



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Washougal

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

Published September 23, 2021

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

September 23, 2021

Mayor and City Council
City of Washougal
Washougal, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.019	COVID-19 – Coronavirus Relief Fund

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 15, 2021.

As discussed in Note 11 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

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.

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

September 15, 2021

INDEPENDENT AUDITOR'S REPORT

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

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

Mayor and City Council
City of Washougal
Washougal, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy, State Auditor

Olympia, WA

September 15, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Mayor and City Council
City of Washougal
Washougal, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Washougal, for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

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

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

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

Matters of Emphasis

As discussed in Note 11 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

September 15, 2021

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

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

City of Washougal
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 General Fund	101 Streets Fund	103 Cemetery Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	28,901,150	3,725,601	153	21,844
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	12,188,527	11,093,719	-	-
320	Licenses and Permits	742,387	594,899	147,488	-
330	Intergovernmental Revenues	2,582,902	1,133,665	381,889	9,204
340	Charges for Goods and Services	13,067,250	1,558,423	3,950	53,540
350	Fines and Penalties	29,597	-	-	-
360	Miscellaneous Revenues	386,907	137,358	4,822	5,835
Total Revenues:		28,997,570	14,518,064	538,149	68,579
Expenditures					
510	General Government	3,060,111	3,048,038	-	-
520	Public Safety	7,539,887	7,527,615	-	-
530	Utilities	6,111,387	-	-	180,682
540	Transportation	954,067	151,418	802,649	-
550	Natural/Economic Environment	618,399	566,943	-	-
560	Social Services	11,865	11,865	-	-
570	Culture and Recreation	656,190	610,722	-	-
Total Expenditures:		18,951,906	11,916,601	802,649	180,682
Excess (Deficiency) Revenues over Expenditures:		10,045,664	2,601,463	(264,500)	(112,103)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,364,850	-	263,489	141,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	1,021,423	15,266	2,115	760
Total Other Increases in Fund Resources:		3,386,273	15,266	265,604	141,760
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,416,584	115,348	-	27,492
591-593, 599	Debt Service	3,326,066	-	-	-
597	Transfers-Out	2,364,850	1,701,090	-	8,453
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	15,958	14,135	-	1,823
Total Other Decreases in Fund Resources:		9,123,458	1,830,573	-	37,768
Increase (Decrease) in Cash and Investments:		4,308,479	786,156	1,104	(8,111)
Ending Cash and Investments					
50821	Nonspendable	375,318	-	-	-
50831	Restricted	8,390,557	249,444	-	-
50841	Committed	3,163,746	-	-	-
50851	Assigned	17,300,687	57,543	1,257	13,733
50891	Unassigned	3,979,321	4,204,770	-	-
Total Ending Cash and Investments		33,209,629	4,511,757	1,257	13,733

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, 2020

		108 Hotel Motel Fund	118 PEG Fee Fund	125 EMS Restricted Revenue Fund	141 Drug Seizure Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	13,394	127,837	60,385	32,392
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	69,099	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	2,460
360	Miscellaneous Revenues	75	733	381	195
Total Revenues:		69,174	733	381	2,655
Expenditures					
510	General Government	-	463	-	-
520	Public Safety	-	-	-	12,272
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	10,504	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	45,468	-	-	-
Total Expenditures:		45,468	10,967	-	12,272
Excess (Deficiency) Revenues over Expenditures:		23,706	(10,234)	381	(9,617)
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:		23,706	(10,234)	381	(9,617)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	36,276	114,243	59,020	22,027
50841	Committed	-	-	-	-
50851	Assigned	824	3,360	1,746	748
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		37,100	117,603	60,766	22,775

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, 2020

		211 Woodburn/ JKL LID Fund	212 UTGO Debt Fund	213 Gifford Liedtke LID Fund	215 Downtown Revitalization Bond Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,085,784	(7,770)	4,899	1,102,846
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	105,473	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	6,692	-	6,801	7,028
Total Revenues:		6,692	105,473	6,801	7,028
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:		6,692	105,473	6,801	7,028
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	357,850
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	357,850
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	148,625	114,300	-	357,850
597	Transfers-Out	81,136	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		229,761	114,300	-	357,850
Increase (Decrease) in Cash and Investments:		(223,069)	(8,827)	6,801	7,028
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	25,050	-	11,414	1,078,888
50841	Committed	-	-	-	-
50851	Assigned	837,665	-	286	30,986
50891	Unassigned	-	(16,597)	-	-
Total Ending Cash and Investments		862,715	(16,597)	11,700	1,109,874

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, 2020

		304 1st Quarter % REET Fund	306 2nd Quarter % REET Fund	326 Fire Impact Fees Fund	350 Parks Capital Improvement
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,434,665	472,307	329,452	(23,505)
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	460,118	460,118	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	304,744
340	Charges for Goods and Services	-	-	27,328	90,240
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	9,164	1,789	1,920	3,115
Total Revenues:		469,282	461,907	29,248	398,099
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:		469,282	461,907	29,248	398,099
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	552,896	-	176,007
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	573,202
Total Other Increases in Fund Resources:		-	552,896	-	749,209
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	426,260	53,300	391,183
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	357,850	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		357,850	426,260	53,300	391,183
Increase (Decrease) in Cash and Investments:		111,432	588,543	(24,052)	756,125
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,506,147	661,444	305,400	714,629
50841	Committed	-	-	-	-
50851	Assigned	39,950	399,406	-	17,991
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,546,097	1,060,850	305,400	732,620

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, 2020

		351 Building Contingency Fund	353 Transportation Capital Projects	355 Art Project Fund	401 Water Sewer Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	91,331	1,216,446	3	16,261,211
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	655,011	-	46,701
340	Charges for Goods and Services	-	257,272	-	9,483,021
350	Fines and Penalties	-	-	-	27,137
360	Miscellaneous Revenues	84	6,668	-	176,385
Total Revenues:		84	918,951	-	9,733,244
Expenditures					
510	General Government	1,140	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	4,774,700
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	40,952
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,140	-	-	4,815,652
Excess (Deficiency) Revenues over Expenditures:		(1,056)	918,951	-	4,917,592
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	525,248	144,384	5,000	96,073
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	422,006
Total Other Increases in Fund Resources:		525,248	144,384	5,000	518,079
Other Decreases in Fund Resources					
594-595	Capital Expenditures	612,706	1,114,500	719	644,096
591-593, 599	Debt Service	-	-	-	2,705,291
597	Transfers-Out	-	112,759	-	7,489
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		612,706	1,227,259	719	3,356,876
Increase (Decrease) in Cash and Investments:		(88,514)	(163,924)	4,281	2,078,795
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	1,261,374	-	2,345,201
50841	Committed	-	-	-	3,163,746
50851	Assigned	2,817	-	4,284	12,831,059
50891	Unassigned	-	(208,852)	-	-
Total Ending Cash and Investments		2,817	1,052,522	4,284	18,340,006

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, 2020

		403 Stormwater Fund	510 Employment Security Fund	704 Perpetual Care Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	2,441,216	145,617	365,042
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	51,688	-	-
340	Charges for Goods and Services	1,593,476	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	16,975	887	-
Total Revenues:		1,662,139	887	-
Expenditures				
510	General Government	-	10,470	-
520	Public Safety	-	-	-
530	Utilities	1,156,005	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,156,005	10,470	-
Excess (Deficiency) Revenues over Expenditures:		506,134	(9,583)	-
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	94,450	-	8,453
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	6,251	-	1,823
Total Other Increases in Fund Resources:		100,701	-	10,276
Other Decreases in Fund Resources				
594-595	Capital Expenditures	30,980	-	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	96,073	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		127,053	-	-
Increase (Decrease) in Cash and Investments:		479,782	(9,583)	10,276
Ending Cash and Investments				
50821	Nonspendable	-	-	375,318
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	2,920,998	136,034	-
50891	Unassigned	-	-	-
Total Ending Cash and Investments		2,920,998	136,034	375,318

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, 2020

		<u>Custodial</u>
308	Beginning Cash and Investments	-
388 & 588	Net Adjustments	-
310-390	Additions	65,561
510-590	Deductions	61,465
	Net Increase (Decrease) in Cash and Investments:	4,096
508	Ending Cash and Investments	4,096

The accompanying notes are an integral part of this statement.

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using the classifications that are similar to the ending balance classification 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 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.

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.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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.

C. Cash and Investments.

See Note 3, *Deposit and Investments*.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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 56.25 days 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. 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 (Formally Debt Service Requirements).

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by 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 – \$249,444 restricted for payment to others.
- Hotel Motel Fund – \$36,276 restricted for tourism.
- PEG Fees – \$114,243 restricted for educational equipment or facilities.
- EMS Restricted Revenue – \$59,020 restricted for EMS services.
- Drug Seizure Fund – \$22,027 restricted for investigations.
- Woodburn/JKL Fund – \$25,050 restricted for remaining debt payments.
- Gifford Liedtke Fund – \$11,414 restricted for remaining debt payments.
- Downtown Revitalization Bond Fund – \$1,078,888 restricted by bond issuance.
- 1st Quarter REET Fund – \$1,506,147 restricted for capital projects.
- 2nd Quarter REET Fund – \$661,444 restricted for capital projects.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

- Fire Impact Fees – \$305,400 restricted for future capital facility needs.
- Parks Capital Improvement Fund – \$714,629 restricted for City park improvements.
- Transportation Capital Projects Fund – \$1,261,374 restricted for Transportation Improvements.
- Water/Sewer Utility Fund – \$2,345,201 restricted by bond issuance; \$3,163,746 committed for future infrastructure improvements.
- Custodial Fund – \$4,096 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 (except the general fund, where budget is adopted at the department 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, 2020

FUND	Final Appropriated Amounts	Actual Expenditures	Variance
001 GENERAL FUND	\$ 14,930,293	\$ 13,747,174	\$ 1,183,119
101 CITY STREETS FUND	\$ 1,110,041	\$ 802,649	\$ 307,392
103 CEMETERY FUND	\$ 222,854	\$ 218,450	\$ 4,404
108 HOTEL/MOTEL FUND	\$ 91,400	\$ 45,468	\$ 45,932
118 PEG FEE FUND	\$ 131,600	\$ 10,967	\$ 120,633
125 EMS RESTRICTED REVENUE FUND	\$ -	\$ -	\$ -
141 DRUG SEIZURE FUND	\$ 19,200	\$ 12,272	\$ 6,928
212 UTGO DEBT FUND	\$ 114,300	\$ 114,300	\$ -
215 DOWNTOWN REVITALIZATION FUND	\$ 358,150	\$ 357,850	\$ 300
304 1ST QUARTER REET FUND	\$ 897,300	\$ 357,850	\$ 539,450
306 2ND QUARTER REET FUND	\$ 907,000	\$ 426,260	\$ 480,740
326 FIRE IMPACT FEES FUND	\$ 53,300	\$ 53,300	\$ -
350 PARKS CAPITAL IMPROVEMENT FUND	\$ 2,738,000	\$ 391,183	\$ 2,346,817
351 BUILDING CONTINGENCY FUND	\$ 1,095,800	\$ 613,846	\$ 481,954
353 TRANSPORTATION CAPITAL PROJECTS FUND	\$ 4,049,039	\$ 1,227,259	\$ 2,821,780
355 ART PROJECTS FUND	\$ 5,000	\$ 719	\$ 4,281
401 WATER/ SEWER FUND	\$ 19,428,850	\$ 8,172,528	\$ 11,256,322
403 STORMWATER FUND	\$ 1,542,712	\$ 1,283,058	\$ 259,654
510 EMPLOYMENT SECURITY FUND	\$ 30,450	\$ 10,470	\$ 19,980
632 CUSTODIAL FUND	\$ -	\$ 61,465	\$ (61,465)
704 PERPETUAL CARE FUND	\$ -	\$ -	\$ -
Total	\$ 47,725,288	\$ 27,907,068	\$ 19,818,220

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.

Fund 632 – Custodial Fund: The City did not budget expenditures in the passthrough fund

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 presented at original cost while short term investments are presented at fair value. Deposits and investments by type at December 31, 2020 are as follows:

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Type of Investment	Duration	City's own deposits and Investments
Bank Deposits	Short Term	\$ 5,484,142
US Government Securities	Long Term	4,701,619
Local Government Investment Pool	Short Term	23,027,964
	TOTAL	\$ 33,213,725

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.

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 2020 was \$2.49 per \$1,000 on an assessed valuation of \$2,299,517,871 for a total regular levy of \$5,719,876.

In 2020, the City also levied \$.0461 per \$1,000 for public safety bonds for a total additional levy of \$105,000.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 5 – Interfund Loans

The following table displays interfund loan activity during 2020:

Borrowing Fund	Lending Fund	Balance 01/01/20	New Loans	Repayments	Balance 12/31/2020
Cemetery Fund	Perpetual Care Fund	\$ 5,491	\$ -	\$ 1,788	\$ 3,703
		\$ 5,491	\$ -	\$ 1,788	\$ 3,703

Note 6 – Long-Term Debt (formally Debt Service Requirements)

Debt Service

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2020.

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

	Principal	Interest	Total
2021	2,224,404	988,648	3,213,052
2022	2,257,404	913,442	3,170,846
2023	2,230,404	839,597	3,070,001
2024-2028	11,251,121	3,015,752	14,266,873
2029-2033	7,779,928	1,345,196	9,125,124
2034-2038	2,445,000	463,600	2,908,600
2039-2040	960,000	58,000	1,018,000
Totals	\$ 29,148,261	\$ 7,624,235	\$ 36,772,496

Note 7 – Pollution Remediation/ 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 lagoon 2 by 12/31/23. 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.

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

The City has nineteen soil boring 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.

Note 8 – Significant commitments or obligations

The City has active construction projects as of December 31, 2020. At year-end the City's commitments with contractors are as follows:

Facilities Capital Projects	Spent through 2020	Remaining Commitment
Social Service Building Remodel	-	\$950,000 (\$925K of which is grant funding)

Transportation Capital Projects	Spent through 2020	Remaining Commitment
Columbia River Trail	\$547,700	\$1.35MM (\$422K of which is grant funding)
Jemtegaard Trail	\$435,000	\$359,000 (\$159K of which is grant funding)
32nd St Underpass	\$400,000	\$760,000 (\$300K of which is grant funding)
39th Street / Evergreen Blvd Realignment	-	\$120,000
Advanced Traffic Mgmt System	\$26,000	\$110,000 (\$71K of which is grant funding)

Parks Capital Projects	Spent through 2020	Remaining Commitment
Schmid Ballfields Phase 3	\$152,600	\$2.75MM (\$864K of which is grant funding)
Hamlik Park Improvements	-	\$184,000 (\$152K of which is grant funding)

Water/ Sewer Capital Projects	Spent through 2020	Remaining Commitment
Biosolids Management	\$796,000	\$3.8MM
Automatic Meter Reading	\$41,600	\$1.1MM
Pump Station relocation and upgrade	-	\$1.1MM
Woodburn Transmission Improvements	-	\$570,000
Zone 6 Reservoir	-	\$330,000
Water Main Installation 32/ 34th St	-	\$284,000
Anoxic Selector	-	\$100,000

The City has budgeted for the \$10.9MM remaining committed balance and does not need to raise additional funding.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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, 2020, the plan had three members, all retirees. For the year ended December 31, 2020, the City's total OPEB liability was \$1,250,206, as calculated using the alternative measurement method. For the year ended December 31, 2020, the City paid \$25,407 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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2020 (*the measurement date of the plans*), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Allocation Percentage	Liability (Asset)	Employer Contribution
PERS 1	0.029827%	\$ 1,053,054	\$ 216,173
PERS 2 /3	0.038924%	\$ 497,816	\$ 358,578
LEOFF 1	0.006096%	\$ (115,124)	\$ -
LEOFF 2	0.052206%	\$ (1,064,926)	\$ 102,126

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

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, canceling public events, limiting public gatherings, and restricting business operations, travel, and non-essential activities.

The City estimated a \$1.6MM loss of revenue in 2020 due to the pandemic. Due to the projected loss, 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 the potential revenue losses.

The overall 2020 local sales tax and property tax revenue came in higher than previously anticipated during the pandemic. This revenue, along with the Department of Treasury CARES funding which allowed for direct reimbursement of the City's expenses relating to the pandemic, allowed the City to remain whole and the City did not experience a shortfall in revenue as projected. In 2021, with cautious optimism, the City will resume planned capital improvement projects and reevaluate staffing needs, while continuously monitoring revenue and the potential financial impacts of the COVID-19 pandemic.

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

Note 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 162 members.

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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 and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 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 \$136,034.

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

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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, 2020, 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 ASG Risk Management. 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

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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 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 2020, the City of Washougal paid approximately \$285,039 a month totaling \$3,420,472 for the year. The total monthly payment for these services in 2021 is \$274,086 for an estimated yearly cost of \$3,289,032.

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 2020 totaled \$164,098. 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.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 15 – Restatement of Beginning Cash and Investments

It was determined in 2020, fund 520 - Equipment Rental and Revolving Fund, did not meet the requirements of an internal service fund. Fund 520 was primarily supported by the General Fund; therefore, all fund activity has been rolled into the General Fund for reporting purposes. This caused the General Fund's beginning cash and investment balance to be restated from \$3,670,245 to \$3,725,601.

Note 16 – Subsequent Events

Under the American Rescue Plan Act of 2021, the City of Washougal expects to receive \$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. Half of the funding was received in June 2021 and the second half will be received in June 2022.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	GO Bonds refunded voted 9/12	12/1/2022	310,000	-	105,000	205,000
251.11	GO Bonds non-voted 12/14	12/1/2026	2,140,000	-	275,000	1,865,000
263.98	Real Estate Purchase Agreement with Port of Camas/Washougal	7/1/2025	432,309	-	432,309	-
Total General Obligation Debt/Liabilities:			2,882,309	-	812,309	2,070,000
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	Public Works Trust Fund Loan 6/05	7/1/2025	261,880	-	43,646	218,234
263.88	Public Works Trust Fund Loan 6/12	6/1/2031	390,732	-	32,561	358,171
263.88	Public Works Trust Fund Loan 6/12	6/1/2031	168,978	-	14,082	154,896
263.88	Public Works Trust Fund Loan 6/06	7/1/2026	671,846	-	95,978	575,868
263.88	Public Works Trust Fund Loan 6/08	7/1/2028	928,228	-	103,136	825,092
252.11	Revenue Bonds non-voted 6/05	9/1/2020	85,000	-	85,000	-
252.11	Revenue Bonds non-voted 5/11	9/1/2025	5,275,000	-	850,000	4,425,000
252.11	Revenue Bonds non-voted 12/14	9/1/2034	4,085,000	-	200,000	3,885,000
252.11	Revenue Bonds non-voted 12/15	9/1/2040	7,160,000	-	230,000	6,930,000
252.11	Revenue Bonds non-voted 3/17	9/1/2031	9,759,000	-	88,000	9,671,000
264.30	Net Pension Liability		1,496,777	54,093	-	1,550,870
264.40	OPEB Liability		1,088,118	162,088	-	1,250,206
259.12	Compensated Absences General and Street Funds		571,506	200,872	-	772,378
259.12	Compensated Absences Water/Sewer Funds		128,496	40,002	-	168,498
259.12	Compensated Absences Stormwater Fund		28,843	8,724	-	37,567
263.93	Environmental Liability - Sewer Lagoons		-	1,500,000	-	1,500,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			32,099,404	1,965,779	1,742,403	32,322,780
Assessment Debt/Liabilities (with commitments)						
253.63	Woodburn Hill Local Improvement District 2/00	2/15/2020	10,000	-	10,000	-
253.63	Gifford Liedtke Local Improvement District 9/04	10/1/2021	165,000	-	130,000	35,000
Total Assessment Debt/Liabilities (with commitments):			175,000	-	140,000	35,000
Total Liabilities:			35,156,713	1,965,779	2,694,712	34,427,780

City of Washougal
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Clark County)	Community Development Block Grants/Entitlement Grants	14.218	#2019 - CDBG- 1904	107,887	-	107,887	-	1,2,4
Total CDBG - Entitlement Grants Cluster:				107,887	-	107,887	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	2018-2019 Fiscal Year	-	420	420	-	1,2,4
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State Department of Transportation)	Highway Planning and Construction	20.205	REP-1385	31,507	-	31,507	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State Department of Transportation)	Highway Planning and Construction	20.205	SRTS-7099 (001)	327,594	-	327,594	-	1,2,4
Total Highway Planning and Construction Cluster:				359,101	-	359,101	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	(COVID) 20- 6541C-360	742,500	-	742,500	-	1,2,3, 4

The accompanying notes are an integral part of this schedule.

City of Washougal
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4481 DR-WA COVID-19	-	8,515	8,515	-	1,2,4
Total Federal Awards Expended:				1,209,488	8,935	1,218,423	-	

City of Washougal

**Notes to the Schedule of Expenditures of Federal Awards
and State / Local Financial Assistance
For the Year Ended December 31, 2020**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the city's financial statements. The city uses the single entry, cash basis accounting

Note 2 – Federal De Minimis Indirect Cost Rate

The city has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Noncash Awards – Equipment

The City received donations of Personal Protective Equipment (PPE) and supplies purchased with federal funds by CRESA to use in our COVID-19 response activities. The City has assigned a value of \$6,392. This is not reported with the expenditures on the schedule and is considered "unaudited."

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the federal and state/local grant portions of the program costs. Entire program costs, including the city's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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