



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Ocean Shores

For the period January 1, 2023 through December 31, 2023

Published September 19, 2024

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

September 19, 2024

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

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Ocean Shores financial statements and compliance with federal laws and regulations.

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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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Ocean Shores January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Ocean Shores January 1, 2023 through December 31, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 12, 2024.

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

September 12, 2024

INDEPENDENT AUDITOR'S REPORT

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

City of Ocean Shores January 1, 2023 through December 31, 2023

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Ocean Shores, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

September 12, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Ocean Shores January 1, 2023 through December 31, 2023

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, 2023, 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, 2023, 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, 2023, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2024 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, reading "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

September 12, 2024

FINANCIAL SECTION

City of Ocean Shores January 1, 2023 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023
Schedule of Expenditures of Federal Awards – 2023
Notes to the Schedule of Expenditures of Federal Awards – 2023

City of Ocean Shores
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		Total for All Funds (Memo Only)	001 GENERAL FUND	101 STREETS	104 EMERGENCY CARE
Beginning Cash and Investments					
308	Beginning Cash and Investments	26,298,084	5,937,992	578,025	1,258,323
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	10,914,472	7,992,671	-	955,970
320	Licenses and Permits	1,233,130	860,278	-	-
330	Intergovernmental Revenues	2,845,330	372,013	283,557	546,826
340	Charges for Goods and Services	11,943,965	195,774	9,416	3,067,221
350	Fines and Penalties	193,567	32,579	-	17,500
360	Miscellaneous Revenues	2,662,398	439,286	110	84,330
Total Revenues:		29,792,862	9,892,601	293,083	4,671,847
Expenditures					
510	General Government	3,066,810	1,944,002	178,674	413,071
520	Public Safety	6,828,622	3,355,554	-	3,467,371
530	Utilities	6,936,409	184,483	-	-
540	Transportation	1,589,444	631,360	745,928	64,662
550	Natural/Economic Environment	1,250,804	1,191,617	-	-
560	Social Services	25,000	25,000	-	-
570	Culture and Recreation	2,243,017	749,633	-	-
Total Expenditures:		21,940,106	8,081,649	924,602	3,945,104
Excess (Deficiency) Revenues over Expenditures:		7,852,756	1,810,952	(631,519)	726,743
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	3,315,574	-	791,835	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	19,432	19,432	-	-
Total Other Increases in Fund Resources:		3,335,006	19,432	791,835	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,764,123	906,884	668,797	285,631
591-593, 599	Debt Service	2,316,154	15,116	-	-
597	Transfers-Out	3,315,574	1,086,010	-	200,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	29,811	-	-	-
Total Other Decreases in Fund Resources:		10,425,662	2,008,010	668,797	485,631
Increase (Decrease) in Cash and Investments:		762,100	(177,626)	(508,481)	241,112
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	3,844,619	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	19,475,635	2,020,637	69,545	1,499,432
50891	Unassigned	3,739,927	3,739,927	-	-
Total Ending Cash and Investments		27,060,181	5,760,564	69,545	1,499,432

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, 2023

		105 HOTEL- MOTEL TAX	106 CONVENTION & TOURISM	112 BOATING SAFETY	117 LID ADMINISTRATIVE FUND
Beginning Cash and Investments					
308	Beginning Cash and Investments	817,805	267,444	37,771	1,328,079
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,489,031	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	326,432	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	38,459	273,008	-	107,093
Total Revenues:		1,527,490	599,440	-	107,093
Expenditures					
510	General Government	-	117,710	-	13,065
520	Public Safety	-	-	5,697	-
530	Utilities	-	-	-	174,609
540	Transportation	-	21,545	-	2,391
550	Natural/Economic Environment	-	59,187	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	1,346,736	-	-
Total Expenditures:		-	1,545,178	5,697	190,065
Excess (Deficiency) Revenues over Expenditures:		1,527,490	(945,738)	(5,697)	(82,972)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	1,062,352	20,000	127,437
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	1,062,352	20,000	127,437
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	3,071	-
591-593, 599	Debt Service	-	708	-	-
597	Transfers-Out	1,512,352	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	29,811	-	-
Total Other Decreases in Fund Resources:		1,512,352	30,519	3,071	-
Increase (Decrease) in Cash and Investments:		15,138	86,095	11,232	44,465
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	832,942	-	-	1,372,545
50841	Committed	-	-	-	-
50851	Assigned	-	353,342	49,003	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		832,942	353,342	49,003	1,372,545

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, 2023

		202 GO FIRE BOND REDEMPTION	206 GO CONV CENTER BOND REDEMPTION	213 LID BOND GUARANTY	214 LID 07-01 BOND REDEMPTION
Beginning Cash and Investments					
308	Beginning Cash and Investments	10,616	377,353	452,601	900,752
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	616,419	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	45,405
360	Miscellaneous Revenues	-	28,857	18,834	643,090
Total Revenues:		-	645,276	18,834	688,495
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:		-	645,276	18,834	688,495
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	389,775	25,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		389,775	25,000	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	389,050	660,425	-	839,266
597	Transfers-Out	-	-	127,196	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		389,050	660,425	127,196	839,266
Increase (Decrease) in Cash and Investments:		725	9,851	(108,362)	(150,771)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	11,341	387,204	344,240	749,980
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		11,341	387,204	344,240	749,980

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, 2023

		301 CAPITAL IMPROVEMENT	350 CONV CTR CAPITAL IMPROVEMENT	373 FAA AIRPORT IMPROVEMENT	406 MITIGATION LAND BANK
Beginning Cash and Investments					
308	Beginning Cash and Investments	2,655,007	806,457	-	228,340
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	476,800	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	987,773	-	30,646	-
340	Charges for Goods and Services	-	-	-	155,582
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	107,093	41,085	-	13,163
Total Revenues:		1,571,666	41,085	30,646	168,745
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	6,995
540	Transportation	123,558	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	146,648	-	-
Total Expenditures:		123,558	146,648	-	6,995
Excess (Deficiency) Revenues over Expenditures:		1,448,108	(105,563)	30,646	161,750
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	200,000	425,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		200,000	425,000	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,036,752	-	27,902	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	354,776	-	-	34,999
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,391,528	-	27,902	34,999
Increase (Decrease) in Cash and Investments:		(743,420)	319,437	2,744	126,751
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	1,911,588	1,125,894	2,743	355,091
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,911,588	1,125,894	2,743	355,091

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, 2023

		417 LID 98-01 BOND REDEMPTION	434 WATER UTILITY OPERATIONS	435 SEWER UTILITY OPERATIONS	438 STORM DRAIN UTILITY OPERATIONS
Beginning Cash and Investments					
308	Beginning Cash and Investments	7,970	5,866,093	3,010,571	1,272,115
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	155,416	217,436	-
330	Intergovernmental Revenues	-	-	8,096	-
340	Charges for Goods and Services	-	3,940,986	2,504,991	1,527,409
350	Fines and Penalties	-	44,516	28,421	25,146
360	Miscellaneous Revenues	-	540,368	242,690	78,484
Total Revenues:		-	4,681,286	3,001,634	1,631,039
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	3,020,108	2,586,394	963,820
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	3,020,108	2,586,394	963,820
Excess (Deficiency) Revenues over Expenditures:		-	1,661,178	415,240	667,219
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	73,175	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	73,175	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	461,088	322,801	51,197
591-593, 599	Debt Service	-	411,589	-	-
597	Transfers-Out	-	-	241	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	872,677	323,042	51,197
Increase (Decrease) in Cash and Investments:		-	861,676	92,198	616,022
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	66,412	79,955	-
50841	Committed	-	-	-	-
50851	Assigned	7,970	6,661,358	3,022,810	1,888,137
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		7,970	6,727,770	3,102,765	1,888,137

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, 2023

		503 UNEMPLOYME NT	504 SELF INSURANCE FUND
Beginning Cash and Investments			
308	Beginning Cash and Investments	126,752	358,018
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	17,682	198,472
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	6,448	-
Total Revenues:		24,130	198,472
Expenditures			
510	General Government	729	399,559
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		729	399,559
Excess (Deficiency) Revenues over Expenditures:		23,401	(201,087)
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	201,000
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	201,000
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	-
Increase (Decrease) in Cash and Investments:		23,401	(87)
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	150,154	357,931
50891	Unassigned	-	-
Total Ending Cash and Investments		150,154	357,931

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, 2023

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	1,166,911	1,840	1,165,071
388 & 588	Net Adjustments	-	-	-
310-390	Additions	616,474	1	616,473
510-590	Deductions	123,186	-	123,186
	Net Increase (Decrease) in Cash and Investments:	493,288	1	493,287
508	Ending Cash and Investments	1,660,200	1,840	1,658,360

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, 2023

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 4 – 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 3, *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	\$ 832,942
117	LID Administrative Cost	\$ 1,372,545
202	GO Fire Bond Redemption	\$ 11,341
206	GO Convention Center Bond Redemption	\$ 387,204
213	LID Bond Guaranty	\$ 344,240
214	LID 07-01 Bond Redemption	\$ 749,980
434	Water Utility Operations	\$ 66,412
435	Sewer Utility Operations	\$ 79,955
		\$ 3,844,619

Note 2 – Budget Compliance

The City adopts biennial appropriated budgets 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>Appropriated Amounts Amended</u> -	<u>Actual Expenditures</u>	<u>Variance</u>
-	-	-	-	-
<u>General Fund</u>	-	-	-	-
001	General Fund	22,392,285	9,055,818	13,336,467
003	Cumulative Reserve - ARPA	1,804,870	784,288	1,020,582
102	Golf Course	216,250	99,435	116,815
103	Street Reserve	292,000	50,432	241,568
110	Equipment Reserve	37,622	51,198	(13,576)
114	Repair & Demolition	80,000	48,488	31,512
	General Fund Total	24,823,027	10,089,659	14,733,368
Fund 101				
101	Streets	2,170,498	924,602	1,245,896
110	Equipment Reserve	752,623	668,797	83,826
	Fund 101 Total	2,923,121	1,593,399	1,329,722
Fund 104				
104	Emergency Care	9,130,422	4,361,768	4,768,654
110	Equipment Reserve	-	68,967	(68,967)
	Fund 104 Total	9,130,422	4,430,735	4,699,687
Fund 434				

110	Equipment Reserve	235,000	203,321	31,679
320	Water Capital Replacement Fund	2,425,000	256,734	2,168,266
407	Water - ARRA Loan	307,820	154,612	153,208
408	Water - CTED Loan	179,786	90,327	89,459
409	W/S Revenue Bond Redemption	333,198	166,649	166,549
415	GO Water Bond Redemption	-	-	-
420	Water Capital Improvement Fund	887,696	1,033	886,663
434	Water Utility Operations	8,889,524	2,844,672	6,044,852
439	Shared Utility Fund	442,909	175,436	267,473
	Fund 434 Total	13,700,933	3,892,784	9,808,149
Fund 435				
110	Equipment Reserve	235,000	238,696	(3,696)
330	Sewer Capital Replacement Fund	380,000	41,919	338,081
412		482	241	241
415	GO Water Bond Redemption	137,172	-	137,172
430	Sewer Capital Improvement Fund	-	(2,410)	2,410
435	Sewer Utility Operations	5,903,508	2,518,982	3,384,526
439	Shared Utility Fund	282,777	112,008	170,769
	Fund 435 Total	6,938,939	2,909,436	4,029,503
Fund 438				
110	Equipment Reserve	37,623	51,197	(13,574)
438	Storm Drain Utility Operations	2,654,640	864,719	1,789,921
439	Shared Utility Fund	250,192	99,101	151,091
	Fund 438 Total	2,942,455	1,015,017	1,927,438

105	Hotel-Motel Tax	3,024,704	1,512,352	1,512,352
106	Convention/Tourism & Catering	3,415,357	1,575,697	1,839,660
112	Boating Safety	47,878	8,768	39,110
117	LID Administrative Cost	419,340	190,065	229,275
202	GO Fire Bond Redemption	779,550	389,050	390,500
206	GO Conv Ctr Bond Redemption	1,319,050	660,425	658,625
213	LID Bond Guaranty	254,392	127,196	127,196
214	LID 07-01 Bond Redemption	1,434,132	839,266	594,866
301	Capital Improvement	8,086,142	2,515,086	5,571,056
350	Conv Ctr Capital Improvement	1,262,907	146,648	1,116,259
373	FAA Airport Improvements	500,000	27,902	472,098
406	Mitigation Land Bank	96,998	41,994	55,004
503	Unemployment Compensation	50,000	729	49,271
504	Self Insurance Fund	802,000	399,559	402,441
	Total All Funds	81,951,347	32,365,767	49,585,580

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the city's legislative body.

Note 3 – Deposits and Investments

Investments are reported at amortized cost.

Deposits and investments by type at December 31, 2023 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	\$ 2,163,983	\$ 1,660,200	\$ 3,824,183
Local Government Investment Pool	\$ 24,896,198	\$ -	\$ 24,896,198
Total	\$ 27,060,181	\$ 1,660,200	\$ 28,720,381

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 4 – 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 2023 the City paid \$390,000 of principal on the debt issue. The outstanding principal at the end of 2023 was \$6,090,000.

The PFD's 2023 revenues were \$615,087 and expenses were \$615,087. 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 2023 revenues were \$491,813 and expenses were \$5,821. 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 2023 share of operating funds was \$111,605.

Note 5 – Leases

The city leases 6 copiers from Aberdeen Office Equipment ranging from \$144 to \$280 per month and with terms of 39 to 60 months.

The city also leases 3 postage machines from Pitney Bowes ranging from \$56 to \$137 per month with terms of 51 to 60 months.

The total amount paid for leases in 2023 was \$15,824. As of December 31, 2023 the future lease payments are as follows.

Year Ended December 31	Total
2024	\$ 9,225
2025	\$ 3,833
2026	\$ 1,667
Total	\$ 14,725

Note 6 – Long Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2023.

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

	Principal	Interest	Total
2024	1,589,866	480,690	2,070,556
2025	1,327,410	409,860	1,737,270
2026	1,248,498	349,549	1,598,046
2027	900,557	295,883	1,196,440
2028	935,557	261,803	1,197,359
2029-2033	4,642,226	782,543	5,424,769
2034-2035	1,235,000	83,925	1,318,925
Total	11,879,112	2,664,254	14,543,365

Note 7 – Other Postemployment Benefits

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, 2023, the plan had five members, all retirees. As of December 31, 2023, the City's total OPEB liability was \$2,628,440 as calculated using the alternative measurement method. For the year ended December 31, 2023, the City paid \$139,828 in benefits.

The City also pays for long term care insurance for five of the LEOFF I plan members. In 2023, the City paid \$55,746 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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 ACFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2023 (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	\$ 172,078	0.025252%	\$576,435
PERS 2/3	\$ 286,847	0.032625%	(\$1,337,195)
LEOFF 1	\$ 0	0.006731%	(\$199,778)
LEOFF 2	\$ 219,389	0.097197%	(\$2,331,365)
VFFRPF	\$ 180	0.100000%	\$20,601

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 2023, the City levied the property taxes noted in the table below:

Purpose of Levy	Assessed Value	Levy Per \$1,000	Levy Dollars
Basic Operations	\$ 2,513,133,115	\$ 1.4540	\$ 3,654,113
EMS	\$ 2,513,133,115	\$ 0.3835	\$ 963,713
Treatment Facilities	\$ 2,465,381,266	\$ 0.0034	\$ 8,414

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 169 members.

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

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, 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 2023 beginning balance of \$126,752, revenues totaled \$24,130 and expenses for the fiscal year were \$729 resulting in an ending year balance of \$150,154.

**City of Ocean Shores
Schedule of Liabilities
For the Year Ended December 31, 2023**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	LTGO Bond (2016 Fire Station/City Hall/Weatherwax/Driving Range Refunding	12/1/2032	3,150,000	-	265,000	2,885,000
251.11	LTGO Bond (2014 Convention Center/PFD Refunding Bonds)	12/1/2035	6,480,000	-	390,000	6,090,000
263.56	Finance Department Copier	4/1/2024	4,200	-	3,360	840
263.56	Permit Department Copier	11/1/2023	1,855	-	1,855	-
263.56	City Clerk Office Copier	9/1/2024	3,760	-	2,256	1,504
263.56	Engineering Department Copier	10/1/2024	4,788	-	2,736	2,052
263.56	Fire Department Copier	12/1/2026	9,479	-	2,604	6,875
263.56	Permit Department Postage Machine	2/1/2024	722	-	667	55
263.56	Finance Department Postage Machine	10/1/2025	4,506	-	1,638	2,868
263.56	Convention Center Postage Machine	8/1/2024	1,240	-	708	532
Total General Obligation Debt/Liabilities:			9,660,550	-	670,824	8,989,726
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	2016 Revenue Bond Water Refunding (Carrillo)	12/1/2024	322,178	-	159,722	162,456
259.12	Compensated Absences		1,088,447	249,739	-	1,338,186
263.82	Public Works Board (DWSRF) Water Plant	10/1/2026	347,413	-	86,853	260,560
263.82	Public Works Board (DWSRF/ARRA Water Plant	10/1/2032	1,405,564	-	140,557	1,265,007
264.30	Pension Liability		594,045	-	17,610	576,435
264.40	OPEB Liability		3,053,757	-	425,317	2,628,440
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,811,404	249,739	830,059	6,231,084
Assessment Debt/Liabilities (with commitments)						
253.11	LID 07-01 Bonds (City Streets)	2/1/2031	1,916,088	-	700,000	1,216,088
Total Assessment Debt/Liabilities (with commitments):			1,916,088	-	700,000	1,216,088
Total Liabilities:			18,388,042	249,739	2,200,883	16,436,898

City of Ocean Shores
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607		-	698	698	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Federal Aviation Administration)	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-53-0099-016- 2022	15,211	-	15,211	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Federal Aviation Administration)	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-53-0099-017- 2022	9,901	-	9,901	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Federal Aviation Administration)	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-53-0099-012- 2020	2,327	-	2,327	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Federal Aviation Administration)	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-53-0099-014- 2021	1,620	-	1,620	-	
Total ALN 20.106:				29,059	-	29,059	-	

The accompanying notes are an integral part of this schedule.

City of Ocean Shores
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Cowlitz Wahkiakum Council of Governments)	Highway Planning and Construction	20.205	n/a	215,235	-	215,235	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	n/a	603,660	-	603,660	-	
Total ALN 20.205:				818,895	-	818,895	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	784,288	784,288	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044		-	217,839	217,839	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Cooperating Technical Partners	97.045		-	123,017	123,017	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA Emergency Management)	BRIC: Building Resilient Infrastructure and Communities	97.047	n/a	160,689	-	160,689	-	
Total Federal Awards Expended:				1,008,643	1,125,842	2,134,485	-	

The accompanying notes are an integral part of this schedule.

City of Ocean Shores
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the cash basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

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

Note 3 – Program Costs

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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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