



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Waitsburg

For the period January 1, 2020 through December 31, 2021

Published January 23, 2023

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

January 23, 2023

Mayor and City Council
City of Waitsburg
Waitsburg, Washington

Report on Financial Statements

Please find attached our report on the City of Waitsburg'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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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 Waitsburg January 1, 2020 through December 31, 2021

Mayor and City Council
City of Waitsburg
Waitsburg, 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 Waitsburg, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 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 audits of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

January 12, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Waitsburg January 1, 2020 through December 31, 2021

Mayor and City Council
City of Waitsburg
Waitsburg, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Waitsburg, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Waitsburg, and its changes in cash and investments, for the years ended December 31, 2021 and 2020, 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 Waitsburg, as of December 31, 2021 and 2020, or the changes in financial position or cash flows thereof for the years 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Schedules of Liabilities are 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 January 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

January 12, 2023

FINANCIAL SECTION

City of Waitsburg January 1, 2020 through December 31, 2021

FINANCIAL STATEMENTS

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Schedule of Liabilities – 2021
Schedule of Liabilities – 2020

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	102 City Street Fund	106 Promotion Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	51,374	33,939	2,113	184
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	579,837	396,796	129,077	1,468
320	Licenses and Permits	4,191	4,191	-	-
330	Intergovernmental Revenues	1,226,033	372,436	698,941	-
340	Charges for Goods and Services	793,298	35,713	-	-
350	Fines and Penalties	2,542	200	-	-
360	Miscellaneous Revenues	30,340	29,123	740	-
Total Revenues:		2,636,241	838,459	828,758	1,468
Expenditures					
510	General Government	119,379	119,379	-	-
520	Public Safety	110,662	110,662	-	-
530	Utilities	556,015	88,819	-	-
540	Transportation	191,231	-	191,231	-
550	Natural/Economic Environment	98,466	98,466	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	127,421	127,421	-	-
Total Expenditures:		1,203,174	544,747	191,231	-
Excess (Deficiency) Revenues over Expenditures:		1,433,067	293,712	637,527	1,468
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	20,114	20,114	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	660	660	-	-
Total Other Increases in Fund Resources:		20,774	20,774	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	913,332	281,653	523,654	-
591-593, 599	Debt Service	239,228	-	12,323	-
597	Transfers-Out	20,114	2,000	-	500
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,172,674	283,653	535,977	500
Increase (Decrease) in Cash and Investments:		281,167	30,833	101,550	968
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	6,262	5,110	-	1,152
50841	Committed	162,952	-	-	-
50851	Assigned	103,661	-	103,661	-
50891	Unassigned	59,665	59,665	-	-
Total Ending Cash and Investments		332,540	64,775	103,661	1,152

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

		107 Municipal Capital Impr. Fund	401 Water & Sewer Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	-	15,138
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	52,496	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	154,656
340	Charges for Goods and Services	-	757,585
350	Fines and Penalties	-	2,342
360	Miscellaneous Revenues	-	477
Total Revenues:		52,496	915,060
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	467,196
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	467,196
Excess (Deficiency) Revenues over Expenditures:		52,496	447,864
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	34,881	73,144
591-593, 599	Debt Service	-	226,905
597	Transfers-Out	17,614	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		52,495	300,049
Increase (Decrease) in Cash and Investments:		1	147,815
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	162,952
50851	Assigned	-	-
50891	Unassigned	-	-
Total Ending Cash and Investments		-	162,952

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	102 City Street Fund	106 Promotion Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	175,320	114,386	195,951	471
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	457,074	215,998	208,562	462
320	Licenses and Permits	1,850	1,850	-	-
330	Intergovernmental Revenues	853,366	223,559	153,059	-
340	Charges for Goods and Services	746,261	20,619	-	-
350	Fines and Penalties	4,032	-	-	-
360	Miscellaneous Revenues	64,209	53,865	3,112	-
Total Revenues:		2,126,792	515,891	364,733	462
Expenditures					
510	General Government	105,353	105,353	-	-
520	Public Safety	69,721	69,721	-	-
530	Utilities	539,600	58,413	-	-
540	Transportation	567,731	-	567,731	-
550	Natural/Economic Environment	206,397	206,147	-	250
560	Social Services	-	-	-	-
570	Culture and Recreation	104,317	104,317	-	-
Total Expenditures:		1,593,119	543,951	567,731	250
Excess (Deficiency) Revenues over Expenditures:		533,673	(28,060)	(202,998)	212
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	48,802	-	18,000	-
397	Transfers-In	50,500	500	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	300	300	-	-
Total Other Increases in Fund Resources:		99,602	800	18,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	530,991	3,183	8,840	-
591-593, 599	Debt Service	175,723	-	-	-
597	Transfers-Out	50,500	50,000	-	500
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		757,214	53,183	8,840	500
Increase (Decrease) in Cash and Investments:		(123,939)	(80,443)	(193,838)	(288)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	9,533	9,349	-	184
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	41,841	24,590	2,113	-
Total Ending Cash and Investments		51,374	33,939	2,113	184

The accompanying notes are an integral part of this statement.

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

		107 Municipal Capital Impr. Fund	401 Water & Sewer Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	-	(135,488)
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	32,052	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	476,748
340	Charges for Goods and Services	-	725,642
350	Fines and Penalties	-	4,032
360	Miscellaneous Revenues	6,917	315
Total Revenues:		38,969	1,206,737
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	481,187
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	481,187
Excess (Deficiency) Revenues over Expenditures:		38,969	725,550
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	30,802
397	Transfers-In	-	50,000
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	80,802
Other Decreases in Fund Resources			
594-595	Capital Expenditures	38,969	479,999
591-593, 599	Debt Service	-	175,723
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		38,969	655,722
Increase (Decrease) in Cash and Investments:		-	150,630
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	-	-
50891	Unassigned	-	15,138
Total Ending Cash and Investments		-	15,138

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City of Waitsburg was incorporated in 1865 and operates under its original Territorial Charter as an unclassified City with a Mayor/Council form of government but employs a City Administrator to run the day-to-day operations of the City. The City of Waitsburg is a general-purpose government and provides several services including water and wastewater utilities, law enforcement, parks, fairgrounds and recreation programs, library services and operation and maintenance of the City's street system. The City of Waitsburg uses single-entry, cash basis accounting which is a departure 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 not presented using the classifications defined 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 (Current Expense) Fund

This fund is the primary operating fund of the City of Waitsburg. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City of Waitsburg.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

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.

Due to the City of Waitsburg unique government structure, the City closes its books on December 31 and therefore is not subject to the 20 day yearend open period.

c. Cash and Investments

a. See Note 5, *Deposits and Investments*.

d. Capital Assets

a. Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

e. Compensated Absences

a. Vacation leave may be accumulated up to 5 days and is payable upon separation or retirement. Employees are allowed to cash out up to 40 hours of vacation time any time during the year during a single transaction. Employees declaring to cash out vacation time are unable to roll over the same amount in the new year.

b. Sick leave may be accumulated up to 520 hours (public works) and 455 hours (City Hall). Employees who had accrued more than the maximum prior to the adoption of the City new personnel manual were allowed to keep any unused sick leave above the maximum. Upon separation or retirement employees do not receive payment for unused sick leave.

f. Long-Term Debt See (Long-Term Debt Note No. 7).

g. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City Ordinance. When expenditures that meet restrictions are incurred, the City of Waitsburg intends to use reserved resources first before using unreserved amounts.

Reservations and commitments of Ending Cash and Investments consist of \$406,612.02.

NOTE 2 – BUDGET COMPLIANCE

A. Budgets

The City of Waitsburg adopts annual appropriated budgets for all funds except its clearing fund (631). 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:

Budgeted amounts are authorized to be transferred between (departments within any fund/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 of Waitsburg legislative body except in the cases of merit increases which are approved at the discretion of the Mayor.

Note 3 – COVID-19 Pandemic

Fund/Department	Final appropriated Amount	Actual Expenditures	Variance
General Fund:			
Legislative	\$119,470.00	\$19,437	\$100,032
Executive	\$313,836	\$424,333	\$110,497
Security	\$101,222	\$101,066	\$155
Fairgrounds	\$50,997	\$46,063	\$4,933
Parks	\$73,666	\$61,497	\$12,168
Pool	\$26,265	\$3,001	\$23,264
Library	\$20,851	\$19,655	\$1,196
Cemetery	\$144,068	\$148,536	\$4,468
Total General Fund	\$850,375	\$823,590	\$26,785
Cemetery Improvement Fund	\$	\$2,000	\$6,512.50
Library Improvement Fund	\$2,800.00	\$2,808	\$0
City Street & Road Fund	\$842,726	\$727,208	\$115,517
Promotion Fund	\$1,500	\$500	\$1,000
Municipal Capital Improvement Fund	\$53,000	\$52,495	\$505
Water & Sewer Fund			
Water	\$450,494	\$309,397	\$141,097
Sewer	\$490,231	\$457,850	\$32,381
Total Water & Sewer Fund	\$940,725	\$767,247	\$173,478

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, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Due to the various declarations from the Washington State Governor, the City has been unable to assess late fees and enforce utility disconnections; resulting in an estimated loss of \$20,000 in revenue to date that continued to climb each month until the moratoriums was finally lifted in November of 2021

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

Note 4 – Financial Condition

In February of 2020, a historic flooding event occurred in the City of Waitsburg, causing millions of dollars in damage to public and private property. The City of Waitsburg was forced to pay for the emergency repairs to various facilities up front and wait for reimbursement from FEMA; which did not occur in the 2020 Fiscal period and put tremendous pressure on the City budget to cover. The resulting expenses totaled in excess of \$300,000; with the City only being able to recover 75% from FEMA. In addition, the State of Washington failed to provide their historic 12.5% local cost share to affected entities; further impacting the City's ability to recover from the event.

With FEMA reimbursement dollars flowing into the City during the 2021 Fiscal period, the City was able to back fill the expenses incurred fighting the 2020 flood event. As a way to fund future flood mitigation efforts, the City Council instituted a utility tax on users of the City's water system in order to prevent a major hit to the City budget should a flood event occur in the near future.

Note 5 – Going Concern

The financial statements have been prepared on a going concern basis, which assumes the City of Waitsburg will be able to realize its assets and settle its liabilities in the normal course of business for the foreseeable future. Examples of events that would provide substantial doubt would be another flood event prior to the City repairing the rest of the flood levee system or the reduction in State shared revenues that fund a variety of general fund activities. Other events would revolve around breakdowns in the City's water and sewer systems that result in a catastrophic failure of a water or sewer mainline; leading to service disruptions.

These conditions raise substantial doubt about the City of Waitsburg's ability to continue operating as it has in the past. The City continues to plan for and repair outdated infrastructure as funding can be allocated in a effort to prevent future issues from arising. The ability to continue as a going concern is dependent upon the availability of associated revenues that can be budgeted for facility and infrastructure repairs.

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

Investments are presented at Fair Market Value. Deposits and Investments by type at December 31, 2021 are as follows:

<u>Type of Investment</u>	<u>City of Waitsburg's own investments</u>	Investments held by City of Waitsburg as an agent for other local governments, individuals or private organizations.	Total
Money Market Accounts	<u>\$201,341.94</u>	<u>\$0.00</u>	<u>\$201,341.94</u>
Total	<u>\$201,341.94</u>	<u>\$0.00</u>	<u>\$201,341.94</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Waitsburg would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City of Waitsburg's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the City of Waitsburg or its agent in the government's name.

Note 6 - Interfund Loans

The following table displays interfund loan activity during 2021:

Borrowing Fund	Lending Fund	Balance 1/1/2021	New Loans	Payments	Balance 12/31/2021
001	002	\$96,987.50	\$0.00	\$0.00	\$96,987.50
Totals		\$96,987.50	\$0.00	\$0.00	\$96,987.50

NOTE 7 – Long Term Debt

Debt Service

The accompanying Schedule of Long-Term Debt (09) provides more details of the outstanding debt and liabilities of the City of Waitsburg and summarizes the City of Waitsburg's debt transactions for 2021. The debt service requirements for general obligation bonds and revenue bonds are as follows:

	Principal	Interest	Total
2022	\$153,858.02	\$43,059.57	\$196,917.59
2023	\$156,548.01	\$39,894.89	\$196,442.90

2024	\$132,229.31	\$36,478.27	\$168,707.58
2025	\$112,690.18	\$33,312.62	\$146,002.80
2026	\$115,643.01	\$30,343.99	\$145,987.00
2027-2031	\$457,443.60	\$106,381.91	\$563,825.51
2032-2036	\$237,283.09	\$52,288.79	\$289,571.88
2037-2041	\$107,364.15	\$5,931.97	\$113,296.12
Totals	\$1,473,059.37	\$347,692.01	\$1,820,751.38

Note 8 – Paid Family Medical Leave Act Self-Insurance

The City of Waitsburg administers a voluntary plan for paid family (and/or) medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington’s Paid Family & Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State’s program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis.

The City of Waitsburg paid \$0.00 in claims during 2021 and held \$1,167.33 of employee premiums at fiscal year-end to the State of Washington.

NOTE 8 - PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City of Waitsburg 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 PERS 2/3

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
P.O. 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, 2021 (the measurement date of the plans), the City of Waitsburg proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$13,057	.001753	\$21,408
PERS 2/3	\$21,327	.002251	(\$224,236)

B. Local Government Pension Plans

The City of Waitsburg allows its employees to contribute to a 457 Deferred Compensation Plan through Nationwide Retirement Solutions. At the end of 2021, the total value of the City of Waitsburg's plan was \$55,360.42

NOTE 9 - PROPERTY TAX

Historically, the City Treasurer acted as an agent to collect property taxes levied in the City of Waitsburg per authority of the Territorial Charter. In 2006, the Waitsburg City Council assigned the distribution and collection of Waitsburg Property Taxes to the Walla Walla County Treasurer. An interlocal agreement was then approved by the City and the County outlining roles and responsibilities. The County began distribution and collection of the City's taxes in 2007; remitting the amounts monthly to City based on amounts collected against the City's approved levy.

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

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

The City of Waitsburg regular levy for the year 2021 was \$1.783 per \$1,000 on an assessed valuation of \$93,774,341 for a total regular levy of \$167,245.89

NOTE 10 – RISK MANAGEMENT

The City of Waitsburg is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988, when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2021, there are 192 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its

members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, are included to fit member's various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim (deductible may vary per member). Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention. The pool also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$3,505,566, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of \$100,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$100,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW. Cyber liability insurance is subject to a per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR. Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filled by members/brokers with Clear Risks Solutions, who has been contracted to perform the daily administration, claims adjustment and administration and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ended December 1, 2021, were \$2,772,986.77.

Health & Welfare

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

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

other beneficiaries through a designated account within the Trust.

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

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

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement. Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

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

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting

Standards Board (“GASB”). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor’s office

NOTE 6 - OTHER DISCLOSURES

In 2021, City of Waitsburg completed the transition to the State Business Licensing System and moved its business licensing to them to administer.

The City Council completed the transition away from Annual Elections to staggered terms as outlined by State Election laws.

The City purchased a new tractor on credit through John Deere Financial with it being fully paid off within a couple months of the initial purchase.

Due to a number of deficiencies with their current City Hall building and with no way to pay for the anticipated repair costs, the City decided to surplus the existing building and purchase a new building in order to move its Administrative offices. The City Council also decided to surplus a vacant lot owned by the City for the purpose of resale through an Request for Proposals Process.

The City Council reauthorized the City’s Transportation Benefit District sales tax assessment for another 10 years and added an additional 1/10 of 1% with the item to be placed on the February 2022 Special Election

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City of Waitsburg was incorporated in 1865 and operates under its original Territorial Charter as an unclassified City with a Mayor/Council form of government but employs a City Administrator to run the day to day operations of the City. The City of Waitsburg is a general purpose government and provides several services including water and wastewater utilities, law enforcement, parks, fairgrounds and recreation programs, library services and operation and maintenance of the City's street system. The City of Waitsburg uses single-entry, cash basis accounting which is a departure 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 not presented using the classifications defined 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 (Current Expense) Fund

This fund is the primary operating fund of the City of Waitsburg. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City of Waitsburg.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

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.

Due to the City of Waitsburg unique government structure, the City closes its books on December 31 and therefore is not subject to the 20 day yearend open period.

c. Cash and Investments

a. See Note 5, *Deposits and Investments*.

d. Capital Assets

a. Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

e. Compensated Absences

a. Vacation leave may be accumulated up to 5 days and is payable upon separation or retirement. Employees are allowed to cash out up to 40 hours of vacation time any time during the year during a single transaction. Employees declaring to cash out vacation time are unable to roll over the same amount in the new year.

b. Sick leave may be accumulated up to 520 hours (public works) and 455 hours (City Hall). Employees who had accrued more than the maximum prior to the adoption of the City new personnel manual were allowed to keep any unused sick leave above the maximum. Upon separation or retirement employees do not receive payment for unused sick leave.

f. Long-Term Debt See (Long-Term Debt Note No. 7).

g. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City Ordinance. When expenditures that meet restrictions are incurred, the City of Waitsburg intends to use reserved resources first before using unreserved amounts.

Reservations and commitments of Ending Cash and Investments consist of \$74,043.44.

NOTE 2 – BUDGET COMPLIANCE

A. Budgets

The City of Waitsburg adopts annual appropriated budgets for all funds except its clearing fund (631). These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final appropriated Amount	Actual Expenditures	Variance
General Fund:			
Legislative	\$20,970.00	\$21,620.19	\$650.19
Executive	\$416,935.00	\$352,183.88	\$64,751.12
Security	\$80,600.00	\$60,600	\$20,000.00
Fairgrounds	\$46,099.00	\$47,681.38	\$1,582.38
Parks	\$39,870.00	\$32,466.97	\$7,403.03
Pool	\$22,977.00	\$738.62	\$22,238.38
Library	\$16,353.00	\$23,432.11	7,079.11
Cemetery	\$61,971.00	\$58,413.05	\$3,557.95
Total General Fund	\$705,775.00	\$597,136.20	\$108,638.80
Cemetery Improvement Fund	\$103,500.00	\$96,987.50	\$6,512.50
Library Improvement Fund	\$2,800.00	\$0.00	\$2,800.00
City Street & Road Fund	\$1,048,476.00	\$576,570.83	\$471,905.17
Promotion Fund	\$750.00	\$750.00	\$0.00
Municipal Capital Improvement Fund	\$39,000.00	\$38,968.83	\$31.17
Water & Sewer Fund			
Water	\$813,598.00	\$801,863.47	\$11,734.57
Sewer	\$442,127.00	\$335,049.89	\$107,077.11
Total Water & Sewer Fund	\$1,255,725.00	\$1,136,913.32	\$118,811.68

Budgeted amounts are authorized to be transferred between (departments within any fund/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 of Waitsburg legislative body except in the cases of merit increases which are approved at the discretion of the Mayor.

Note 3 – 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, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Due to the various declarations from the Washington State Governor, the City has been unable to assess late fees and enforce utility disconnections; resulting in an estimated loss of \$20,000 in revenue to date that continues to climb each month the moratoriums are left in place.

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

Note 4 – Financial Condition

In February of 2020, a historic flooding event occurred in the City of Waitsburg, causing millions of dollars in damage to public and private property. The City of Waitsburg was forced to pay for the emergency repairs to various facilities up front and wait for reimbursement from FEMA; which did not occur in the 2020 Fiscal period and put tremendous pressure on the City budget to cover. The resulting expenses totaled in excess of \$300,000; with the City only being able to recover 75% from FEMA. State of Washington failed to provide their historical 12.5% local cost share to affected entities; further impacting the City's ability to recover from the event.

With FEMA reimbursement dollars flowing into the City during the 2021 Fiscal period, the City will be able to back fill the expenses incurred, including a \$100,000 interfund loan, fighting the 2020 flood event. As a way to fund future flood mitigation efforts, the City Council instituted a utility tax on users of the City's water system in order to prevent a major hit to the City budget should a flood event occur in the near future.

Note 5 – Going Concern

The financial statements have been prepared on a going concern basis, which assumes the City of Waitsburg will be able to realize its assets and settle its liabilities in the normal course of business for the foreseeable future. Examples of events that would provide substantial doubt would be another flood event prior to the City repairing the rest of the flood levee system or the reduction in

State shared revenues that fund a variety of general fund activities. Other events would revolve around breakdowns in the City's water and sewer systems that result in a catastrophic failure of a water or sewer mainline; leading to service disruptions.

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<u>Type of Investment</u>	<u>City of Waitsburg's own investments</u>	<u>Investments held by City of Waitsburg as an agent for other local governments, individuals or private organizations.</u>	<u>Total</u>
Money Market Accounts	<u>\$26,347.46</u>	<u>\$0.00</u>	<u>\$26,347.46</u>
Total	<u>\$26,347.46</u>	<u>\$0.00</u>	<u>\$26,347.46</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Waitsburg would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City of Waitsburg's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the City of Waitsburg or its agent in the government's name.

Note 6 - Interfund Loans

The following table displays interfund loan activity during 2020:

Borrowing Fund	Lending Fund	Balance 1/1/2020	New Loans	Payments	Balance 12/31/2020
001	002	\$0.00	\$96,987.50	\$0.00	\$96,987.50
Totals		\$0.00	\$96,987.50	\$0.00	\$96,987.50

NOTE 7 – Long Term Debt

Debt Service

The accompanying Schedule of Long-Term Debt (09) provides more details of the outstanding debt and liabilities of the City of Waitsburg and summarizes the City of Waitsburg's debt transactions for 2020. The debt service requirements for general obligation bonds and revenue bonds are as follows:

	Principal	Interest	Total
2021	\$187,338.75	\$447,579.76	\$234,918.51
2022	\$147,737.23	\$44,101.41	\$191,838.64
2023	\$50,397.01	\$41,006.19	\$191,403.20
2024	\$126,074.27	\$37,900.82	\$163,975.09
2025	\$128,950.68	\$34,860.88	\$163,811.56
2026-2030	\$601,416.01	\$128,282.18	\$729,698.19
2031-2035	\$240,139.70	\$62,095.34	\$302,235.04
2036-2040	\$105,118.71	\$5,931.97	\$111,050.68
Totals	\$1,582,053.65	\$395,826.58	\$1,977,880.23

Note 8 – Paid Family Medical Leave Act Self-Insurance

The City of Waitsburg administers a voluntary plan for paid family (and/or) medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington's Paid Family & Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State's program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis.

The City of Waitsburg remitted \$1,162.61 of employee premiums at fiscal year-end to the State of Washington.

NOTE 8 - PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City of Waitsburg 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 PERS 2/3

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
P.O. 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 of Waitsburg proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	.001748	\$60,902.00
PERS 2/3	.002255	\$28,712.00

B. Local Government Pension Plans

The City of Waitsburg allows its employees to contribute to a 457 Deferred Compensation Plan through Nationwide Retirement Solutions. At the end of 2020, the total value of the City of Waitsburg's plan was \$50,719.49

NOTE 9 - PROPERTY TAX

Historically, the City Treasurer acted as an agent to collect property taxes levied in the City of Waitsburg per authority of the Territorial Charter. In 2006, the Waitsburg City Council assigned the distribution and collection of Waitsburg Property Taxes to the Walla Walla County Treasurer. An interlocal agreement was then approved by the City and the County outlining roles and responsibilities. The County began distribution and collection of the City's taxes in 2007; remitting the amounts monthly to City based on amounts collected against the City's approved levy.

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

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

The City of Waitsburg regular levy for the year 2020 was \$2.0785380181 per \$1,000 on an assessed valuation of \$79,648,483 for a total regular levy of \$165,552.40.

NOTE 10 – RISK MANAGEMENT

The City of Waitsburg is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988, when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2020, there are 193 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, are included to fit member's various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts of Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention. The pool also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$2,147,814.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for the first \$1,000 of the deductible amount of each claim. The program bears the \$25,000 self-insured retention in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500 which may vary per member per exception of Pumps and Motors which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on the coverage, with the exception of Pumps and Motors which \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Agreement.

A board of ten members is selected by the membership for three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filled by members/brokers with Clear Risks Solutions, who has been contracted to perform the daily administration, claims adjustment and administration and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended December 1, 2020, were \$2,651,954.

Health & Welfare

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

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

As of December 31, 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 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 6 - OTHER DISCLOSURES

In 2020, the City of Waitsburg Council voted to change the City's Annual Election process from one year to staggered four year terms administered by Walla Walla laid out by the general election laws of the State of Washington.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	2002 Wastewater System Improvements (PW-01-691-066)	7/1/2021	42,222	-	42,222	-
263.84	2003 Water Improvement (DWSRF 02-65102-044)	10/1/2023	80,972	-	26,991	53,981
263.88	2012 Sewerline Relining (PWTF PC-13-961-069)	6/1/2032	75,788	-	6,316	69,472
263.88	2018 Water and Sewer Revenue Loan (Loan 155416)	9/25/2038	700,353	-	26,827	673,526
252.11	2014 Sewer Revenue Bond	12/30/2029	711,271	-	69,250	642,021
263.88	PWB Loan (PR18-96103-052)	6/30/2024	90,000	-	22,500	67,500
259.12	Compensated Absences		42,210	18,911	14,336	46,785
264.30	Pension Liabilities		89,614	-	68,206	21,408
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,832,430	18,911	276,648	1,574,693
Total Liabilities:			1,832,430	18,911	276,648	1,574,693

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	2002 Wastewater System Improvements (PW-01-691-066)	7/1/2021	84,445	-	42,222	42,223
263.84	2003 Water Improvement (DWSRF 02-65102-044)	10/1/2023	107,962	-	26,991	80,971
263.88	2012 Sewerline Relining (PWTF PC-13-961-069)	6/1/2032	82,104	-	6,316	75,788
263.88	2018 Water and Sewer Revenue Loan (Loan 155416)	9/25/2038	725,334	-	24,981	700,353
252.11	2014 Sewer Revenue Bond	12/30/2029	744,956	-	33,685	711,271
263.88	PWB Loan (PR18-96103-052)	6/30/2020	41,198	48,802	-	90,000
259.12	Compensated Absences		38,844	14,770	11,404	42,210
264.30	Pension Liabilities		301,431	-	211,817	89,614
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,126,274	63,572	357,416	1,832,430
Total Liabilities:			2,126,274	63,572	357,416	1,832,430

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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- Main telephone:
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- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov