



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Washougal

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

*Published December 12, 2022*

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

December 12, 2022

Mayor and City Council  
City of Washougal  
Washougal, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## TABLE OF CONTENTS

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 <i>Government Auditing Standards</i> .....	4
Independent Auditor's Report on the Financial Statements .....	6
Financial Section .....	10
About the State Auditor's Office .....	34

## 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 Washougal January 1, 2021 through December 31, 2021**

Mayor and City Council  
City of Washougal  
Washougal, 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 Washougal, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 6, 2022.

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

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

## REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

December 6, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Washougal January 1, 2021 through December 31, 2021**

Mayor and City Council  
City of Washougal  
Washougal, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

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

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Washougal, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

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

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

## **Basis for Unmodified and Adverse Opinions**

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

## **Matter Giving Rise to Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other



records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2022 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

December 6, 2022

## **FINANCIAL SECTION**

### **City of Washougal January 1, 2021 through December 31, 2021**

#### **FINANCIAL STATEMENTS**

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

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2021

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>103 Cemetery Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	33,209,629	4,511,757	1,257	13,733
388 / 588	Net Adjustments	(28,436)	-	-	-
<b>Revenues</b>					
310	Taxes	13,387,016	11,790,579	-	-
320	Licenses and Permits	848,241	710,929	137,312	-
330	Intergovernmental Revenues	5,309,468	2,890,020	341,154	-
340	Charges for Goods and Services	16,302,315	2,921,107	5,900	67,740
350	Fines and Penalties	7,312	750	-	-
360	Miscellaneous Revenues	337,166	90,571	19,043	10,324
Total Revenues:		36,191,518	18,403,956	503,409	78,064
<b>Expenditures</b>					
510	General Government	3,444,964	3,426,781	-	-
520	Public Safety	7,132,750	7,127,044	-	-
530	Utilities	6,896,796	-	-	202,023
540	Transportation	1,145,643	158,459	987,184	-
550	Natural/Economic Environment	1,208,077	1,172,547	-	-
560	Social Services	12,229	12,229	-	-
570	Culture and Recreation	471,928	471,928	-	-
Total Expenditures:		20,312,387	12,368,988	987,184	202,023
Excess (Deficiency) Revenues over Expenditures:		15,879,131	6,034,968	(483,775)	(123,959)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	3,071,746	-	484,173	153,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	195,507	34,604	-	-
Total Other Increases in Fund Resources:		3,267,253	34,604	484,173	153,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	7,011,079	120,719	-	24,435
591-593, 599	Debt Service	3,213,265	-	-	-
597	Transfers-Out	3,071,746	1,800,064	-	10,850
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	39,532	35,825	-	3,707
Total Other Decreases in Fund Resources:		13,335,622	1,956,608	-	38,992
<b>Increase (Decrease) in Cash and Investments:</b>		<b>5,810,762</b>	<b>4,112,964</b>	<b>398</b>	<b>(9,951)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	389,875	-	-	-
50831	Restricted	10,703,932	3,228,972	-	-
50841	Committed	4,651,710	-	-	-
50851	Assigned	17,952,369	79,607	1,655	3,782
50891	Unassigned	5,294,069	5,316,142	-	-
<b>Total Ending Cash and Investments</b>		<b>38,991,955</b>	<b>8,624,721</b>	<b>1,655</b>	<b>3,782</b>

The accompanying notes are an integral part of this statement.

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

		<b>108 Hotel Motel Fund</b>	<b>118 PEG Fee Fund</b>	<b>125 EMS Restricted Revenue Fund</b>	<b>127 Affordable Housing Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	37,100	117,603	60,766	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	105,602	-	-	20,666
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	13	124	64	-
Total Revenues:		105,615	124	64	20,666
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	35,530	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		35,530	-	-	-
Excess (Deficiency) Revenues over Expenditures:		70,085	124	64	20,666
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>70,085</b>	<b>124</b>	<b>64</b>	<b>20,666</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	106,348	114,243	59,020	20,666
50841	Committed	-	-	-	-
50851	Assigned	837	3,484	1,810	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>107,185</b>	<b>117,727</b>	<b>60,830</b>	<b>20,666</b>

The accompanying notes are an integral part of this statement.

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

		<b>141 Drug Seizure Fund</b>	<b>211 Woodburn/ JKL LID Fund</b>	<b>212 UTGO Debt Fund</b>	<b>213 Gifford Liedtke LID Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	22,775	862,715	(16,597)	11,700
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	100,674	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	575	-	-	-
360	Miscellaneous Revenues	3,192	793	-	4
Total Revenues:		3,767	793	100,674	4
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	5,706	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		5,706	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(1,939)	793	100,674	4
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	25,260	106,150	11,703
597	Transfers-Out	-	336,195	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	361,455	106,150	11,703
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,939)</b>	<b>(360,662)</b>	<b>(5,476)</b>	<b>(11,699)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	19,896	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	940	502,053	-	1
50891	Unassigned	-	-	(22,073)	-
<b>Total Ending Cash and Investments</b>		<b>20,836</b>	<b>502,053</b>	<b>(22,073)</b>	<b>1</b>

The accompanying notes are an integral part of this statement.

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

		<b>215 Downtown Revitalization Bond Fund</b>	<b>304 1st Quarter % REET Fund</b>	<b>306 2nd Quarter % REET Fund</b>	<b>326 Fire Impact Fees Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	1,109,874	1,546,097	1,060,850	305,400
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	685,247	684,248	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	49,292
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,283	1,514	2,317	324
Total Revenues:		3,283	686,761	686,565	49,616
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		3,283	686,761	686,565	49,616
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	354,600	-	433,394	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		354,600	-	433,394	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	794,141	14,000
591-593, 599	Debt Service	354,600	-	-	-
597	Transfers-Out	-	812,932	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		354,600	812,932	794,141	14,000
<b>Increase (Decrease) in Cash and Investments:</b>		<b>3,283</b>	<b>(126,171)</b>	<b>325,818</b>	<b>35,616</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,078,888	1,378,462	814,945	341,016
50841	Committed	-	-	-	-
50851	Assigned	34,269	41,464	571,723	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>1,113,157</b>	<b>1,419,926</b>	<b>1,386,668</b>	<b>341,016</b>

The accompanying notes are an integral part of this statement.

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

		<b>350 Parks Capital Improvement</b>	<b>351 Building Contingency Fund</b>	<b>353 Transportation Capital Projects</b>	<b>355 Art Project Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	732,620	2,817	1,052,522	4,284
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,081,320	-	991,894	-
340	Charges for Goods and Services	183,453	-	424,828	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	16,287	-	3,623	-
Total Revenues:		1,281,060	-	1,420,345	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		1,281,060	-	1,420,345	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	538,964	647,512	244,002	5,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		538,964	647,512	244,002	5,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	2,502,929	534,645	1,331,517	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,502,929	534,645	1,331,517	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(682,905)</b>	<b>112,867</b>	<b>332,830</b>	<b>5,000</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	45,370	-	1,274,842	-
50841	Committed	-	-	-	-
50851	Assigned	4,345	115,684	110,510	9,284
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>49,715</b>	<b>115,684</b>	<b>1,385,352</b>	<b>9,284</b>

The accompanying notes are an integral part of this statement.

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

		<b>401 Water Sewer Fund</b>	<b>403 Stormwater Fund</b>	<b>510 Employment Security Fund</b>	<b>704 Perpetual Care Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	18,340,006	2,920,998	136,034	375,318
388 / 588	Net Adjustments	(28,436)	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	5,080	-	-	-
340	Charges for Goods and Services	10,923,543	1,726,452	-	-
350	Fines and Penalties	5,987	-	-	-
360	Miscellaneous Revenues	178,905	6,668	117	-
Total Revenues:		11,113,515	1,733,120	117	-
<b>Expenditures</b>					
510	General Government	-	-	18,183	-
520	Public Safety	-	-	-	-
530	Utilities	5,530,049	1,164,724	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		5,530,049	1,164,724	18,183	-
Excess (Deficiency) Revenues over Expenditures:		5,583,466	568,396	(18,066)	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	96,556	103,695	-	10,850
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	157,196	-	-	3,707
Total Other Increases in Fund Resources:		253,752	103,695	-	14,557
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,574,090	114,603	-	-
591-593, 599	Debt Service	2,715,552	-	-	-
597	Transfers-Out	3,149	108,556	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,292,791	223,159	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,544,427</b>	<b>448,932</b>	<b>(18,066)</b>	<b>14,557</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	389,875
50831	Restricted	2,221,264	-	-	-
50841	Committed	4,651,710	-	-	-
50851	Assigned	12,983,023	3,369,930	117,968	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>19,855,997</b>	<b>3,369,930</b>	<b>117,968</b>	<b>389,875</b>

The accompanying notes are an integral part of this statement.



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

		<u>Custodial</u>
308	Beginning Cash and Investments	4,096
388 & 588	Net Adjustments	-
310-390	Additions	63,629
510-590	Deductions	<u>60,503</u>
	Net Increase (Decrease) in Cash and Investments:	3,126
508	Ending Cash and Investments	7,222

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

# CITY OF WASHOUGAL

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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### **Note 1 – Summary of Significant Accounting Policies**

The City of Washougal was incorporated in November 1908 and operates under the laws of the state of Washington applicable to a non-charter Code City Council-Manager form of government. The City is a general-purpose government and provides public safety, fire prevention, street improvement, parks and recreation, health and social services and general administrative services. In addition, the City owns and operates water, sewer and sanitary systems.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements. (see Note 14 -Joint Ventures and Related Parties)
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

#### **A. Fund Accounting**

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

#### **GOVERNMENTAL FUND TYPES:**

##### General Fund

This fund is the primary operating fund of the 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.

CITY OF WASHOUGAL  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

---

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.

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

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

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

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

**CITY OF WASHOUGAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

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**C. Cash and Investments.**

See Note 3, *Deposit and Investments*.

**D. Capital Assets**

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

**E. Compensated Absences**

Vacation leave for general employees and police officers, may be accumulated up to 360 hours and is payable upon separation from service or retirement.

Sick leave may be accumulated up to 960 hours for general employees and police officers. Upon separation or retirement, employees with five years or more of service are eligible for the following:

- Non represented employees hired prior to July 6, 2010 will receive a 25% payout of accrued balance.
- Police hired prior to December 31, 2010 receive a 25% payout of accrued balance.
- 307-W union receives 25% of accrued hours upon leaving employment.

All sick and vacation payouts are calculated at the employee's wage rate at the time of separation and recognized as expenditures when paid. The total outstanding liability for compensated absences is reported on the Schedule of Liabilities (Schedule 09).

**F. Long-Term Debt**

See Note 6, Long-Term Debt.

**G. Restricted and Committed Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance of the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of the following:

- General Fund – \$3,228,972 restricted grant funding and payment to others.
- Hotel Motel Fund – \$106,348 restricted for tourism.
- PEG Fees – \$114,243 restricted for educational equipment or facilities.
- EMS Restricted Revenue Fund – \$59,020 restricted for EMS services.
- Affordable Housing Fund - \$20,666 restricted for affordable housing, behavioral health programs
- Drug Seizure Fund – \$19,896 restricted for investigations.

**CITY OF WASHOUGAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2021**

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- Downtown Revitalization Bond Fund – \$1,078,888 restricted by bond issuance.
- 1<sup>st</sup> Quarter REET Fund – \$1,378,462 restricted for capital projects.
- 2<sup>nd</sup> Quarter REET Fund – \$814,945 restricted for capital projects.
- Fire Impact Fees – \$341,016 restricted for future capital facility needs.
- Parks Capital Improvement Fund – \$45,370 restricted for City Park improvements.
- Transportation Capital Projects Fund – \$1,274,842 restricted for Transportation Improvements.
- Water/Sewer Fund – \$2,221,264 restricted by bond issuance; \$4,651,710 committed for future infrastructure improvements.
- Custodial Fund – \$7,222 restricted for payments to others.

**Note 2 – Budget Compliance**

The City adopts annual appropriated budgets for all governmental and proprietary funds, except debt service funds. Debt service funds use a continuing appropriation, which is established when the original debt ordinance to adopt the debt amortization schedule was approved by council. 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:

**CITY OF WASHOUGAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

<b>FUND</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
001 GENERAL FUND	\$ 15,489,275	\$ 14,325,596	\$ 1,163,679
101 CITY STREETS FUND	\$ 1,073,783	\$ 987,184	\$ 86,599
103 CEMETERY FUND	\$ 243,150	\$ 241,015	\$ 2,135
108 HOTEL/MOTEL FUND	\$ 60,000	\$ 35,530	\$ 24,470
118 PEG FEE FUND	\$ 101,600	\$ -	\$ 101,600
125 EMS RESTRICTED REVENUE FUND	\$ 60,786	\$ -	\$ 60,786
127 AFFORDABLE HOUSING FUND	\$ 14,500	\$ -	\$ 14,500
141 DRUG SEIZURE FUND	\$ 37,200	\$ 5,706	\$ 31,494
212 UTGO DEBT FUND	\$ 106,150	\$ 106,150	\$ -
215 DOWNTOWN REVITALIZATION FUND	\$ 354,600	\$ 354,600	\$ -
304 1ST QUARTER REET FUND	\$ 1,094,600	\$ 812,932	\$ 281,668
306 2ND QUARTER REET FUND	\$ 907,000	\$ 794,141	\$ 112,859
326 FIRE IMPACT FEES FUND	\$ 14,000	\$ 14,000	\$ -
350 PARKS CAPITAL IMPROVEMENT FUND	\$ 3,157,000	\$ 2,502,929	\$ 654,071
351 BUILDING CONTINGENCY FUND	\$ 1,570,195	\$ 534,645	\$ 1,035,550
353 TRANSPORTATION CAPITAL PROJECTS FUND	\$ 3,955,335	\$ 1,331,517	\$ 2,623,818
355 ART PROJECTS FUND	\$ 9,000	\$ -	\$ 9,000
401 WATER/ SEWER FUND	\$ 19,547,034	\$ 9,822,840	\$ 9,724,194
403 STORMWATER FUND	\$ 1,645,751	\$ 1,387,883	\$ 257,868
510 EMPLOYMENT SECURITY FUND	\$ 30,450	\$ 18,183	\$ 12,267
704 PERPETUAL CARE FUND	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 49,471,409</b>	<b>\$ 33,274,851</b>	<b>\$ 16,196,558</b>

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

**Note 3 – Deposits and Investments**

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

**CITY OF WASHOUGAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

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Long term investments are reported at original cost while short term investments are reported at fair value. Deposits and investments by type at December 31, 2021 are as follows:

<b>Type of Investment</b>	<b>Duration</b>	<b>City's own deposits and Investments</b>	<b>Deposits held by the City as custodian for other local governments, individuals, or private organizations</b>
Bank Deposits	Short Term	\$ 9,046,064	\$ 7,222
US Government Securities	Long Term	14,900,075	-
Local Government Investment Pool	Short Term	15,045,816	-
	<b>TOTAL</b>	<b>\$ 38,991,955</b>	<b>\$ 7,222</b>

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

Investments in the State Local Government Investment Pool (LGIP)

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

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

**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 throughout the 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.

# CITY OF WASHOUGAL

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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The City's regular levy for 2021 was \$2.44 per \$1,000 on an assessed valuation of \$2,416,028,371 for a total regular levy of \$5,883,789.

In 2021, the City also levied \$.0419 per \$1,000 for public safety bonds for a total additional levy of \$100,000.

### Note 5 – Interfund Loans

The following table displays interfund loan activity during 2021:

<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Balance 01/01/21</b>	<b>New Loans</b>	<b>Repayments</b>	<b>Balance 12/31/2021</b>
Cemetery Fund	Perpetual Care Fund	\$ 3,703	\$ -	\$ 3,703	\$ -
		\$ 3,703	\$ -	\$ 3,703	\$ -

### Note 6 – Long-Term Debt

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

The debt service requirements for general obligation bonds, revenue bonds, and public works trust fund loans are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	2,257,404	913,442	3,170,845
2023	2,230,404	839,597	3,070,001
2024	2,302,404	761,077	3,063,481
2025	2,385,404	674,285	3,059,689
2026	2,416,757	597,397	3,014,154
2027-2031	10,531,485	1,971,590	12,503,075
2032-2036	2,955,000	690,000	3,645,000
2037-2041	1,845,000	188,200	2,033,200
<b>Totals</b>	<b>\$ 26,923,857</b>	<b>\$ 6,635,587</b>	<b>\$ 33,559,445</b>

### Note 7 – Pollution Remediation (Environmental)/ Retirement of Certain Assets

The City has four sewage lagoons at the wastewater treatment plant requiring decommissioning over the next several years. Phase 1 of this project includes the decommissioning of lagoon 1 and a portion of



CITY OF WASHOUGAL  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

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lagoon 2 by 12/31/24. The project will operate under the authority of the Washington State Department of Ecology and is estimated to cost approximately \$1.5MM. This liability is reported on the Schedule of Liabilities.

The City has nine water wells. The Department of Ecology prohibits abandonment of water wells without proper decommissioning (RCW 18.104 and WAC 173-160-381). The City plans to use these assets in perpetuity; however, if a failure occurs or a well becomes unusable, the City will properly decommission them.

The City has nineteen resource protection wells. The Department of Ecology requires a Notice of Intent to construct or decommission a resource protection well. Currently, the City has no intentions to decommission the resource protection wells.

The City has three functioning septic tanks, or On-site Sewage System (OSS), that are maintained according to state law (WAC 246-272A). They are located at the Cemetery, Hartwood Park, and the rental property on 352<sup>nd</sup> Ave. The City currently has no plans to decommission these tanks.

**Note 8 – Significant commitments or obligations**

The City has active construction projects as of December 31, 2021. At year-end the City's commitments with contractors are as follows:

**CITY OF WASHOUGAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

<b>Facilities Capital Projects</b>	<b>Spent through 2021</b>	<b>Remaining Commitment</b>
Recreation Civic Campus	\$0	\$3.5MM (\$500K of which is grant funding)
Social Service Building Remodel	\$0	\$1.04MM (\$925K of which is grant funding)
<b>Transportation Capital Projects</b>	<b>Spent through 2021</b>	<b>Remaining Commitment</b>
32nd St Underpass	\$400,000	\$300,000 (100% grant funding)
Evergreen Way Sidewalks	\$0	\$300,000 (\$239K of which is grant funding)
Renaissance Trail	\$0	\$315,000 (100% grant funding)
27th St Shared Path - design	\$0	\$224,000 (100% grant funding)
39th Street / Evergreen Blvd Realignment	\$0	\$155,000
<b>Parks Capital Projects</b>	<b>Spent through 2021</b>	<b>Remaining Commitment</b>
Hartwood Park Bridge	\$0	\$350,000
Pickleball Court	\$0	\$110,000 (\$15.8K private donation)
Hamlik Basket Ball Court	\$0	\$70,000 (\$50,000 grant funding)
Hamlik Park Improvements	\$58,300	\$62,000 (\$26.7K of which is grant funding)
<b>Water/ Sewer Capital Projects</b>	<b>Spent through 2021</b>	<b>Remaining Commitment</b>
Biosolids Management	\$796,000	\$3.85MM
Northside Reservoir	\$0	\$2.1MM
Pump Station 1 relocation and upgrade	\$35,000	\$1.2MM
Automatic Meter Reading	\$96,800	\$1.1MM
Anoxic Selector	\$0	\$952,000
Water Main Extension C to A St	\$0	\$424,000
Water Main Installation 32/ 34th St	\$0	\$284,000
Pump Station 8 Upgrade	\$0	\$279,700

The City has budgeted for the \$11MM remaining committed balance and does not need to raise additional funding.

**Note 9 – OPEB Plans**

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit administered by the City as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had two members, both retirees. For the year ended December 31,

**CITY OF WASHOUGAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

---

2021, the City's total OPEB liability was \$1,149,322 as calculated using the alternative measurement method. For the year ended December 31, 2021, the City paid \$90,002 in benefits.

**Note 10 – Pension Plans**

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

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

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

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia, WA 98540-8380

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

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

<b>Plan</b>	<b>Allocation Percentage</b>	<b>Liability (Asset)</b>	<b>Employer Contribution</b>
PERS 1	0.028740%	\$ 350,983	\$ 214,084
PERS 2 /3	0.036886%	\$ (3,674,439)	\$ 349,411
LEOFF 1	0.006247%	\$ (213,995)	\$ -
LEOFF 2	0.051623%	\$ (2,998,478)	\$ 102,908

**LEOFF Plan 1**

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

# CITY OF WASHOUGAL

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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### LEOFF Plan 2

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

### **Note 11 – COVID-19 Pandemic**

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

In 2020 the City deferred capital projects, eliminated certain programs, reduced expenses where possible, put a freeze on hiring, and reduced the amount of money in the Equipment Replacement Program to offset potential revenue losses.

In 2021, with cautious optimism, the City resumed planned capital improvement projects, reevaluated staffing needs, and cautiously monitored revenue and the financial impacts of the COVID-19 pandemic. The City has remained economically stable and will continue to adapt to changing conditions.

Under the American Rescue Plan Act of 2021, the City of Washougal received one-half disbursement of the \$4.5MM in funding to support COVID-19 continued mitigation efforts, replace lost revenue, address negative economic impacts to workers, families and businesses, and make improvements to water and sewer infrastructure. The second half was received in June 2022.

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

### **Note 12 – Risk Management**

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

# CITY OF WASHOUGAL

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

---

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

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

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

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

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

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

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

### Self-Insurance Fund

The City is self-insured for claims regarding unemployment insurance. Resources set aside as of financial statement presentation date for unemployment claims are approximately \$117,968.

# CITY OF WASHOUGAL

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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### **Note 13 – Health and Welfare**

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

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

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers

# CITY OF WASHOUGAL

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

### **Note 14 – Joint Ventures and Related Parties**

#### Camas/Washougal Fire Department

Since May of 2014, the City of Washougal and the City of Camas have combined fire services. The City of Camas assumed responsibility of managing the fire services with the City of Washougal paying a monthly fee for fire services to the City of Camas.

The calculation for what the City of Washougal pays for fire services is based the on the total percentage when adding together the following percentages: 50% property tax (structural assessed value), 25% population, and 25% call volume. The initial annual charge is based on the current year budget using the percentages from the last full year of data (a two-year lag) and then the information is "trued up" by the end of June the following year. In 2021, the City of Washougal paid \$274,086 a month totaling \$3,289,032 for the year. The total monthly payment for these services in 2022 is \$372,618 for an estimated yearly cost of \$4,471,416.

#### Emergency Services – CRESA

Clark Regional Emergency Services Agency (CRESA) was created under the Interlocal Cooperation Act (RCW 39.40) by agreement between the City and other governmental units and political districts. Its purpose is to

**CITY OF WASHOUGAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2021**

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provide a consolidated public safety community actions service to participating cities, political districts, and Clark County. Payment to CRESA for emergency management in 2021 totaled \$182,565. Current liabilities are comprised of amounts owed to vendors, other governments, and accrued employee leave liabilities. The entity's long-term debt consists solely of compensated absences. The entity's long-term debt is unsecured. Clark County maintains the accounting records for CRESA. Detailed financial statements for this entity can be obtained from CRESA, 710 W. 13<sup>th</sup> Street, Vancouver, Washington 98660.

**Note 15 – Prior Period Adjustments**

Prior period adjustments to Water/ Sewer fund 401, totaled \$28,436 as an overall reduction to revenue:

- Prior to 2021, when utility customers overpaid their bills, the credit on their utility account posted as a liability in the GL. Then when these overpayments were refunded to the customer through Accounts Payable process, the payments reduced water revenue instead of reducing the previously recorded liability. In 2021 when the liability was reconciled, a prior-period adjustment was needed to clear the liability and credit the revenue that had previously been reduced totaling \$27,344.
- Additionally, when the City converted to Tyler Incode in 2018, certain hydrant meter rental payments were applied to utility accounts in error, which credited the same liability account. These payments totaling \$3,354 were cleared from the liability in 2021 and credited to revenue.
- In 2021 it was discovered certain utility customers were overcharged for sewer services between 2020 and 2021. During the non-winter months, sewer bills were calculated using winter water consumption averages which benefited most utility customers; however, the customers who used less water in the non-winter months should have been charged the lower of actual consumption or winter average consumption. This calculation error was rectified in 2021 and refunds were issued. This error would have reduced 2020 sewer revenue by \$59,134.



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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.12	GO Bonds refunded voted 9/12	12/1/2022	205,000	-	100,000	105,000
251.11	GO Bonds non-voted 12/14	12/1/2026	1,865,000	-	280,000	1,585,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>2,070,000</b>	<b>-</b>	<b>380,000</b>	<b>1,690,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.88	Public Works Trust Fund Loan 6/05	7/1/2025	218,234	-	43,647	174,587
263.88	Public Works Trust Fund Loan 6/12	6/1/2031	358,171	-	32,561	325,610
263.88	Public Works Trust Fund Loan 6/12	6/1/2031	154,897	-	14,081	140,816
263.88	Public Works Trust Fund Loan 6/06	7/1/2026	575,868	-	95,978	479,890
263.88	Public Works Trust Fund Loan 6/08	7/1/2028	825,091	-	103,137	721,954
252.11	Revenue Bonds non-voted 5/11	9/1/2025	4,425,000	-	975,000	3,450,000
252.11	Revenue Bonds non-voted 12/14	9/1/2034	3,885,000	-	215,000	3,670,000
252.11	Revenue Bonds non-voted 12/15	9/1/2040	6,930,000	-	240,000	6,690,000
252.11	Revenue Bonds non-voted 3/17	9/1/2031	9,671,000	-	90,000	9,581,000
264.30	Net Pension Liability		1,550,870	-	1,199,887	350,983
264.40	OPEB Liability		1,250,206	-	100,884	1,149,322
259.12	Compensated Absences General and Street Funds		772,378	3,472	-	775,850
259.12	Compensated Absences Water/Sewer Funds		168,498	-	8,423	160,075
259.12	Compensated Absences Stormwater Fund		37,567	21,740	-	59,307
263.93	Environmental Liability - Sewer Lagoons		1,500,000	-	-	1,500,000
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>32,322,780</b>	<b>25,212</b>	<b>3,118,598</b>	<b>29,229,394</b>
<b>Assessment Debt/Liabilities (with commitments)</b>						
253.63	Gifford Liedtke Local Improvement District 9/04	10/1/2021	35,000	-	35,000	-
<b>Total Assessment Debt/Liabilities (with commitments):</b>			<b>35,000</b>	<b>-</b>	<b>35,000</b>	<b>-</b>
<b>Total Liabilities:</b>			<b>34,427,780</b>	<b>25,212</b>	<b>3,533,598</b>	<b>30,919,394</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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