understatement).
2020	Fund Resources and Uses Arising from Cash Transactions	Difference of approximately \$232,340 between the auditor's expectation of total expenditures and actual expenditures reported in the financial statements (understatement).
2020	Fund Resources and Uses Arising from Cash Transactions	Difference of approximately \$491 between the auditor's expectation of total ending cash and investments and actual ending cash and investments reported in the financial statements (overstatement).
2020	Notes to Financial Statements	Actual expenditures for the Sanitation O & M Fund 410 disclosed in the budget note do not agree to the general ledger by \$47,136 (understatement).
2020	Notes to Financial Statements	The City did not disclose bank deposits in its deposits and investments note and the amounts disclosed in the note do not agree to the financial statements by \$321,269 as the BARS Manual prescribes (understatement).

25. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.
26. We considered the qualifications of the WA Office of the State Actuary (OSA) to create an electronic tool for determining the City's liability for LEOFF 1 other post-employment benefits (OPEB) under the GASB 75 alternative method and agree with the results of the electronic tool, which are reflected in financial statement amounts and disclosures. In using the tool, we input correct and complete information into the electronic spreadsheet, and did not enter any inaccurate information with respect to the amounts or assumptions, or modify cells in the OSA spreadsheet, in an attempt to change the outcome of the calculation. Further, we are not aware of any other external matters that would have had an impact on the appropriateness of using the alternative method or assumptions used by the OSA's tool. We confirm that we are a LEOFF 1 employer and we had fewer than 100 plan members (active and retired) as of the beginning of the reporting period and are, therefore, eligible to use the tool.


Additional representations related to expenditures under federal grant programs:

27. We acknowledge our responsibility for complying, and have complied, with the requirements of 2 CFR § 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.
28. With regards to your audit of federal grant programs, we have made available all relevant and requested information of which we are aware, including:
 - a. All federal awards and related grant agreements (including amendments, if any), contracts with pass-through entities, service organizations and vendors, and correspondence.
 - b. All communications from federal awarding agencies, vendors, service organizations or pass-through entities concerning possible noncompliance.
 - c. All information regarding corrective actions taken and management decisions or follow-up work performed by federal or pass-through agencies on any findings reported in the past.
 - d. All documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - e. Interpretations or other support for any situations where compliance with requirements might be questionable or unclear.
29. Except as reported by the audit, we have identified and complied with all direct and material compliance requirements of federal awards.
30. Management is responsible for establishing effective internal control and has, except as reported by the audit, maintained sufficient control over federal programs to provide reasonable assurance that awards are managed in compliance with laws, regulations,

contracts or grant agreements that could have a material effect on each of our federal awards.

31. Federal program financial reports and claims for advances and reimbursements are supported by the accounting records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the Schedule of Expenditures of Federal Awards.
32. Copies of federal program reports provided to you are true copies of the reports submitted, or electronically transmitted, to federal agencies or pass-through agencies, as applicable.
33. We are responsible for, and will accurately prepare, the auditee section of the Data Collection Form as required by the Uniform Guidance.


Monika Lawrence, Mayor


Steve Austin, Clerk Treasurer