



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Ocean Shores

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

Published February 6, 2023

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

February 6, 2023

Mayor and City Council
City of Ocean Shores
Ocean Shores, Washington

Report on Financial Statements

Please find attached our report on the City of Ocean Shores 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 Ocean Shores January 1, 2021 through December 31, 2021

Mayor and City Council
City of Ocean Shores
Ocean Shores, 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 Ocean Shores, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 30, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

January 30, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Ocean Shores January 1, 2021 through December 31, 2021

Mayor and City Council
City of Ocean Shores
Ocean Shores, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Ocean Shores, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

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

Adverse Opinion on U.S. GAAP

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

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 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 30, 2023

FINANCIAL SECTION

City of Ocean Shores January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021

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

		Total for All Funds (Memo Only)	001 GENERAL FUND	101 STREETS	104 EMERGENCY CARE
Beginning Cash and Investments					
308	Beginning Cash and Investments	19,101,754	4,783,932	211,155	1,188,797
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	11,548,275	7,186,287	-	565,767
320	Licenses and Permits	2,450,822	1,137,587	-	-
330	Intergovernmental Revenues	2,135,098	1,157,624	127,218	269,735
340	Charges for Goods and Services	9,844,471	103,392	29,977	2,287,719
350	Fines and Penalties	114,318	76,648	-	771
360	Miscellaneous Revenues	1,539,172	57,007	20	1,305
Total Revenues:		27,632,156	9,718,545	157,215	3,125,297
Expenditures					
510	General Government	3,150,148	2,262,813	146,052	292,947
520	Public Safety	5,701,758	2,902,832	-	2,796,926
530	Utilities	6,166,035	109,682	-	-
540	Transportation	1,055,647	247,806	526,008	45,378
550	Natural/Economic Environment	892,006	891,699	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	1,313,723	488,123	-	-
Total Expenditures:		18,279,317	6,902,955	672,060	3,135,251
Excess (Deficiency) Revenues over Expenditures:		9,352,839	2,815,590	(514,845)	(9,954)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	3,241,190	3,658	669,379	10,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		3,241,190	3,658	669,379	10,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	501,141	153,518	-	-
591-593, 599	Debt Service	4,806,745	-	-	59,407
597	Transfers-Out	3,241,190	1,595,038	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		8,549,076	1,748,556	-	59,407
Increase (Decrease) in Cash and Investments:		4,044,953	1,070,692	154,534	(59,361)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,151,733	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	14,823,704	1,683,369	365,691	1,129,437
50891	Unassigned	4,171,257	4,171,257	-	-
Total Ending Cash and Investments		23,146,694	5,854,626	365,691	1,129,437

The accompanying notes are an integral part of this statement.

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

		105 HOTEL- MOTEL TAX	106 CONVENTION/T OURISM &	112 BOATING SAFETY	117 LID ADMINISTRATIV E COST
Beginning Cash and Investments					
308	Beginning Cash and Investments	320,306	94,637	35,442	1,487,371
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,496,673	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	234,628	-	26,740
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	415	78,658	-	38,977
Total Revenues:		1,497,088	313,286	-	65,717
Expenditures					
510	General Government	-	51,170	-	93,619
520	Public Safety	-	-	2,000	-
530	Utilities	-	-	-	191,869
540	Transportation	-	10,412	-	18,456
550	Natural/Economic Environment	-	307	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	760,043	-	-
Total Expenditures:		-	821,932	2,000	303,944
Excess (Deficiency) Revenues over Expenditures:		1,497,088	(508,646)	(2,000)	(238,227)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	625,224	15,131	79,366
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	625,224	15,131	79,366
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	1,237,249	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,237,249	-	-	-
Increase (Decrease) in Cash and Investments:		259,839	116,578	13,131	(158,861)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	580,145	-	-	1,328,508
50841	Committed	-	-	-	-
50851	Assigned	-	211,213	48,574	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		580,145	211,213	48,574	1,328,508

The accompanying notes are an integral part of this statement.

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

		202 GO FIRE BOND REDEMPTION	205 GO STREET BOND REDEMPTION	206 GO CONV CENTER BOND REDEMPTION	213 LID BOND GUARANTY
Beginning Cash and Investments					
308	Beginning Cash and Investments	6,916	3,658	43,922	603,685
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	543,580	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	279	517
Total Revenues:		-	-	543,859	517
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:		-	-	543,859	517
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	390,000	-	262,025	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		390,000	-	262,025	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	389,100	-	662,875	-
597	Transfers-Out	-	3,658	-	79,366
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		389,100	3,658	662,875	79,366
Increase (Decrease) in Cash and Investments:		900	(3,658)	143,009	(78,849)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	7,816	-	186,931	524,836
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		7,816	-	186,931	524,836

The accompanying notes are an integral part of this statement.

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

		214 LID 07-01 BOND REDEMPTION	301 CAPITAL IMPROVEMENT	304 SAFE ROUTES TO SCHOOL	350 CONVENTION CENTER CAP
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,704,520	2,068,420	4,200	179,356
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	665,223	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	36,941	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	32,946	-	-	-
360	Miscellaneous Revenues	1,344,787	2,111	-	191
Total Revenues:		1,377,733	704,275	-	191
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	72,938	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	65,557
Total Expenditures:		-	72,938	-	65,557
Excess (Deficiency) Revenues over Expenditures:		1,377,733	631,337	-	(65,366)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	349,807	-	350,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	349,807	-	350,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	84,665	-	-
591-593, 599	Debt Service	1,651,916	-	-	-
597	Transfers-Out	-	300,000	4,200	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,651,916	384,665	4,200	-
Increase (Decrease) in Cash and Investments:		(274,183)	596,479	(4,200)	284,634
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,430,336	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	2,664,899	-	463,990
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,430,336	2,664,899	-	463,990

The accompanying notes are an integral part of this statement.

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

		372 PT BROWN AVE REVISION (D/E)	373 FAA AIRPORT IMPROVEMENT	381 RAZOR CLAM BRIDGE REPLACEMENT	406 MITIGATION LAND BANK
Beginning Cash and Investments					
308	Beginning Cash and Investments	9,880	-	11,799	37,876
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	39,112
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	6	-	38
Total Revenues:		-	6	-	39,150
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	9,006
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	9,006
Excess (Deficiency) Revenues over Expenditures:		-	6	-	30,144
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	17,500	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	17,500	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	14,793	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	9,880	-	11,799	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		9,880	14,793	11,799	-
Increase (Decrease) in Cash and Investments:		(9,880)	2,713	(11,799)	30,144
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	2,714	-	68,021
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	2,714	-	68,021

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

		434 WATER UTILITY OPERATIONS	435 SEWER UTILITY OPERATIONS	438 STORM DRAIN UTILITY OPERATIONS	503 UNEMPLOYME NT
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,616,202	2,060,415	172,589	109,514
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	588,357	1,045,968	-	-
320	Licenses and Permits	833,465	479,770	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	3,513,523	2,404,857	1,011,867	15,698
350	Fines and Penalties	1,877	1,344	732	-
360	Miscellaneous Revenues	10,382	3,845	270	364
Total Revenues:		4,947,604	3,935,784	1,012,869	16,062
Expenditures					
510	General Government	-	-	-	16,168
520	Public Safety	-	-	-	-
530	Utilities	2,731,665	2,371,409	752,404	-
540	Transportation	50,136	52,617	31,896	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,781,801	2,424,026	784,300	16,168
Excess (Deficiency) Revenues over Expenditures:		2,165,803	1,511,758	228,569	(106)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	71,400	-	200,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		71,400	-	200,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	168,204	79,961	-	-
591-593, 599	Debt Service	1,002,481	1,040,966	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,170,685	1,120,927	-	-
Increase (Decrease) in Cash and Investments:		1,066,518	390,831	428,569	(106)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	33,538	59,623	-	-
50841	Committed	-	-	-	-
50851	Assigned	4,649,183	2,391,608	601,156	109,408
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		4,682,721	2,451,231	601,156	109,408

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

		504 SELF INSURANCE FUND
		<hr/>
Beginning Cash and Investments		
308	Beginning Cash and Investments	347,162
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	176,958
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		<hr/> 176,958
Expenditures		
510	General Government	287,379
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> 287,379
Excess (Deficiency) Revenues over Expenditures:		<hr/> (110,421)
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	197,700
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> 197,700
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:		<hr/> -
Increase (Decrease) in Cash and Investments:		<hr/> 87,279
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	434,441
50891	Unassigned	-
Total Ending Cash and Investments		<hr/> 434,441

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	577,080	14,281	562,799
388 & 588	Net Adjustments	-	-	-
310-390	Additions	593,760	182,552	411,208
510-590	Deductions	334,076	181,150	152,926
	Net Increase (Decrease) in Cash and Investments:	259,684	1,402	258,282
508	Ending Cash and Investments	836,765	15,684	821,081

The accompanying notes are an integral part of this statement.

City of Ocean Shores
Notes to the Financial Statements
For the year ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

The City of Ocean Shores was incorporated in November 1970 and operates under the laws of the state of Washington applicable to a non-charter code city with a mayor-council form of government. The City is a general purpose local government and provides police, fire, emergency care, street maintenance and improvement, parks and recreation, library and general administrative services to its citizens. In addition, the City owns and operates, or contracts for the operation of, a golf course, an airport and convention center. The City also owns and operates a waterworks utility.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements. (see Note 3 – Component Unit(s), Joint Ventures, and Related Parties).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. 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 government.

Debt Service Funds

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

Capital 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.

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

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 also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred in the previous period.

C. Cash and Investments

See Note 5, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Accumulation of vacation and sick leave by all City employees is governed by union contracts and City ordinances and therefore varies among departments. Unused vacation is payable upon separation or retirement; employees may receive payment for unused sick leave, depending upon contract provisions. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6, *Long Term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by external parties (e.g., grantors, creditors, etc.) and/or due to internal commitments. Internally committed resources are resources with limitations imposed by the highest level of government – the City Council through a formal action (e.g., ordinance, resolution) that require a similar formal action on the same level to remove them. When expenditures that meet restrictions are incurred, the City to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Fund No.	Fund Title	Restricted Fund Balances
105	Hotel-Motel Tax Fund	\$ 580,145
117	LID Administrative Cost	\$ 1,328,508
202	GO Fire Bond Redemption	\$ 7,816
206	GO Convention Center Bond Redemption	\$ 186,931
213	LID Bond Guaranty	\$ 524,836
214	LID 07-01 Bond Redemption	\$ 1,430,336
434	Water Utility Operations	\$ 33,538
435	Sewer Utility Operations	\$ 59,623
621	Aviation Scholarship Trust	\$ 1,840
622	Municipal Court Trust	\$ 13,844
634	Transportation Benefit District	\$ 821,081
		\$ 4,988,498

Note 2 – Budget Compliance

The City adopts biennial appropriated budgets for 39 funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the end of the biennium.

Biennial 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:

<u>Fund</u>	<u>Description</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
001	General Fund	\$ 21,234,238	\$ 10,074,157	\$ (11,160,081)
003	Cumulative Reserve - ARPA	\$ 50,000	\$ -	\$ (50,000)
101	Streets	\$ 1,785,264	\$ 707,560	\$ (1,077,704)
102	Golf Course	\$ 4,200	\$ 1,800	\$ (2,400)
103	Street Reserve	\$ 403,000	\$ 153,518	\$ (249,482)
104	Emergency Care	\$ 7,381,447	\$ 3,195,906	\$ (4,185,541)
105	Hotel-Motel Tax	\$ 2,455,300	\$ 1,237,249	\$ (1,218,051)
106	Convention/Tourism & Catering	\$ 1,742,975	\$ 821,933	\$ (921,042)
110	Equipment Reserve	\$ 306,000	\$ 88,907	\$ (217,093)
112	Boating Safety	\$ 54,537	\$ 1,999	\$ (52,538)
114	Repair & Demolition	\$ 85,000	\$ 1,039	\$ (83,961)
117	LID Administrative Cost	\$ 772,374	\$ 303,944	\$ (468,430)
202	GO Fire Bond Redemption	\$ 775,300	\$ 389,100	\$ (386,200)
205	GO Street Bond Redemption	\$ 3,658	\$ 3,658	\$ -
206	GO Conv Ctr Bond Redemption	\$ 1,324,650	\$ 662,875	\$ (661,775)
213	LID Bond Guaranty	\$ 158,731	\$ 79,366	\$ (79,365)
214	LID 07-01 Bond Redemption	\$ 2,595,461	\$ 1,651,916	\$ (943,545)
301	Capital Improvement	\$ 7,946,766	\$ 457,604	\$ (7,489,162)
304	Safe Routes to Schools	\$ 4,200	\$ 4,200	\$ -
320	Water Capital Replacement Fund	\$ 610,000	\$ 112,249	\$ (497,751)
330	Sewer Capital Replacement Fund	\$ 69,640	\$ 21,639	\$ (48,001)
350	Conv Ctr Capital Improvement	\$ 700,000	\$ 65,558	\$ (634,442)
372	Point Brown Ave Revision	\$ 9,880	\$ 9,880	\$ -
373	FAA Airport Improvements	\$ 385,000	\$ 14,793	\$ (370,208)
381	Razor Clam Bridge Replacement	\$ 11,799	\$ 11,799	\$ -
406	Mitigation Land Bank	\$ 27,000	\$ 9,006	\$ (17,995)
407	Water - ARRA Loan	\$ 313,442	\$ 157,423	\$ (156,019)
408	Water - CTED Loan	\$ 183,260	\$ 92,064	\$ (91,196)

409	W/S Revenue Bond Redemption	\$ 334,502	\$ 167,449	\$ (167,053)
415	GO Water Bond Redemption	\$ 1,626,514	\$ 1,626,510	\$ (4)
420	Water Capital Improvement Fund	\$ 683,000	\$ 259,765	\$ (423,235)
430	Sewer Capital Improvement Fund	\$ 204,371	\$ 99,370	\$ (105,001)
434	Water Utility Operations	\$ 7,239,792	\$ 3,612,149	\$ (3,627,643)
435	Sewer Utility Operations	\$ 5,092,145	\$ 2,446,625	\$ (2,645,520)
438	Storm Drain Utility Operations	\$ 2,436,448	\$ 855,483	\$ (1,580,965)
439	Shared Utility Fund	\$ 853,750	\$ 421,354	\$ (432,396)
503	Unemployment Compensation	\$ 50,000	\$ 16,168	\$ (33,832)
504	Self Insurance Fund	\$ 610,479	\$ 287,379	\$ (323,100)
634	Transportation Benefit District	\$ 500,000	\$ 152,926	\$ (347,074)
	Total All Funds	\$ 71,024,125	\$30,276,318	\$ (40,747,806)

The Mayor is authorized to transfer budgeted amounts within the restrictions imposed by the level of the adopted budget. However, any revision that would alter the adopted budget or that would affect the number of authorized employee positions, salary ranges, hours or other conditions of employment, must be approved by the City Council.

Note 3 – Joint Ventures, Component Unit(s), and Related Parties

A. Joint Ventures

Grays Harbor Public Facilities District

On July 15, 2002 the Grays Harbor County Commissioners adopted Resolution 02-60 for the purpose of establishing a Public Facilities District (PFD), and approving an Interlocal Agreement for development of a Regional Center in the City of Ocean Shores. The Interlocal Agreement specifies that the City is responsible for operating the facility pursuant to RCW 35.57.020. Section 4.05 of the February 24, 2004 Contingent Loan Agreement signed by the City, in conjunction with the issuance of the PFD revenue bonds issued to finance the Convention Center, states that the full faith, credit and resources of the City are pledged irrevocably to the payment of the PFD debt.

On March 10th, 2014 the City Council passed Ordinance 939 authorizing the sale of City of Ocean Shores LTGO bonds to refund all of the outstanding Grays Harbor County Public Facilities District (PFD) related to the City of Ocean Shores Convention Center. On April 10, 2014, the City sold \$9,370,000 of new bonds. The closing occurred on April 24, 2014. As part of the transaction an O&M Reserve of \$250,000 for the Convention Center was funded. A revised Interlocal Agreement was signed with the PFD pledging the PFD sales taxes to the payment of the new debt.

Under the new agreement the City receives a portion of the state Sales & Use tax collected within Grays Harbor County from the county and combines those funds with Hotel and Motel taxes collected within the City to meet the City's Bond obligation. This activity is tracked within its Debt Service Fund 206. In 2021 the City paid \$370,000 of principal on the debt issue. The outstanding principal at the end of 2021 was \$6,860,000.

The PFD's 2021 revenues were \$547,363 and expenses were \$547,363. The PFD files separate annual

reports and obtains separate audits. The annual reports and audits can be found at www.sao.wa.gov

Ocean Shores Transportation Benefit District No. 1

On February 27, 2017, the City Council approved Ordinance 993 establishing the Ocean Shores Transportation Benefit District (TBD). On April 9, 2018, the TBD Board approved a resolution for a ballot proposition on the August 7, 2018 ballot. The ballot proposition for a two-tenths of one percent (0.2%) sales and use tax for the purpose of funding transportation improvements passed on the August 7, 2018 ballot.

On September 10, 2018, the City Council approved creating a Fiduciary Fund (634) for Ocean Shores Transportation Benefit District No. 1.

The TBD began receiving funds in March 2019.

The TBD's 2021 revenues were \$411,208 and expenses were \$152,926. The City files separate annual reports and obtains separate audit assessments for the PFD. The annual reports and audit assessments can be found at www.sao.wa.gov

B. Related Parties

Grays Harbor Communication Center (911)

The City participates with various agencies in Grays Harbor County to operate a central emergency dispatch center. As a participant, the City has an ongoing financial commitment to provide its share of operating funds to the dispatch center. The City's 2021 share of operating funds was \$124,907.

Note 4 – COVID-19 Pandemic

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

In response to the pandemic, some city facilities have been closed to the public for over a year, some city employees work remotely, and new procedures have been put in place. While some activities have been limited or temporarily curtailed, the city continues to operate all major functions and meet its public mandates. The city has remained economically stable and continues to adapt to the changing conditions.

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

Note 5 – Deposits and Investments

Investments are reported at amortized cost.

Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or investment	City's own deposits and investments	Deposits and investments held by the City as custodian for other local governments, individuals or private organizations	Total
Bank Deposits	\$ 773,847	\$ 836,765	\$ 1,610,612
Local Government Investment Pool	\$ 22,372,847	\$ -	\$ 22,372,847
Total	\$ 23,146,694	\$ 836,765	\$ 23,983,459

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 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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party. The City 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 or its agent in the government's name.

Note 6 – Long Term Debt

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2021.

The debt service requirements for general obligation bonds, revenue bonds and assessment debt are as follows:

	Principal	Interest	Total
2022	\$1,932,574	\$668,064	\$2,600,638
2023	\$1,722,132	\$578,911	\$2,301,043
2024	\$1,589,866	\$504,253	\$2,094,119
2025	\$1,327,410	\$433,423	\$1,760,833
2026	\$1,257,410	\$373,111	\$1,630,521
2027-2031	\$5,143,870	\$1,164,657	\$6,308,527
2032-2036	\$2,885,557	\$288,656	\$3,174,213
Total	\$15,858,819	\$4,011,075	\$19,869,894

Note 7 – OPEB Plans

During the year ended December 31, 2020, the City adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had six members, all retirees. As of December 31, 2021, the City's total OPEB liability was \$3,526,326, as calculated using the alternative measurement method. For the year ended December 31, 2021, the City paid \$122,486 in benefits.

The City also pays for long term care insurance for six of the LEOFF I plan members. In 2021, the City paid \$67,881 for this insurance.

Note 8 – Pension Plans

A. State Sponsored 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: State of Washington Public Employees' Retirement System (PERS) or Law Enforcement Officers' & 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
P.O. Box 48380

Olympia, WA 98540-8380

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

The City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2021 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contribution	Allocation %	Liability (Asset)
PERS 1	\$ 189,868	0.025490%	\$311,293
PERS 2/3	\$ 310,604	0.032789%	(\$3,266,312)
LEOFF 1	\$ 0	0.007567%	(\$259,212)
LEOFF 2	\$ 181,740	0.091169%	(\$5,295,473)
VFFRPF	\$ 90	0.050000%	\$10,181

LEOFF Plan 1

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

LEOFF Plan 2

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

Note 9 - Property Tax

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. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

For 2021, the City levied the property taxes noted in the table below:

Purpose of Levy	Assessed Value	Levy Per \$1,000	Levy Dollars
Basic Operations	\$ 1,505,242,090	\$ 2.1698	\$ 3,266,009
EMS	\$ 1,505,242,090	\$ 0.3755	\$ 565,145
Treatment Facilities	\$ 1,470,133,697	\$ 1.154	\$ 1,639,857

Note 10 - Risk Management

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

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

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

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.

The City also maintains an Unemployment Compensation Fund 503 to self-insure unemployment benefits. With a 2021 beginning balance of \$109,514, revenues totaled \$16,062 and expenses for the fiscal year were \$16,168 resulting in an ending year balance of \$109,408.

Note 11 - Other Disclosures

A. Contingencies and Litigation

There is currently pending a lawsuit against the City by Ms. Marcias White for personal injuries sustained when the car in which she was a passenger lost control.

The City is also the defendant in a lawsuit by one of its employees, Travis Bearden. Bearden filed this lawsuit after the City of Ocean Shores denied his request under RCW 38.40.060 for 21 days of paid military leave. His original complaint alleged various violations of the Uniformed Services Employment and Reemployment Rights Act (USERRA). There is currently pending a Motion for Summary Judgment regarding those claims. Plaintiff has recently filed an Amended Complaint to add a state law claim under Washington's Law Against Discrimination in which he alleges has been discriminated against and subjected to harassment based on his military status while employed with defendant. Plaintiff also added defendant, City of Ocean Shores' Mayor, Crystal Dingler, as an individual defendant, alleging that she was the "hiring and firing" authority for City employees.

Management believes that the City's insurance policies and self-insurance reserves are adequate to pay all other known or pending general and/or proprietary related claims.

B. Subsequent Events

The City received its second installment of American Rescue Plan Act (ARPA) funding in June 2022. The \$908,091.51 received was put into a new fund (003) Cumulative Reserve – ARPA. To date, the Council has only appropriated \$50,000 of this funding to put towards an ARPA COVID-19 Utility Assistance Program.

On May 23, 2022 the City Council approved Ordinance No. 1083. This Ordinance approved putting a \$12 million ballot measure on the November 8, 2022 ballot for the design, construction and equipping of a new police station. If approved, the City will issue general obligation bonds for tax collection starting in January 2023.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.21	UTGO Bond (Water/Sewer Refunding)	12/1/2021	1,585,000	-	1,585,000	-
251.11	LTGO Bond (2016 Fire Station/City Hall/Weatherwax/Driving Range Refunding)	12/1/2032	3,655,000	-	250,000	3,405,000
251.11	LTGO Bond (2014 Convention Center/PFD Refunding Bonds)	12/1/2035	7,230,000	-	370,000	6,860,000
263.51	2017 Ambulance	8/20/2022	63,002	-	37,418	25,584
263.51	2017 Heart Monitors	2/20/2022	23,425	-	20,012	3,413
Total General Obligation Debt/Liabilities:			12,556,427	-	2,262,430	10,293,997
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Public Works Board (DWSRF) Water Plant	10/1/2026	521,119	-	86,853	434,266
263.82	Public Works Board (DWSRF/ARRA Water Plant)	10/1/2032	1,686,678	-	140,557	1,546,121
252.11	2016 Revenue Bond Water Refunding (Carillo)	12/1/2024	632,200	-	153,857	478,343
259.12	Compensated Absences		1,169,596	1,082,485	1,072,494	1,179,587
264.30	Pension Liability		1,245,205	-	933,912	311,293
264.40	OPEB Liability		3,506,839	19,487	-	3,526,326
Total Revenue and Other (non G.O.) Debt/Liabilities:			8,761,637	1,101,972	2,387,673	7,475,936
Assessment Debt/Liabilities (with commitments)						
253.11	LID 07-01 Bonds (City Streets)	2/1/2031	4,436,088	-	1,330,000	3,106,088
Total Assessment Debt/Liabilities (with commitments):			4,436,088	-	1,330,000	3,106,088
Total Liabilities:			25,754,152	1,101,972	5,980,103	20,876,021

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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