



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Hoquiam

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

Published April 24, 2023

Report No. 1032425



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

April 24, 2023

Mayor and City Council
City of Hoquiam
Hoquiam, Washington

Report on Financial Statements

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

Mayor and City Council
City of Hoquiam
Hoquiam, 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 Hoquiam, 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 April 14, 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 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.

We noted certain other matters that we have reported to the management of the City in a separate letter dated April 14, 2023.

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

April 14, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Hoquiam
Hoquiam, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Hoquiam, as of and for the years ended December 31, 2021 and 2020, 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 Hoquiam, 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 Hoquiam, 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

April 14, 2023

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
Notes to Financial Statements – 2021
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021
Schedule of Liabilities – 2020

City of Hoquiam
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 Cemetery Fund | 106 Street Fund |
|---|--------------------------------|--|-----------------------------|------------------------------|------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 14,578,423 | 2,663,822 | 607,030 | 386,460 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 6,770,414 | 6,279,280 | - | - |
| 320 | Licenses and Permits | 494,232 | 483,093 | - | 3,627 |
| 330 | Intergovernmental Revenues | 4,661,698 | 2,844,914 | 34,546 | 428,561 |
| 340 | Charges for Goods and Services | 8,309,465 | 654,919 | 153,239 | 356 |
| 350 | Fines and Penalties | 100,806 | 100,806 | - | - |
| 360 | Miscellaneous Revenues | 809,280 | 606,542 | 14,185 | 59,538 |
| Total Revenues: | | 21,145,895 | 10,969,554 | 201,970 | 492,082 |
| Expenditures | | | | | |
| 510 | General Government | 1,361,876 | 1,347,939 | - | 13,937 |
| 520 | Public Safety | 7,726,092 | 5,393,554 | - | - |
| 530 | Utilities | 4,705,185 | 73,988 | 235,695 | - |
| 540 | Transportation | 708,292 | 108,638 | - | 413,737 |
| 550 | Natural/Economic Environment | 190,728 | 183,754 | 4,568 | - |
| 560 | Social Services | 2,556 | 2,556 | - | - |
| 570 | Culture and Recreation | 408,409 | 408,409 | - | - |
| Total Expenditures: | | 15,103,138 | 7,518,838 | 240,263 | 427,674 |
| Excess (Deficiency) Revenues over Expenditures: | | 6,042,757 | 3,450,716 | (38,293) | 64,408 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | 92,660 | - | - | - |
| 397 | Transfers-In | 466,923 | 53,739 | 1,716 | 282,000 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 2,454,672 | 145,395 | - | - |
| Total Other Increases in Fund Resources: | | 3,014,255 | 199,134 | 1,716 | 282,000 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 2,158,642 | 761,123 | 15,424 | 403,137 |
| 591-593, 599 | Debt Service | 1,139,918 | 20,798 | - | - |
| 597 | Transfers-Out | 466,923 | 381,600 | - | - |
| 585 | Special or Extraordinary Items | 7,294 | 7,294 | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 3,772,777 | 1,170,815 | 15,424 | 403,137 |
| Increase (Decrease) in Cash and Investments: | | 5,284,235 | 2,479,035 | (52,001) | (56,729) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | - | - | - | - |
| 50841 | Committed | 270,720 | 94,331 | 94,542 | - |
| 50851 | Assigned | 15,946,854 | 1,285,894 | 460,484 | 329,734 |
| 50891 | Unassigned | 3,645,097 | 3,762,636 | - | - |
| Total Ending Cash and Investments | | 19,862,671 | 5,142,861 | 555,026 | 329,734 |

The accompanying notes are an integral part of this statement.

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

| | | 109 Ambulance Fund | 112 Tourism Fund | 114 General Capital Fund | 130 CD Repay Fund |
|---|--------------------------------|-------------------------------|-----------------------------|-------------------------------------|------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 897,660 | 80,139 | 328,339 | 324,464 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 210,194 | 31,256 | 130,057 | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | 487,212 | - | - | - |
| 340 | Charges for Goods and Services | 1,657,647 | - | - | 3,138 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 67,371 | 70 | - | - |
| Total Revenues: | | 2,422,424 | 31,326 | 130,057 | 3,138 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | 2,184,281 | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | 2,367 | - | 39 |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | 2,184,281 | 2,367 | - | 39 |
| Excess (Deficiency) Revenues over Expenditures: | | 238,143 | 28,959 | 130,057 | 3,099 |
| 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 | 62,724 | - | - | - |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | 22,502 | 32,953 | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 85,226 | 32,953 | - | - |
| Increase (Decrease) in Cash and Investments: | | 152,917 | (3,994) | 130,057 | 3,099 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | - | - | - | - |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 1,050,583 | 76,145 | 458,396 | 327,563 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 1,050,583 | 76,145 | 458,396 | 327,563 |

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

| | | 209 Fire Truck Bond | 210 Ambulance Bond | 302 Sidewalk Fund | 401 Water, Sewer & Storm Fund |
|---|--------------------------------|--------------------------------|-------------------------------|------------------------------|--|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | - | 84,218 | (250,229) | 6,847,614 |
| 388 / 588 | Net Adjustments | - | - | - | (1,733) |
| Revenues | | | | | |
| 310 | Taxes | - | 77,382 | 42,245 | - |
| 320 | Licenses and Permits | - | - | - | 7,512 |
| 330 | Intergovernmental Revenues | - | 381 | 429,996 | 436,088 |
| 340 | Charges for Goods and Services | - | - | - | 5,467,244 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | - | - | - | 58,874 |
| Total Revenues: | | - | 77,763 | 472,241 | 5,969,718 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | 148,257 |
| 530 | Utilities | - | - | - | 4,395,502 |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | - | - | - | 4,543,759 |
| Excess (Deficiency) Revenues over Expenditures: | | - | 77,763 | 472,241 | 1,425,959 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | 92,660 |
| 397 | Transfers-In | 99,600 | - | - | 29,868 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | 2,309,277 |
| Total Other Increases in Fund Resources: | | 99,600 | - | - | 2,431,805 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | - | - | 339,550 | 576,684 |
| 591-593, 599 | Debt Service | 99,600 | 80,134 | - | 939,386 |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 99,600 | 80,134 | 339,550 | 1,516,070 |
| Increase (Decrease) in Cash and Investments: | | - | (2,371) | 132,691 | 2,341,694 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | - | - | - | - |
| 50841 | Committed | - | 81,847 | - | - |
| 50851 | Assigned | - | - | - | 9,187,579 |
| 50891 | Unassigned | - | - | (117,539) | - |
| Total Ending Cash and Investments | | - | 81,847 | (117,539) | 9,187,579 |

The accompanying notes are an integral part of this statement.

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

| | | 501 Equipment Rental |
|---|--------------------------------|---------------------------------|
| | | <hr/> |
| Beginning Cash and Investments | | |
| 308 | Beginning Cash and Investments | 2,608,906 |
| 388 / 588 | Net Adjustments | 1,733 |
| Revenues | | |
| 310 | Taxes | - |
| 320 | Licenses and Permits | - |
| 330 | Intergovernmental Revenues | - |
| 340 | Charges for Goods and Services | 372,922 |
| 350 | Fines and Penalties | - |
| 360 | Miscellaneous Revenues | 2,700 |
| Total Revenues: | | <hr/> 375,622 |
| Expenditures | | |
| 510 | General Government | - |
| 520 | Public Safety | - |
| 530 | Utilities | - |
| 540 | Transportation | 185,917 |
| 550 | Natural/Economic Environment | - |
| 560 | Social Services | - |
| 570 | Culture and Recreation | - |
| Total Expenditures: | | <hr/> 185,917 |
| Excess (Deficiency) Revenues over Expenditures: | | <hr/> 189,705 |
| 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: | | <hr/> - |
| Other Decreases in Fund Resources | | |
| 594-595 | Capital Expenditures | - |
| 591-593, 599 | Debt Service | - |
| 597 | Transfers-Out | 29,868 |
| 585 | Special or Extraordinary Items | - |
| 581, 582, 589 | Other Uses | - |
| Total Other Decreases in Fund Resources: | | <hr/> 29,868 |
| Increase (Decrease) in Cash and Investments: | | <hr/> 159,837 |
| Ending Cash and Investments | | |
| 50821 | Nonspendable | - |
| 50831 | Restricted | - |
| 50841 | Committed | - |
| 50851 | Assigned | 2,770,476 |
| 50891 | Unassigned | - |
| Total Ending Cash and Investments | | <hr/> 2,770,476 |

The accompanying notes are an integral part of this statement.

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

| | | Total for All Funds (Memo Only) | 001 General Fund | 101 Cemetery Fund | 106 Street Fund |
|---|--------------------------------|--|-----------------------------|------------------------------|------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 15,719,501 | 3,346,314 | 736,023 | 334,638 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 6,187,395 | 5,699,409 | - | - |
| 320 | Licenses and Permits | 506,578 | 494,256 | - | 2,683 |
| 330 | Intergovernmental Revenues | 1,492,867 | 503,772 | - | 233,757 |
| 340 | Charges for Goods and Services | 8,062,570 | 809,970 | 120,169 | 20,882 |
| 350 | Fines and Penalties | 106,250 | 106,250 | - | - |
| 360 | Miscellaneous Revenues | 673,071 | 361,425 | 15,995 | 54,422 |
| Total Revenues: | | 17,028,731 | 7,975,082 | 136,164 | 311,744 |
| Expenditures | | | | | |
| 510 | General Government | 1,246,965 | 1,213,643 | - | 33,205 |
| 520 | Public Safety | 7,364,845 | 5,195,995 | - | - |
| 530 | Utilities | 4,658,974 | 22,964 | 244,795 | - |
| 540 | Transportation | 804,424 | 168,767 | - | 403,401 |
| 550 | Natural/Economic Environment | 306,991 | 137,049 | 20,163 | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | 328,622 | 328,622 | - | - |
| Total Expenditures: | | 14,710,821 | 7,067,040 | 264,958 | 436,606 |
| Excess (Deficiency) Revenues over Expenditures: | | 2,317,910 | 908,042 | (128,794) | (124,862) |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 512,218 | 44,665 | - | 265,084 |
| 385 | Special or Extraordinary Items | 37,469 | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 856,016 | - | - | - |
| Total Other Increases in Fund Resources: | | 1,405,703 | 44,665 | - | 265,084 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 2,847,620 | 822,738 | 200 | 88,398 |
| 591-593, 599 | Debt Service | 1,146,258 | 20,803 | - | - |
| 597 | Transfers-Out | 512,218 | 433,059 | - | - |
| 585 | Special or Extraordinary Items | 358,615 | 358,615 | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 4,864,711 | 1,635,215 | 200 | 88,398 |
| Increase (Decrease) in Cash and Investments: | | (1,141,098) | (682,508) | (128,994) | 51,824 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 70,100 | 43,121 | - | - |
| 50841 | Committed | 240,781 | - | 156,563 | - |
| 50851 | Assigned | 11,702,705 | 55,864 | 450,467 | 386,460 |
| 50891 | Unassigned | 2,564,837 | 2,564,837 | - | - |
| Total Ending Cash and Investments | | 14,578,423 | 2,663,822 | 607,030 | 386,460 |

The accompanying notes are an integral part of this statement.

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

| | | 109 Ambulance Fund | 112 Tourism Fund | 114 General Capital Fund | 130 CD Repay Fund |
|---|--------------------------------|-------------------------------|-----------------------------|-------------------------------------|------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 769,820 | 92,029 | 230,102 | 271,799 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 250,556 | 18,728 | 98,236 | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | 485,683 | - | - | - |
| 340 | Charges for Goods and Services | 1,654,592 | - | - | 162,148 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 52,273 | 448 | - | - |
| Total Revenues: | | 2,443,104 | 19,176 | 98,236 | 162,148 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | 117 |
| 520 | Public Safety | 2,168,850 | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | 72,228 | - | - | - |
| 550 | Natural/Economic Environment | - | 2,943 | - | 146,836 |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | 2,241,078 | 2,943 | - | 146,953 |
| Excess (Deficiency) Revenues over Expenditures: | | 202,026 | 16,233 | 98,236 | 15,195 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | - | - | - |
| 385 | Special or Extraordinary Items | - | - | - | 37,469 |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | - | - | - | 37,469 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 57,644 | - | - | - |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | 16,542 | 28,123 | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 74,186 | 28,123 | - | - |
| Increase (Decrease) in Cash and Investments: | | 127,840 | (11,890) | 98,236 | 52,664 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 26,979 | - | - | - |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 870,681 | 80,139 | 328,339 | 324,464 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 897,660 | 80,139 | 328,339 | 324,464 |

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

| | | 209 Fire Truck Bond | 210 Ambulance Bond | 302 Sidewalk Fund | 401 Water, Sewer & Street Fund |
|---|--------------------------------|--------------------------------|-------------------------------|------------------------------|---|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | - | 81,815 | 87,286 | 7,421,114 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | 80,253 | 40,213 | - |
| 320 | Licenses and Permits | - | - | - | 9,639 |
| 330 | Intergovernmental Revenues | - | 2,284 | - | 267,371 |
| 340 | Charges for Goods and Services | - | - | - | 4,839,940 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | - | - | 419 | 188,089 |
| Total Revenues: | | - | 82,537 | 40,632 | 5,305,039 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | - | 4,391,215 |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | - | - | - | 4,391,215 |
| Excess (Deficiency) Revenues over Expenditures: | | - | 82,537 | 40,632 | 913,824 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 97,975 | - | 70,000 | 34,494 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | 856,016 |
| Total Other Increases in Fund Resources: | | 97,975 | - | 70,000 | 890,510 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | - | - | 448,148 | 1,430,492 |
| 591-593, 599 | Debt Service | 97,975 | 80,134 | - | 947,346 |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 97,975 | 80,134 | 448,148 | 2,377,838 |
| Increase (Decrease) in Cash and Investments: | | - | 2,403 | (337,516) | (573,504) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | - | - | - | - |
| 50841 | Committed | - | 84,218 | - | - |
| 50851 | Assigned | - | - | (250,229) | 6,847,614 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | - | 84,218 | (250,229) | 6,847,614 |

The accompanying notes are an integral part of this statement.

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

| | | 501 Equipment Rental |
|---|--------------------------------|---------------------------------|
| | | <hr/> |
| Beginning Cash and Investments | | |
| 308 | Beginning Cash and Investments | 2,348,561 |
| 388 / 588 | Net Adjustments | - |
| Revenues | | |
| 310 | Taxes | - |
| 320 | Licenses and Permits | - |
| 330 | Intergovernmental Revenues | - |
| 340 | Charges for Goods and Services | 454,869 |
| 350 | Fines and Penalties | - |
| 360 | Miscellaneous Revenues | - |
| Total Revenues: | | <hr/> 454,869 |
| Expenditures | | |
| 510 | General Government | - |
| 520 | Public Safety | - |
| 530 | Utilities | - |
| 540 | Transportation | 160,028 |
| 550 | Natural/Economic Environment | - |
| 560 | Social Services | - |
| 570 | Culture and Recreation | - |
| Total Expenditures: | | <hr/> 160,028 |
| Excess (Deficiency) Revenues over Expenditures: | | <hr/> 294,841 |
| 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: | | <hr/> - |
| Other Decreases in Fund Resources | | |
| 594-595 | Capital Expenditures | - |
| 591-593, 599 | Debt Service | - |
| 597 | Transfers-Out | 34,494 |
| 585 | Special or Extraordinary Items | - |
| 581, 582, 589 | Other Uses | - |
| Total Other Decreases in Fund Resources: | | <hr/> 34,494 |
| Increase (Decrease) in Cash and Investments: | | <hr/> 260,347 |
| Ending Cash and Investments | | |
| 50821 | Nonspendable | - |
| 50831 | Restricted | - |
| 50841 | Committed | - |
| 50851 | Assigned | 2,608,906 |
| 50891 | Unassigned | - |
| Total Ending Cash and Investments | | <hr/> 2,608,906 |

The accompanying notes are an integral part of this statement.

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

| | | Total for All Funds (Memo Only) | Pension/OPEB Trust Fund | Custodial |
|-----------|--|--|------------------------------------|------------------|
| 308 | Beginning Cash and Investments | 90,130 | 55,224 | 34,906 |
| 388 & 588 | Net Adjustments | - | - | - |
| 310-390 | Additions | 489,932 | 91,154 | 398,778 |
| 510-590 | Deductions | 443,257 | 78,113 | 365,144 |
| | Net Increase (Decrease) in Cash and Investments: | 46,675 | 13,041 | 33,634 |
| 508 | Ending Cash and Investments | 136,805 | 68,264 | 68,541 |

The accompanying notes are an integral part of this statement.

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

| | | Total for All Funds (Memo Only) | Pension/OPEB Trust Fund | Custodial |
|-----------|--|--|------------------------------------|------------------|
| 308 | Beginning Cash and Investments | 66,777 | 37,007 | 29,770 |
| 388 & 588 | Net Adjustments | - | - | - |
| 310-390 | Additions | 471,134 | 94,379 | 376,755 |
| 510-590 | Deductions | 447,780 | 76,161 | 371,619 |
| | Net Increase (Decrease) in Cash and Investments: | 23,354 | 18,218 | 5,136 |
| 508 | Ending Cash and Investments | 90,130 | 55,224 | 34,906 |

The accompanying notes are an integral part of this statement.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2021 to December 31, 2021

Note 1 – Summary of Significant Accounting Policies

The City of Hoquiam was incorporated on May 21, 1890 and operates under the laws of the state of Washington applicable to a Code City with a Mayor- Council form of government. The City is a general purpose local government and provides police, fire, ambulance, water treatment and distribution, sewage collection and treatment, street maintenance, planning and zoning, and recreation services.

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.
- 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 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.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2021 to December 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

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.

C. Cash and Investments

See note 6, *Deposits and Investments*.

D. Capital Assets

Capital Assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. The capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 60 days and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon retirement employees receive payment for a portion of unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 4, *Debt Service Requirements*.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2021 to December 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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 ordinance or resolution of the City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources before using unreserved amounts.

Restrictions and commitments of Ending Cash and Investments consist of:

General Funds (\$94,331)

By the authority of RCW 69.50, the City obtains funds obtained through seizures involving violations of the Washington State Uniformed Controlled Substance Act. If these funds are eventually forfeited, the City accounts for them in a Drug Fund account (\$49,863). Expenditures from this account are limited to the exclusive use of enforcing the uniformed controlled substance act.

The City signed the Equitable Sharing Agreement with the United States Department of Justice and occasionally receives funds from forfeitures involving Federal violations involving the Controlled Substances Act. The City accounts for these funds in the Federal Drug Funds Account (\$6,629). Expenditures from this account are limited to the exclusive use of enforcing the Controlled Substances Act.

By the authority of RCW 3.50.100, 3.62.020 and 3.62.040 the City created the Restricted Court Account (\$37,835.45) for interest received on municipal court contracts, notes, taxes and accounts. The expenditures are restricted to funding the courts.

Cemetery Funds (\$94,542)

The City Council, by Ordinance, created a Cemetery/Mausoleum Endowment Reserve Fund from the initial sale of crypts and niches in the mausoleum for the purpose of caring for the lots, niches and/or crypts.

Ambulance Equipment Bond Fund (\$81,847)

By City Council, by Ordinance, created the Ambulance Equipment Bond Fund for the purpose of paying the principal and interest of the Ambulance Equipment Bond.

Note 2 – Budget

The City adopts biennial appropriated budgets for 31 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 fiscal year end. Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2021 to December 31, 2021

Note 2 – Budget (continued)

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

| Fund Number | Fund Name | Appropriated Amounts | Actual Expenditures | Difference |
|--------------------|---------------------------------|-----------------------------|----------------------------|---------------------|
| 001 | General Fund | \$19,586,132 | \$8,571,514 | \$11,014,618 |
| 101 | Cemetery | \$378,850 | \$254,778 | \$124,072 |
| 102 | Mausoleum | \$199,265 | \$12,170 | \$187,095 |
| 103 | Cemetery Equipment Reserve | \$9,386 | \$0 | \$9,386 |
| 104 | Cemetery Preneed | \$266,498 | \$5,120 | \$261,378 |
| 106 | Street | \$1,078,471 | \$831,366 | \$247,105 |
| 107 | Arterial Street | \$467,555 | \$260 | \$467,295 |
| 108 | Paths & Trails | \$24,791 | \$0 | \$24,791 |
| 109 | Ambulance | \$5,996,929 | \$2,242,524 | \$3,754,405 |
| 110 | Ambulance Equipment | \$26,979 | \$26,979 | \$0 |
| 111 | Flood Control | \$11,439 | \$0 | \$11,439 |
| 112 | Tourism Fund | \$105,618 | \$35,320 | \$70,298 |
| 114 | Cum. Reserve General Capital | \$488,339 | \$0 | \$488,339 |
| 120 | Fire Engine Bond Fund | \$0 | \$27,272 | -\$27,272 |
| 130 | Community Development Repay | \$335,664 | \$39 | \$335,625 |
| 209 | 2013 Fire Truck | \$200,575 | \$99,600 | \$100,975 |
| 210 | Ambulance Equipment Bond | \$151,737 | \$80,134 | \$71,603 |
| 302 | Sidewalk Construction | \$354,125 | \$339,550 | \$14,575 |
| 401 | Water, Sewer, Storm | \$17,237,044 | \$5,930,459 | \$11,306,585 |
| 402 | Watershed Reserve | \$5,090,485 | \$609,956 | \$4,480,529 |
| 404 | Transmission Line Reserve | \$798,921 | \$0 | \$798,921 |
| 405 | Water Utility Construction Fund | \$33,670 | \$0 | \$33,670 |
| 406 | Sewer Utility Construction Fund | \$44,487 | \$0 | \$44,487 |
| 410 | USDA Loan Repayment | \$709,270 | \$326,288 | \$382,982 |
| 411 | USDA Loan Reserve | \$21,936 | \$0 | \$21,936 |
| 417 | Landfill Postclosure | \$100,000 | \$73,987 | \$26,013 |
| 501 | Equipment Rental | \$463,559 | \$194,077 | \$269,482 |
| 505 | Equipment Rental Reserve | \$3,047,696 | \$28,135 | \$3,019,561 |
| 602 | Cem/Maus Endowment | \$161,563 | \$68,000 | \$93,563 |
| 611 | Fire/Police Retirees' Benefits | \$610,170 | \$295,877 | \$314,293 |
| 612 | Medical/Dental Benefits | \$265,224 | \$78,113 | \$187,111 |
| Total | | \$58,266,378 | \$20,131,518 | \$38,134,860 |

Budgeted amounts are authorized to be transferred between departments within any fund; 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's legislative body.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2021 to December 31, 2021

Note 3 – Joint Ventures

Grays Harbor Joint Drug Task Force: The Interagency Drug Task Force is jointly operated by Grays Harbor County and the Cities of Aberdeen and Hoquiam. The purpose of the task force is to enhance the investigation and enforcement of laws against illegal drugs.

The task force is governed by an administrative board comprised of the Grays Harbor Sheriff and the chiefs of police departments of Aberdeen and Hoquiam. The board is responsible to establish a budget, authorize the acquisition of property and equipment, set policies for task force operations, and resolve any disputes that develop between the parties.

In 2021, the City received \$84,226.71 as its portion of the money collected from the auction of assets seized in drug-related cases and from court ordered payments paid by defendants in drug related cases. Expenditures for the program totaled \$224,233.43.

Grays Harbor Communication Center (911): The City participates with Cosmopolis, Elma, Hoquiam, McCleary, Montesano, and 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 contributed \$160,730 to the Communication Center in 2021.

Note 4 – 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 and revenue bonds are as follows:

| | Principal | Interest | Total Debt |
|--------------|---------------------|--------------------|---------------------|
| 2022 | \$888,387 | \$223,539 | \$1,111,926 |
| 2023 | \$823,759 | \$212,395 | \$1,036,154 |
| 2024 | \$833,193 | \$201,336 | \$1,034,530 |
| 2025 | \$842,710 | \$189,927 | \$1,032,637 |
| 2026 | \$852,365 | \$178,166 | \$1,030,531 |
| 2027-2031 | \$4,075,152 | \$734,620 | \$4,809,772 |
| 2032-2036 | \$1,723,213 | \$544,899 | \$2,268,112 |
| 2037-2041 | \$1,245,999 | \$411,688 | \$1,657,687 |
| 2042-2046 | \$1,389,929 | \$268,102 | \$1,658,031 |
| 2047-2051 | \$1,544,322 | \$107,864 | \$1,652,186 |
| 2052-2056 | \$135,486 | \$4,021 | \$139,508 |
| Total | \$14,354,516 | \$3,076,558 | \$17,431,074 |

CITY OF HOQUIAM

Notes to the Financials - January 1, 2021 to December 31, 2021

Note 5 – 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.

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

Note 6 – Deposits and Investments

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

Investments are reported at original cost. Investments by type at December 31, 2021 are as follows:

| Type of Investment | Total Investments |
|--------------------|----------------------|
| L.G.I.P. | \$17,231,101.96 |
| Total | \$17,231,101.96 |

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.

Note 7 – OPEB Plans

The 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 23 members, all retirees. As of December 31, 2021, the City's total OPEB liability was \$12,675,949, as calculated using the alternative measurement method. For the year ended December 31, 2021, the City paid \$295,877.28 in benefits.

Note 8 – Pension Plans

Substantially all City 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 1, PERS 2/3, PSERS 2, LEOFF 1 and LEOFF 2.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2021 to December 31, 2021

Note 8 – Pension Plans (continued)

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
Communication Unit
PO Box 48380
Olympia, WA 98504-8380

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

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

| | Employer Contributions | Allocation % | Liability (Asset) |
|---------------------|------------------------|--------------|-------------------|
| PERS 1 | \$16,122 | 0.002164% | \$26,428 |
| PERS 1 UAAL | \$141,282 | 0.018967% | \$231,631 |
| PERS 2/3 | \$206,557 | 0.021805% | (\$2,172,129) |
| Public Safety ERS 2 | \$22,272 | 0.045632% | (\$104,835) |
| LEOFF 1 | | 0.049343% | (\$1,690,275) |
| LEOFF 2 | \$193,319 | 0.096978% | (\$5,632,884) |

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.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2021 to December 31, 2021

Note 9 – Property Tax

The County Treasurer acts as an agent to collect property taxes 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 the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the 2021 year was \$2.95 per \$1,000 on an assessed valuation of \$536,128,196 for a total regular levy of \$1,582,053 and had an additional regular levy set at \$0.40 per \$1,000 for Emergency Medical Services for a total levy of \$216,646. The City has two special levies on an assessed valuation of \$528,563,921 for the debt service on an aerial ladder truck set at \$0.18 per \$1,000 for a total levy of \$99,328 and a GO Bond for the purchase and recharter of ambulances set at \$0.15 per \$1,000 for a total levy of \$79,915.

Note 10 – Risk Management

The City of Hoquiam 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.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2021 to December 31, 2021

Note 10 – Risk Management (continued)

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

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NOTE 11 – Asset Retirement Obligations

The City has identified assets that could potentially incur an asset retirement obligation, however a liability is not recognized on the financial statements because it is currently not reasonably estimable. The assets the City has identified include two sewer lagoons, wastewater treatment plant, water treatment plant and dams. Based on a preliminary analysis is not anticipated that these liabilities will be significant. The City also feels the liability will not be estimable for the foreseeable future as all recommended maintenance and reviews are performed on a regular basis.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2020 to December 31, 2020

Note 1 – Summary of Significant Accounting Policies

The City of Hoquiam was incorporated on May 21, 1890 and operates under the laws of the state of Washington applicable to a Code City with a Mayor- Council form of government. The City is a general purpose local government and provides police, fire, ambulance, water treatment and distribution, sewage collection and treatment, street maintenance, planning and zoning, and recreation services.

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.
- 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 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.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2020 to December 31, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

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.

C. Cash and Investments

See note 6, *Deposits and Investments*.

D. Capital Assets

Capital Assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. The capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 60 days and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon retirement employees receive payment for a portion of unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 4, *Debt Service Requirements*.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2020 to December 31, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

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 ordinance or resolution of the City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources before using unreserved amounts.

Restrictions and commitments of Ending Cash and Investments consist of:

General Funds (\$43,121)

By the authority of RCW 69.50, the City obtains funds obtained through seizures involving violations of the Washington State Uniformed Controlled Substance Act. If these funds are eventually forfeited, the City accounts for them in a Drug Fund account (\$1,160). Expenditures from this account are limited to the exclusive use of enforcing the uniformed controlled substance act.

The City signed the Equitable Sharing Agreement with the United States Department of Justice and occasionally receives funds from forfeitures involving Federal violations involving the Controlled Substances Act. The City accounts for these funds in the Federal Drug Funds Account (\$6,629). Expenditures from this account are limited to the exclusive use of enforcing the Controlled Substances Act.

By the authority of RCW 3.50.100, 3.62.020 and 3.62.040 the City created the Restricted Court Account (\$35,332) for interest received on municipal court contracts, notes, taxes and accounts. The expenditures are restricted to funding the courts.

Cemetery Funds (\$156,563)

The City Council, by Ordinance, created a Cemetery/Mausoleum Endowment Reserve Fund from the initial sale of crypts and niches in the mausoleum for the purpose of caring for the lots, niches and/or crypts.

Ambulance Funds (\$26,979)

By City Council, by Ordinance, created the Ambulance Bond Loan reserve fund from voter approved tax levy funds to purchase and/or re-chassis ambulances.

Ambulance Equipment Bond Fund (\$84,218)

By City Council, by Ordinance, created the Ambulance Equipment Bond Fund for the purpose of paying the principal and interest of the Ambulance Equipment Bond.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2020 to December 31, 2020

H. Accounting and Reporting Changes

During the year, the County implemented GASB statement No. 84, Fiduciary Activities. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement will improve financial reporting by enhancing consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Note 2 – Budget

The City adopts biennial appropriated budgets for 31 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 fiscal year end.

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:

| Fund Number | Fund Name | Appropriated Amounts | Actual Expenditures | Difference |
|-------------|---------------------------------|----------------------|---------------------|-------------|
| 001 | General Fund | \$20,741,973 | \$16,561,326 | \$4,180,647 |
| 101 | Cemetery | \$556,993 | \$459,903 | \$97,090 |
| 102 | Mausoleum | \$209,753 | \$22,302 | \$187,451 |
| 103 | Cemetery Equipment Reserve | \$7,399 | \$0 | \$7,399 |
| 104 | Cemetery Preneed | \$251,230 | \$7,011 | \$244,219 |
| 106 | Street | \$1,360,830 | \$1,058,094 | \$302,736 |
| 107 | Arterial Street | \$385,512 | \$727 | \$384,785 |
| 108 | Paths & Trails | \$21,410 | \$0 | \$21,410 |
| 109 | Ambulance | \$5,510,719 | \$4,663,657 | \$847,062 |
| 110 | Ambulance Equipment | \$186,133 | \$163,365 | \$22,768 |
| 111 | Flood Control | \$11,439 | \$0 | \$11,439 |
| 112 | Tourism Fund | \$103,214 | \$31,066 | \$72,148 |
| 114 | Cum. Reserve General Capital | \$273,279 | \$10,000 | \$263,279 |
| 130 | Community Development Repay | \$297,192 | \$149,234 | \$147,958 |
| 209 | 2013 Fire Truck | \$194,075 | \$194,075 | \$0 |
| 210 | Ambulance Equipment Bond | \$160,269 | \$160,268 | \$1 |
| 213 | 1989 LTD GO - City Hall Ren. | \$25,485 | \$25,483 | \$2 |
| 302 | Sidewalk Construction | \$700,695 | \$472,949 | \$227,746 |
| 401 | Water, Sewer, Storm | \$17,584,750 | \$12,311,472 | \$5,273,278 |
| 402 | Watershed Reserve | \$6,601,031 | \$3,220,692 | \$3,380,339 |
| 404 | Transmission Line Reserve | \$716,229 | \$0 | \$716,229 |
| 405 | Water Utility Construction Fund | \$28,170 | \$0 | \$28,170 |
| 406 | Sewer Utility Construction Fund | \$41,087 | \$0 | \$41,087 |

CITY OF HOQUIAM

Notes to the Financials - January 1, 2020 to December 31, 2020

| | | | | |
|-------|--------------------------------|--------------|--------------|--------------|
| 410 | USDA Loan Repayment | \$709,270 | \$652,576 | \$56,694 |
| 411 | USDA Loan Reserve | \$10,968 | \$0 | \$10,968 |
| 417 | Landfill Post-closure | \$35,413 | \$34,972 | \$441 |
| 501 | Equipment Rental | \$463,115 | \$343,069 | \$120,046 |
| 505 | Equipment Rental Reserve | \$2,567,444 | \$45,799 | \$2,521,645 |
| 602 | Cem/Maus Endowment | \$386,285 | \$229,289 | \$156,996 |
| 611 | Fire/Police Retirees' Benefits | \$757,928 | \$567,034 | \$190,894 |
| 612 | Medical/Dental Benefits | \$301,932 | \$178,586 | \$123,346 |
| Total | | \$61,201,222 | \$41,562,948 | \$19,638,274 |

Note 2 – Budget (continued)

Budgeted amounts are authorized to be transferred between departments within any fund; 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's legislative body.

Note 3 – Joint Ventures

Grays Harbor Joint Drug Task Force: The Interagency Drug Task Force is jointly operated by Grays Harbor County and the Cities of Aberdeen and Hoquiam. The purpose of the task force is to enhance the investigation and enforcement of laws against illegal drugs.

The task force is governed by an administrative board comprised of the Grays Harbor Sheriff and the chiefs of police departments of Aberdeen and Hoquiam. The board is responsible to establish a budget, authorize the acquisition of property and equipment, set policies for task force operations, and resolve any disputes that develop between the parties.

In 2020, the City received \$420 as its portion of the money collected from the auction of assets seized in drug-related cases and from court ordered payments paid by defendants in drug related cases. Expenditures for the program totaled \$135,013.

Grays Harbor Communication Center (911): The City participates with Cosmopolis, Elma, Hoquiam, McCleary, Montesano, and 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 contributed \$166,869 to the Communication Center in 2020.

Note 4 – 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, 2020.

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

| | Principal | Interest | Total Debt |
|------|-----------|-----------|-------------|
| 2021 | \$902,176 | \$237,743 | \$1,139,918 |
| 2022 | \$885,665 | \$223,539 | \$1,109,204 |
| 2023 | \$820,349 | \$210,742 | \$1,031,091 |
| 2024 | \$829,728 | \$199,728 | \$1,029,456 |

CITY OF HOQUIAM

Notes to the Financials - January 1, 2020 to December 31, 2020

| | | | |
|-----------|--------------|-------------|--------------|
| 2025 | \$839,207 | \$188,365 | \$1,027,572 |
| 2026-2030 | \$4,121,863 | \$775,922 | \$4,897,785 |
| 2031-2035 | \$2,257,105 | \$570,576 | \$2,827,682 |
| 2036-2040 | \$1,197,379 | \$434,061 | \$1,631,440 |
| 2041-2045 | \$1,336,382 | \$295,058 | \$1,631,440 |
| 2046-2050 | \$1,491,554 | \$139,886 | \$1,631,440 |
| 2051-2055 | \$445,053 | \$11,807 | \$456,860 |
| Total | \$15,126,460 | \$3,287,428 | \$18,413,888 |

Note 5 – 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.

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

Note 6 – Deposits and Investments

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

Investments are reported at original cost. Investments by type at December 31, 2020 are as follows:

| Type of Investment | Total Investments |
|--------------------|----------------------|
| L.G.I.P. | \$13,216,222.16 |
| Total | \$13,216,222.16 |

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.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2020 to December 31, 2020

Note 7 – OPEB Plans

The 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, 2020, the plan had 25 members, all retirees. As of December 31, 2020, the City's total OPEB liability was \$13,594,216, as calculated using the alternative measurement method. For the year ended December 31, 2020, the City paid \$256,497 in benefits.

Note 8 – Pension Plans

Substantially all City 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 1, PERS 2/3, PSERS 2, LEOFF 1 and LEOFF 2.

Note 8 – Pension Plans (continued)

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
Communication Unit
PO Box 48380
Olympia, WA 98504-8380

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

At June 30, 2020, the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

| | Employer Contributions | Allocation % | Liability (Asset) |
|---------------------|------------------------|--------------|-------------------|
| PERS 1 | \$9,190 | 0.001268% | \$44,767 |
| PERS 1 UAAL | \$139,343 | 0.019226% | \$678,782 |
| PERS 2/3 | \$203,916 | 0.022135% | \$283,094 |
| Public Safety ERS 2 | \$23,238 | 0.052613% | (\$7,240) |
| LEOFF 1 | | 0.049322% | (\$931,450) |
| LEOFF 2 | \$179,867 | 0.091947% | (\$1,875,585) |

LEOFF Plan 1

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

CITY OF HOQUIAM

Notes to the Financials - January 1, 2020 to December 31, 2020

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.

CITY OF HOQUIAM

Notes to the Financials - January 1, 2020 to December 31, 2020

Note 9 – Property Tax

The County Treasurer acts as an agent to collect property taxes 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 the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the 2020 year was \$3.14 per \$1,000 on an assessed valuation of \$497,190,419 for a total regular levy of \$1,559,017 and had an additional regular levy set at \$0.43 per \$1,000 for Emergency Medical Services for a total levy of \$213,704. The City has two special levies on an assessed valuation of \$490,357,502 for the debt service on an aerial ladder truck set at \$0.20 per \$1,000 for a total levy of \$98,535 and a GO Bond for the purchase and recharter of ambulances set at \$0.16 per \$1,000 for a total levy of \$80,462.

Note 10 – Risk Management

The City of Hoquiam is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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CITY OF HOQUIAM

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City of Hoquiam
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 | | | | | | |
| 263.85 | Timberland Regional Library District Loan | 12/31/2021 | 20,193 | - | 20,193 | - |
| 263.96 | Aerial Ladder Truck | 6/1/2028 | 665,000 | - | 70,000 | 595,000 |
| 251.12 | Ambulance Equipment | 12/1/2022 | 144,699 | - | 75,102 | 69,597 |
| Total General Obligation Debt/Liabilities: | | | 829,892 | - | 165,295 | 664,597 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 263.22 | Landfill Postclosure | | 50,136 | 509,735 | 73,987 | 485,884 |
| 252.11 | Water & Sewer Revenue Bonds - Sewer Lagoon | 12/1/2056 | 6,031,747 | - | 136,493 | 5,895,254 |
| 263.82 | DOE Loan - WWTP Plan | 5/31/2033 | 306,948 | - | 20,109 | 286,839 |
| 263.82 | PWTF Water Main | 6/1/2034 | 6,623,722 | - | 551,977 | 6,071,745 |
| 252.11 | Water & Sewer Revenue Bonds - Sewer Force Main | 1/24/2054 | 1,334,152 | - | 28,302 | 1,305,850 |
| 259.12 | Compensated Absences | | 571,978 | - | 45,526 | 526,452 |
| 264.30 | Net Pension Liability | | 1,006,643 | - | 748,584 | 258,059 |
| 264.40 | OPEB Liability | | 13,594,216 | - | 918,267 | 12,675,949 |
| 263.82 | Emerson Pump Station | 6/30/1952 | - | 92,659 | - | 92,659 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 29,519,542 | 602,394 | 2,523,245 | 27,598,691 |
| Total Liabilities: | | | 30,349,434 | 602,394 | 2,688,540 | 28,263,288 |

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

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---|--|-----------------|--------------------------|------------------|-------------------|-----------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 263.85 | Timberland Regional Library District Loan | 12/31/2021 | 39,802 | - | 19,609 | 20,193 |
| 263.96 | Aerial Ladder Truck | 6/1/2028 | 730,000 | - | 65,000 | 665,000 |
| 251.12 | Ambulance Equipment | 12/1/2022 | 216,892 | - | 72,193 | 144,699 |
| Total General Obligation Debt/Liabilities: | | | 986,694 | - | 156,802 | 829,892 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 263.22 | Landfill Postclosure | | 73,100 | - | 22,964 | 50,136 |
| 263.82 | CERB Loan - Sewer on 5th Street | 7/1/2020 | 5,000 | - | 5,000 | - |
| 252.11 | Water & Sewer Revenue Bonds - Sewer Lagoon | 12/1/2056 | 6,165,220 | - | 133,473 | 6,031,747 |
| 263.82 | DOE Loan - WWTP Plan | 5/31/2033 | 326,542 | - | 19,594 | 306,948 |
| 263.82 | PWTF Water Main | 6/1/2034 | 7,175,699 | - | 551,977 | 6,623,722 |
| 252.11 | Water & Sewer Revenue Bonds - Sewer Force Main | 1/24/2054 | 1,361,896 | - | 27,744 | 1,334,152 |
| 259.12 | Compensated Absences | | 452,854 | 119,125 | - | 571,979 |
| 264.30 | Net Pension Liability | | 979,668 | 26,975 | - | 1,006,643 |
| 264.40 | OPEB Liability | | 11,501,308 | 2,092,908 | - | 13,594,216 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 28,041,287 | 2,239,008 | 760,752 | 29,519,543 |
| Total Liabilities: | | | 29,027,981 | 2,239,008 | 917,554 | 30,349,435 |

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