



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Washougal

For the period January 1, 2022 through December 31, 2022

Published December 18, 2023

Report No. 1033793



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

December 18, 2023

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

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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 | 7 |
| Financial Section | 11 |
| About the State Auditor's Office | 37 |

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, 2022 through December 31, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 12, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

December 12, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Washougal January 1, 2022 through December 31, 2022

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, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Washougal, and its changes in cash and investments, for the year ended December 31, 2022, 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, 2022, 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

December 12, 2023

FINANCIAL SECTION

City of Washougal January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

City of Washougal
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

| | | Total for All Funds (Memo Only) | 001 General Fund | 101 Street Fund | 103 Cemetery Fund |
|---|--------------------------------|--|-----------------------------|------------------------|------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 38,991,955 | 8,803,278 | 1,655 | 3,782 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 14,465,030 | 12,833,357 | - | - |
| 320 | Licenses and Permits | 892,525 | 726,551 | 165,974 | - |
| 330 | Intergovernmental Revenues | 3,316,449 | 2,740,991 | 345,575 | - |
| 340 | Charges for Goods and Services | 17,620,791 | 3,172,322 | 6,620 | 28,093 |
| 350 | Fines and Penalties | 94,974 | 250 | - | - |
| 360 | Miscellaneous Revenues | 647,602 | 160,335 | 3,508 | 11,173 |
| Total Revenues: | | 37,037,371 | 19,633,806 | 521,677 | 39,266 |
| Expenditures | | | | | |
| 510 | General Government | 5,053,228 | 5,052,758 | - | - |
| 520 | Public Safety | 7,717,987 | 7,714,066 | - | - |
| 530 | Utilities | 7,467,193 | - | - | 166,286 |
| 540 | Transportation | 1,334,831 | 272,525 | 1,062,306 | - |
| 550 | Natural/Economic Environment | 1,513,898 | 1,436,540 | - | - |
| 560 | Social Services | 17,678 | 17,678 | - | - |
| 570 | Culture and Recreation | 560,745 | 560,745 | - | - |
| Total Expenditures: | | 23,665,560 | 15,054,312 | 1,062,306 | 166,286 |
| Excess (Deficiency) Revenues over Expenditures: | | 13,371,811 | 4,579,494 | (540,629) | (127,020) |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 2,924,979 | - | 554,000 | 137,000 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 256,808 | 82,637 | - | - |
| Total Other Increases in Fund Resources: | | 3,181,787 | 82,637 | 554,000 | 137,000 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 7,566,834 | 748,728 | 13,429 | - |
| 591-593, 599 | Debt Service | 3,240,221 | 10,971 | - | - |
| 597 | Transfers-Out | 2,924,979 | 1,945,532 | - | 450 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | 244,597 | 87,401 | - | - |
| Total Other Decreases in Fund Resources: | | 13,976,631 | 2,792,632 | 13,429 | 450 |
| Increase (Decrease) in Cash and Investments: | | 2,576,967 | 1,869,499 | (58) | 9,530 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | 390,325 | - | - | - |
| 50831 | Restricted | 13,092,161 | 4,747,800 | - | - |
| 50841 | Committed | 6,289,699 | - | - | - |
| 50851 | Assigned | 15,965,338 | 93,578 | 1,597 | 13,312 |
| 50891 | Unassigned | 5,831,399 | 5,831,399 | - | - |
| Total Ending Cash and Investments | | 41,568,922 | 10,672,777 | 1,597 | 13,312 |

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, 2022

| | | 108 Hotel Motel Fund | 127 Affordable Housing Fund | 141 Drug Seizure Fund | 211 Woodburn/ JKL LID Fund |
|---|--------------------------------|---------------------------------|--|----------------------------------|---------------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 107,185 | 20,666 | 20,836 | 502,053 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 133,700 | 16,925 | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | - | - |
| 340 | Charges for Goods and Services | - | - | - | - |
| 350 | Fines and Penalties | - | - | 3,501 | - |
| 360 | Miscellaneous Revenues | 215 | - | 1,526 | 8,424 |
| Total Revenues: | | 133,915 | 16,925 | 5,027 | 8,424 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | 3,921 | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | 77,358 | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | 77,358 | - | 3,921 | - |
| Excess (Deficiency) Revenues over Expenditures: | | 56,557 | 16,925 | 1,106 | 8,424 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | - | - | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | - | - | - | - |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | - | - | - | - |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | - | - | - | - |
| Increase (Decrease) in Cash and Investments: | | 56,557 | 16,925 | 1,106 | 8,424 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 162,690 | 37,591 | 20,702 | - |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 1,052 | - | 1,240 | 510,477 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 163,742 | 37,591 | 21,942 | 510,477 |

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, 2022

| | | 212 UTGO Debt Fund | 213 Gifford Liedtke LID Fund | 215 Downtown Revitalization Bond Fund | 304 1st Quarter % REET Fund |
|---|--------------------------------|-------------------------------|---|--|--|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | (22,073) | 1 | 1,113,157 | 1,419,926 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 139,391 | - | - | 676,066 |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | - | - |
| 340 | Charges for Goods and Services | - | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | - | - | 7,526 | 17,540 |
| Total Revenues: | | 139,391 | - | 7,526 | 693,606 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | - | - | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 139,391 | - | 7,526 | 693,606 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | - | 358,400 | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | - | - | 358,400 | - |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | - | - | - | - |
| 591-593, 599 | Debt Service | 108,150 | - | 358,400 | - |
| 597 | Transfers-Out | - | 1 | - | 882,818 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 108,150 | 1 | 358,400 | 882,818 |
| Increase (Decrease) in Cash and Investments: | | 31,241 | (1) | 7,526 | (189,212) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | - | - | 1,078,888 | 1,171,711 |
| 50841 | Committed | 9,168 | - | - | - |
| 50851 | Assigned | - | - | 41,795 | 59,003 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 9,168 | - | 1,120,683 | 1,230,714 |

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, 2022

| | | 306 2nd Quarter % REET Fund | 326 Fire Impact Fees Fund | 350 Parks Capital Improvement | 351 Building Contingency Fund |
|---|--------------------------------|--|--------------------------------------|--|--|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 1,386,668 | 341,016 | 49,715 | 115,684 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 665,591 | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | 93,262 | - |
| 340 | Charges for Goods and Services | - | 52,079 | 438,269 | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 10,215 | 5,087 | 33,724 | - |
| Total Revenues: | | 675,806 | 57,166 | 565,255 | - |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | - | - | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 675,806 | 57,166 | 565,255 | - |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 431,195 | - | 626,471 | 512,785 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | 431,195 | - | 626,471 | 512,785 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 1,114,071 | - | 794,626 | 585,268 |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 1,114,071 | - | 794,626 | 585,268 |
| Increase (Decrease) in Cash and Investments: | | (7,070) | 57,166 | 397,100 | (72,483) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 828,079 | 398,182 | 397,282 | - |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 551,519 | - | 49,533 | 43,201 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 1,379,598 | 398,182 | 446,815 | 43,201 |

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, 2022

| | | 353 Transportation Capital Projects | 355 Art Project Fund | 401 Water Sewer Fund | 403 Stormwater Fund |
|---|--------------------------------|--|---------------------------------|---------------------------------|--------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 1,385,352 | 9,284 | 19,855,997 | 3,369,930 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | 9,819 | - | 80,027 | 46,775 |
| 340 | Charges for Goods and Services | 825,399 | - | 11,385,317 | 1,712,692 |
| 350 | Fines and Penalties | - | - | 91,223 | - |
| 360 | Miscellaneous Revenues | 19,663 | - | 333,761 | 33,173 |
| Total Revenues: | | 854,881 | - | 11,890,328 | 1,792,640 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | 5,820,198 | 1,480,709 |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | - | - | 5,820,198 | 1,480,709 |
| Excess (Deficiency) Revenues over Expenditures: | | 854,881 | - | 6,070,130 | 311,931 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 102,053 | 5,000 | 96,179 | 101,446 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | 174,171 | - |
| Total Other Increases in Fund Resources: | | 102,053 | 5,000 | 270,350 | 101,446 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 234,299 | - | 3,877,971 | 198,442 |
| 591-593, 599 | Debt Service | - | - | 2,762,700 | - |
| 597 | Transfers-Out | - | - | - | 96,178 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | 157,196 | - |
| Total Other Decreases in Fund Resources: | | 234,299 | - | 6,797,867 | 294,620 |
| Increase (Decrease) in Cash and Investments: | | 722,635 | 5,000 | (457,387) | 118,757 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 2,027,972 | - | 2,221,264 | - |
| 50841 | Committed | - | - | 6,280,531 | - |
| 50851 | Assigned | 80,015 | 14,284 | 10,896,815 | 3,488,687 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 2,107,987 | 14,284 | 19,398,610 | 3,488,687 |

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, 2022

| | | 510 Employment Security Fund | 704 Perpetual Care Fund |
|---|--------------------------------|---|------------------------------------|
| Beginning Cash and Investments | | | |
| 308 | Beginning Cash and Investments | 117,968 | 389,875 |
| 388 / 588 | Net Adjustments | - | - |
| Revenues | | | |
| 310 | Taxes | - | - |
| 320 | Licenses and Permits | - | - |
| 330 | Intergovernmental Revenues | - | - |
| 340 | Charges for Goods and Services | - | - |
| 350 | Fines and Penalties | - | - |
| 360 | Miscellaneous Revenues | 1,732 | - |
| Total Revenues: | | 1,732 | - |
| Expenditures | | | |
| 510 | General Government | 470 | - |
| 520 | Public Safety | - | - |
| 530 | Utilities | - | - |
| 540 | Transportation | - | - |
| 550 | Natural/Economic Environment | - | - |
| 560 | Social Services | - | - |
| 570 | Culture and Recreation | - | - |
| Total Expenditures: | | 470 | - |
| Excess (Deficiency) Revenues over Expenditures: | | 1,262 | - |
| Other Increases in Fund Resources | | | |
| 391-393, 596 | Debt Proceeds | - | - |
| 397 | Transfers-In | - | 450 |
| 385 | Special or Extraordinary Items | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - |
| Total Other Increases in Fund Resources: | | - | 450 |
| Other Decreases in Fund Resources | | | |
| 594-595 | Capital Expenditures | - | - |
| 591-593, 599 | Debt Service | - | - |
| 597 | Transfers-Out | - | - |
| 585 | Special or Extraordinary Items | - | - |
| 581, 582, 589 | Other Uses | - | - |
| Total Other Decreases in Fund Resources: | | - | - |
| Increase (Decrease) in Cash and Investments: | | 1,262 | 450 |
| Ending Cash and Investments | | | |
| 50821 | Nonspendable | - | 390,325 |
| 50831 | Restricted | - | - |
| 50841 | Committed | - | - |
| 50851 | Assigned | 119,230 | - |
| 50891 | Unassigned | - | - |
| Total Ending Cash and Investments | | 119,230 | 390,325 |

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, 2022

| | | Custodial |
|-----------|--|------------------|
| 308 | Beginning Cash and Investments | 7,222 |
| 388 & 588 | Net Adjustments | - |
| 310-390 | Additions | 57,688 |
| 510-590 | Deductions | 59,740 |
| | Net Increase (Decrease) in Cash and Investments: | (2,052) |
| 508 | Ending Cash and Investments | 5,170 |

The accompanying notes are an integral part of this statement.

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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 stormwater 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 13 -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

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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

Debt Service Funds

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

Capital 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.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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.

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 or resolution of the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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

- General Fund – \$4,747,800 restricted grant funding, EMS services, and payment to others
- Hotel Motel Fund – \$162,690 restricted for tourism
- Affordable Housing Fund - \$37,591 restricted for affordable housing, behavioral health programs
- Drug Seizure Fund – \$20,702 restricted for investigations
- UTGO Debt Fund - \$9,168 committed for public safety debt service
- Downtown Revitalization Bond Fund – \$1,078,888 restricted by bond issuance
- 1st Quarter REET Fund – \$1,171,711 restricted for capital projects
- 2nd Quarter REET Fund – \$828,079 restricted for capital projects
- Fire Impact Fees – \$398,182 restricted for future fire capital
- Parks Capital Improvement Fund – \$397,282 restricted for City Park improvements
- Transportation Capital Projects Fund – \$2,027,972 restricted for Transportation Improvements
- Water/Sewer Fund – \$2,221,264 restricted by bond issuance; \$6,280,531 committed for future infrastructure improvements
- Custodial Fund – \$5,170 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, 2022

| FUND | Final Appropriated Amounts | Actual Expenditures | Variance |
|--|---|--------------------------------|---------------------|
| 001 GENERAL FUND | \$ 19,669,790 | \$ 17,846,944 | \$ 1,822,846 |
| 101 CITY STREETS FUND | \$ 1,089,083 | \$ 1,075,735 | \$ 13,348 |
| 103 CEMETERY FUND | \$ 211,350 | \$ 166,736 | \$ 44,614 |
| 108 HOTEL/MOTEL FUND | \$ 111,100 | \$ 77,358 | \$ 33,742 |
| 127 AFFORDABLE HOUSING FUND | \$ 30,000 | \$ - | \$ 30,000 |
| 141 DRUG SEIZURE FUND | \$ 38,225 | \$ 3,921 | \$ 34,304 |
| 212 UTGO DEBT FUND | \$ 108,150 | \$ 108,150 | \$ - |
| 215 DOWNTOWN REVITALIZATION FUND | \$ 358,400 | \$ 358,400 | \$ - |
| 304 1ST QUARTER REET FUND | \$ 883,220 | \$ 882,818 | \$ 402 |
| 306 2ND QUARTER REET FUND | \$ 1,200,000 | \$ 1,114,071 | \$ 85,929 |
| 326 FIRE IMPACT FEES FUND | \$ 14,000 | \$ - | \$ 14,000 |
| 350 PARKS CAPITAL IMPROVEMENT FUND | \$ 868,320 | \$ 794,626 | \$ 73,694 |
| 351 BUILDING CONTINGENCY FUND | \$ 1,463,025 | \$ 585,268 | \$ 877,757 |
| 353 TRANSPORTATION CAPITAL PROJECTS FUND | \$ 806,000 | \$ 234,299 | \$ 571,701 |
| 355 ART PROJECTS FUND | \$ 14,000 | \$ - | \$ 14,000 |
| 401 WATER/ SEWER FUND | \$ 18,497,511 | \$ 12,618,065 | \$ 5,879,446 |
| 403 STORMWATER FUND | \$ 2,095,853 | \$ 1,775,329 | \$ 320,524 |
| 510 EMPLOYMENT SECURITY FUND | \$ 30,450 | \$ 470 | \$ 29,980 |
| 704 PERPETUAL CARE FUND | \$ - | \$ - | \$ - |
| Total | \$ 47,488,477 | \$ 37,642,190 | \$ 9,846,287 |

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.

In 2022, the City determined special revenue funds 118 -Peg Fee Fund and 125- EMS Restricted Revenue Fund no longer have substantial inflows of resources; therefore, they are now reported in the General Fund.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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.

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, 2022 are as follows:

| Type of Investment | Duration | City's own deposits and Investments | Deposits held by the City as custodian for other local governments, individuals, or private organizations | Total |
|----------------------------------|--------------|-------------------------------------|---|----------------------|
| Bank Deposits | Short Term | \$ 11,236,827 | \$ 5,170 | \$ 11,241,997 |
| US Government Securities | Long Term | 15,033,826 | - | 15,033,826 |
| Local Government Investment Pool | Short Term | 15,298,269 | - | 15,298,269 |
| | TOTAL | \$ 41,568,922 | \$ 5,170 | \$ 41,574,092 |

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.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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.

The City's regular levy for 2022 was \$2.22 per \$1,000 on an assessed valuation of \$2,719,425,503 for a total regular levy of \$6,038,924.

In 2022, the City also levied \$.0514 per \$1,000 for public safety bonds for a total additional levy of \$138,000.

Note 5 – Leases

During the year ended December 31, 2022, the City adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities, and an increase of \$21,942 to the beginning balance.

The City leases 2 postage machines and 1 folding/ inserting machine from Pitney Bowes under a 5-year lease agreement that expires December 2023. There is no option to extend these leases; new equipment and new contracts will be required to retain similar equipment with this Lessor at rates unknown at this time.

| Pitney Bowes Equipment | Term | Expiration | Remaining Contract |
|--|-------------|-------------------|---------------------------|
| Postage Machine - Police | 60 months | 12/29/2023 | \$ 761.00 |
| Postage Machine & Inserter - City Hall | 60 months | 12/29/2023 | \$ 10,210.00 |

The total amount paid for leases in 2022 was \$10,971. As of December 31, 2022, the future lease payments on the Pitney Bowes equipment are as follows:

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

| Year Ended December 31 | Total |
|---------------------------|------------------|
| 2023 | \$ 10,971 |
| 2024 | \$ - |
| 2025 | \$ - |
| 2026 | \$ - |
| 2027 | \$ - |
| 2028-2032 | \$ - |
| TOTAL | \$ 10,971 |

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, 2022.

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

| | Principal | Interest | Total |
|---------------|----------------------|---------------------|----------------------|
| 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 | 2,043,779 | 522,649 | 2,566,428 |
| 2028-2032 | 9,172,706 | 1,640,941 | 10,813,647 |
| 2033-2037 | 2,705,000 | 571,800 | 3,276,800 |
| 2038-2040 | 1,410,000 | 114,400 | 1,524,400 |
| Totals | \$ 24,666,453 | \$ 5,722,146 | \$ 30,388,600 |

During the year ended 2022, the City adopted guidance for the presentation and disclosure of installment purchases, as required by the BARS manual. This requirement resulted in the addition of installment purchase liability reported on the Schedule of Liabilities, and an increase of \$23,089 to the beginning balance.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

The City has an installment agreement with a developer to purchase water infrastructure, including a water tank and pump station, equal to the actual cost of construction plus 3.5% interest. The total principal paid to the developer in 2022 was \$2,303,989. The remaining principal balance as of December 31, 2022, is \$2,606,152. This balance will be paid using System Development Charges (SDCs) collected in zones 3 and zones 5 until the balance is paid in full.

The City also has installment agreements to purchase three copy machines over a 5-year period. The total paid to vendors in 2022 was \$9,277. The remaining principal balance as of December 31, 2022, is \$30,257.

| Equipment and Infrastructure | Term | Expiration | Remaining Contract |
|-------------------------------------|-------------|-------------------|---------------------------|
| Water Infrastructure | | | \$ 2,606,151 |
| Copy Machine - Police | 60 months | 9/30/2025 | \$ 7,237 |
| Copy Machine - City Hall | 60 months | 5/8/2027 | \$ 13,574 |
| Copy Machine - Community Developm | 60 months | 8/5/2026 | \$ 9,446 |

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. The decommissioning of all four lagoons will take place from 2024 through 2025. The project will operate under the authority of the Washington State Department of Ecology and is estimated to cost approximately \$6.5MM. 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 352nd Ave. The City currently has no plans to decommission these tanks.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 8 – Significant commitments or obligations

The City has active capital projects as of December 31, 2022. At year-end the City's current and future financial commitments with contractors are as follows:

| Facilities Capital Projects | Spent through 2022 | Remaining Commitment |
|--|---------------------------|--------------------------------------|
| Town Center Revitalization Project | \$0 | \$6.50MM (\$5.60MM external funding) |
| Social Service Building Remodel | \$47,100 | \$919K (\$820K external funding) |
| Security Improvements City Facilities | \$10,543 | \$233K (\$133K external funding) |
| PW Ops Center Bldg Maint & Repair | \$6,000 | \$1.00MM |
| | | |
| Transportation Capital Projects | Spent through 2022 | Remaining Commitment |
| 32nd St Underpass Design | \$165,800 | \$1.90M (\$1.90MM external funding) |
| Evergreen Way Sidewalks: 39th to 42nd | \$12,300 | \$300K (\$229K external funding) |
| 27th St Shared Path Design | \$0 | \$224K (100% external funding) |
| 39th Street / Evergreen Blvd Realignment | \$47,600 | \$140K |
| Columbia River Trail Lighting | \$0 | \$200K (100% external funding) |
| 32nd St Safety Improvements | \$0 | \$896K (100% external funding) |
| | | |
| Parks Capital Projects | Spent through 2022 | Remaining Commitment |
| Campan Creek Bridge | \$299,500 | \$22K |
| Pickleball Court | \$78,250 | \$3.5K |
| Hamlik Park Basket Ball Court | \$0 | \$246K (\$179K external funding) |
| Hamlik Park Improvements | \$111,300 | Complete |
| | | |
| Water/ Sewer Capital Projects | Spent through 2022 | Remaining Commitment |
| Northside Water Reservoir & Pump Stn | \$2.37MM | \$2.61MM |
| Automatic Meter Reading | \$509,000 | \$409K |
| Water Main Installation 32/ 34th St | \$0 | \$284K |
| Northside: Shepherd Rd Sewer Lift Stn 8 | \$0 | \$877K |
| Anoxic Selector | \$0 | \$1.20MM |
| Biosolids Management | \$1.50MM | \$3.35MM |
| SCADA System Upgrade | \$0 | \$228K |
| WasteWater Pump Station 1 Relocation | \$231,942 | \$1.25MM |
| | | |
| Stormwater Capital Projects | Spent through 2022 | Remaining Commitment |
| Catch Basins & Drainage | \$0 | \$255K |

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

The City has budgeted for the \$12.8MM remaining commitment; and continues to seek federal, state, and local funding when there is opportunity.

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, 2022, the plan had two members, both retirees. For the year ended December 31, 2022, the City's total OPEB liability was \$993,447 as calculated using the alternative measurement method. For the year ended December 31, 2022, the City paid \$19,214 in benefits.

Note 10 – Pension Plans

Substantially all the City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans 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 downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2022 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

| Plan | Employer Contribution | Allocation % | Liability (Asset) |
|-------------|------------------------------|---------------------|--------------------------|
| PERS 1 | \$ 168,722 | 0.027530% | \$ 766,536 |
| PERS 2 /3 | \$ 289,237 | 0.036003% | \$ (1,335,272) |
| LEOFF 1 | \$ - | 0.005352% | \$ (153,528) |
| LEOFF 2 | \$ 110,188 | 0.053223% | \$ (1,446,440) |

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

LEOFF Plan 1

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

LEOFF Plan 2

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

Note 11 – 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.

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.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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 \$119,230.

Note 12 – 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

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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, 2022, 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 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

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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 13 – 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 through an interlocal agreement (ILA). The City of Camas assumed responsibility of managing the fire services with the City of Washougal paying a monthly fee to the City of Camas for fire services and Emergency Medical Services (EMS). The ILA has been amended several times over the years, to accommodate additional staffing, with the latest amendment covering cost sharing for the additional staffing in fiscal year 2022. This amendment provided that the City of Washougal would pay its proportionate share for some, but not all, of the additional positions, similar to amendments in fiscal years 2019, 2020 and 2021.

The calculation for what the City of Washougal pays for fire services is based the on the total percentage when adding together the following: 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 fiscal year 2022, the City of Washougal paid \$312,923 a month totaling \$3,755,079 for the year. The City's 2023 budgeted cost for fire and EMS services is \$4,990,813.

It is the City of Washougal's opinion that the City remitted payments for fiscal year 2022 consistent with the ILA and the amendment. However, there is disagreement between the cities with respect to this issue. The cities are currently engaged in discussions to clarify and resolve this issue for fiscal year 2022 and moving forward for fiscal year 2023 and beyond.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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 provide a consolidated public safety community actions service to participating cities, political districts, and Clark County. Payment to CRESA for emergency management in 2022 totaled \$195,104. 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. 13th Street, Vancouver, Washington 98660.

Note 14 – Restatement of Beginning Cash and Investments

It was determined in 2022, funds 118 PEG Fee and 125 EMS Restricted Revenue no longer meet the requirements of Special Revenue Funds; therefore, all remaining resources and cash balances of these two funds will be reported in the General Fund. This caused the General Fund's beginning cash and investment balance to be restated from \$8,624,721 to \$8,803,278.

Note 15 – Subsequent Events

The City issued \$1million new debt in the Water Sewer Fund, for pre-construction and pre-design of the new biosolids management facility located at the wastewater treatment plant. The loan agreement with the Department of Commerce was signed in October 2022. Proceeds totaling \$950,000 were received in 2023; holding back \$50,000 retainage until pre-construction and pre-design are complete. The term of the loan is 5 years at a rate of 0.47%, with the first payment due June 1, 2023.

On September 8, 2023, the Washington Public Works Board (PWB) conditionally awarded a \$10 million construction loan to the City of Washougal for the Biosolids Handling Facility project in the Water/Sewer fund. To date, the City has not drawn down on these funds.

**City of Washougal
Schedule of Liabilities
For the Year Ended December 31, 2022**

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---|--|-----------------|--------------------------|-------------------|-------------------|-----------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 251.12 | GO Bonds refunded voted 9/12 | 12/1/2022 | 105,000 | - | 105,000 | - |
| 251.11 | GO Bonds non-voted 12/14 | 12/1/2026 | 1,585,000 | - | 295,000 | 1,290,000 |
| Total General Obligation Debt/Liabilities: | | | 1,690,000 | - | 400,000 | 1,290,000 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 263.88 | Public Works Trust Fund Loan 6/05 | 7/1/2025 | 174,587 | - | 43,647 | 130,940 |
| 263.88 | Public Works Trust Fund Loan 6/12 | 6/1/2031 | 325,610 | - | 32,561 | 293,049 |
| 263.88 | Public Works Trust Fund Loan 6/12 | 6/1/2031 | 140,816 | - | 14,082 | 126,734 |
| 263.88 | Public Works Trust Fund Loan 6/06 | 7/1/2026 | 479,890 | - | 95,978 | 383,912 |
| 263.88 | Public Works Trust Fund Loan 6/08 | 7/1/2028 | 721,954 | - | 103,136 | 618,818 |
| 252.11 | Revenue Bonds non-voted 5/11 | 9/1/2025 | 3,450,000 | - | 1,010,000 | 2,440,000 |
| 252.11 | Revenue Bonds non-voted 12/14 | 9/1/2034 | 3,670,000 | - | 220,000 | 3,450,000 |
| 252.11 | Revenue Bonds non-voted 12/15 | 9/1/2040 | 6,690,000 | - | 245,000 | 6,445,000 |
| 252.11 | Revenue Bonds non-voted 3/17 | 9/1/2031 | 9,581,000 | - | 93,000 | 9,488,000 |
| 264.30 | Net Pension Liability | | 350,983 | 415,553 | - | 766,536 |
| 264.40 | OPEB Liability | | 1,149,322 | - | 155,875 | 993,447 |
| 259.12 | Compensated Absences General and Street Funds | | 775,850 | - | 154,461 | 621,389 |
| 259.12 | Compensated Absences Water/Sewer Funds | | 160,075 | 26,261 | - | 186,336 |
| 259.12 | Compensated Absences Stormwater Fund | | 59,307 | - | 5,279 | 54,028 |
| 263.93 | Environmental Liability - Sewer Lagoons | | 1,500,000 | 5,045,000 | - | 6,545,000 |
| 263.52 | Installment Purchase - Water Infrastructure | | - | 4,910,140 | 2,303,989 | 2,606,151 |
| 263.52 | Installment Purchase - CIT Bank Copier (Police) | 9/30/2025 | 9,869 | - | 2,632 | 7,237 |
| 263.52 | Installment Purchase - US Bank Copier (City Hall) | 5/8/2027 | - | 16,445 | 2,871 | 13,574 |
| 263.52 | Installment Purchase - US Bank Copier (Community Development) | 8/5/2026 | 12,082 | - | 2,636 | 9,446 |
| 263.52 | Installment Purchase - US Bank Copier (Public Works) | 6/15/2022 | 1,138 | - | 1,138 | - |
| 263.57 | Pitney Bowes Lease - Postage Machine (Police) | 12/29/2023 | 1,522 | - | 761 | 761 |
| 263.57 | Pitney Bowes Lease - Postage and Inserting Machine (City Hall) | 12/29/2023 | 20,420 | - | 10,210 | 10,210 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 29,274,425 | 10,413,399 | 4,497,256 | 35,190,568 |

**City of Washougal
Schedule of Liabilities
For the Year Ended December 31, 2022**

| <u>ID. No.</u> | <u>Description</u> | <u>Due Date</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|----------------|--------------------|---------------------------|------------------------------|-------------------|-------------------|-----------------------|
| | | Total Liabilities: | 30,964,425 | 10,413,399 | 4,897,256 | 36,480,568 |

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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