



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Kalama

For the period January 1, 2022 through December 31, 2023

Published November 4, 2024

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

November 4, 2024

Mayor and City Council
City of Kalama
Kalama, Washington

Report on Financial Statements

Please find attached our report on the City of Kalama'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 Kalama January 1, 2022 through December 31, 2023

Mayor and City Council
City of Kalama
Kalama, 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 Kalama, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 28, 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 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.

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 style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

October 28, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Kalama January 1, 2022 through December 31, 2023

Mayor and City Council
City of Kalama
Kalama, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Kalama, as of and for the years ended December 31, 2023 and 2022, 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 Kalama, and its changes in cash and investments, for the years ended December 31, 2023 and 2022, 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 Kalama, as of December 31, 2023 and 2022, 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 October 28, 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.



Pat McCarthy, State Auditor

Olympia, WA

October 28, 2024

City of Kalama
January 1, 2022 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 Liabilities – 2022

City of Kalama
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 Street Operation & Maintenance	105 Special Revenue Fund - Hotel/Motel Tax-
Beginning Cash and Investments					
308	Beginning Cash and Investments	7,740,238	1,455,611	476,411	139,477
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,614,148	2,079,612	28,019	61,426
320	Licenses and Permits	267,646	256,396	11,250	-
330	Intergovernmental Revenues	651,193	91,639	534,387	-
340	Charges for Goods and Services	5,333,935	416,759	-	751
350	Fines and Penalties	15,493	15,493	-	-
360	Miscellaneous Revenues	1,229,722	101,026	68,803	7,175
Total Revenues:		<u>10,112,137</u>	<u>2,960,925</u>	<u>642,459</u>	<u>69,352</u>
Expenditures					
510	General Government	1,022,698	1,022,698	-	-
520	Public Safety	1,246,572	1,246,572	-	-
530	Utilities	3,421,497	-	-	-
540	Transportation	211,925	-	211,925	-
550	Natural/Economic Environment	379,246	356,743	-	22,503
560	Social Services	1,523	1,523	-	-
570	Culture and Recreation	141,942	106,219	-	33,017
Total Expenditures:		<u>6,425,403</u>	<u>2,733,755</u>	<u>211,925</u>	<u>55,520</u>
Excess (Deficiency) Revenues over Expenditures:		3,686,734	227,170	430,534	13,832
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	372,247	177,870	112,500	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	29,351	11,041	902	-
Total Other Increases in Fund Resources:		<u>401,598</u>	<u>188,911</u>	<u>113,402</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,591,266	117,531	568,396	-
591-593, 599	Debt Service	583,949	11,751	-	1,216
597	Transfers-Out	372,247	171,877	12,700	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	35,112	8,086	-	-
Total Other Decreases in Fund Resources:		<u>2,582,574</u>	<u>309,245</u>	<u>581,096</u>	<u>1,216</u>
Increase (Decrease) in Cash and Investments:		<u>1,505,758</u>	<u>106,836</u>	<u>(37,160)</u>	<u>12,616</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,180,041	34,723	-	152,094
50841	Committed	-	-	-	-
50851	Assigned	6,409,809	871,579	439,251	-
50891	Unassigned	656,150	656,150	-	-
Total Ending Cash and Investments		<u>9,246,000</u>	<u>1,562,452</u>	<u>439,251</u>	<u>152,094</u>

The accompanying notes are an integral part of this statement.

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

	108 Park Development Fund	109 Special Revenue Fund - Affordable	116 Cap.impr.- R.e. Taxes- Ord.#723	215 General Fund Capital Facilities Debt
Beginning Cash and Investments				
308	Beginning Cash and Investments	36,579	34,674	242,326
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	5,293	98,635
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	27,265	3,000	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	2,370	1,206	13,744
	Total Revenues:	29,635	9,499	112,379
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	2,706	-	-
	Total Expenditures:	2,706	-	-
	Excess (Deficiency) Revenues over Expenditures:	26,929	9,499	112,379
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	81,877
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
	Total Other Increases in Fund Resources:	-	-	81,877
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	43,906
591-593, 599	Debt Service	-	-	195,375
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
	Total Other Decreases in Fund Resources:	-	-	43,906
	Increase (Decrease) in Cash and Investments:	26,929	9,499	68,473
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	44,173	310,799
50841	Committed	-	-	-
50851	Assigned	63,507	-	-
50891	Unassigned	-	-	-
	Total Ending Cash and Investments	63,507	44,173	310,799

The accompanying notes are an integral part of this statement.

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

	310	320 Capital	401 Water/sewer	402 Solid	
	Transportation	Project Funds	Operating Fund	Waste / Garbage	
	Benefit District				
Beginning Cash and Investments					
308	Beginning Cash and Investments	35,945	672,008	4,101,540	2,124
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	167,109	-	6,643	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	25,167	-
340	Charges for Goods and Services	-	-	4,197,021	512,958
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	361	26,253	976,019	-
Total Revenues:		167,470	26,253	5,204,850	512,958
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	2,891,364	482,371
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	2,891,364	482,371
Excess (Deficiency) Revenues over Expenditures:		167,470	26,253	2,313,486	30,587
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	-	-	1,000	16,408
Total Other Increases in Fund Resources:		-	-	1,000	16,408
Other Decreases in Fund Resources					
594-595	Capital Expenditures	102,134	251,514	507,785	-
591-593, 599	Debt Service	-	-	375,607	-
597	Transfers-Out	120	-	164,050	23,500
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	2,673	24,353
Total Other Decreases in Fund Resources:		102,254	251,514	1,050,115	47,853
Increase (Decrease) in Cash and Investments:		65,216	(225,261)	1,264,371	(858)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	101,161	446,747	658,832	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	4,707,077	1,267
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		101,161	446,747	5,365,909	1,267

The accompanying notes are an integral part of this statement.

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

		403 Stormwater Utility Fund
Beginning Cash and Investments		
308	Beginning Cash and Investments	179,047
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	176,181
350	Fines and Penalties	-
360	Miscellaneous Revenues	19,661
Total Revenues:		195,842
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	47,762
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		47,762
Excess (Deficiency) Revenues over Expenditures:		148,080
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		-
Increase (Decrease) in Cash and Investments:		148,080
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	327,128
50891	Unassigned	-
Total Ending Cash and Investments		327,128

The accompanying notes are an integral part of this statement.

City of Kalama
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 General Fund	101 Street Operation & Maintenance	105 Special Revenue Fund - Hotel/Motel Tax-
Beginning Cash and Investments					
308	Beginning Cash and Investments	6,872,598	1,789,155	418,447	101,984
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,244,045	1,879,672	26,336	61,737
320	Licenses and Permits	275,385	268,085	7,300	-
330	Intergovernmental Revenues	574,243	85,146	85,757	-
340	Charges for Goods and Services	5,052,824	473,748	-	61
350	Fines and Penalties	12,443	12,443	-	-
360	Miscellaneous Revenues	546,996	84,064	51,274	1,923
Total Revenues:		<u>8,705,936</u>	<u>2,803,158</u>	<u>170,667</u>	<u>63,721</u>
Expenditures					
510	General Government	1,021,347	1,021,347	-	-
520	Public Safety	1,185,299	1,185,299	-	-
530	Utilities	3,158,253	-	-	-
540	Transportation	198,233	-	198,233	-
550	Natural/Economic Environment	393,517	388,897	-	4,620
560	Social Services	1,393	1,393	-	-
570	Culture and Recreation	126,040	97,413	-	21,607
Total Expenditures:		<u>6,084,082</u>	<u>2,694,349</u>	<u>198,233</u>	<u>26,227</u>
Excess (Deficiency) Revenues over Expenditures:		2,621,854	108,809	(27,566)	37,494
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	636,944	122,700	136,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	137,290	4,754	13,253	-
Total Other Increases in Fund Resources:		<u>774,234</u>	<u>127,454</u>	<u>149,253</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,158,876	67,126	55,026	-
591-593, 599	Debt Service	575,757	4,257	-	-
597	Transfers-Out	636,944	493,244	8,700	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	156,879	5,187	-	-
Total Other Decreases in Fund Resources:		<u>2,528,456</u>	<u>569,814</u>	<u>63,726</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		867,632	(333,551)	57,961	37,494
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,130,143	34,814	-	139,477
50841	Committed	-	-	-	-
50851	Assigned	4,997,371	808,073	476,411	-
50891	Unassigned	612,724	612,724	-	-
Total Ending Cash and Investments		7,740,238	1,455,611	476,411	139,477

The accompanying notes are an integral part of this statement.

City of Kalama
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

	108 Park Development Fund	109 Special Revenue Fund - Affordable	116 Cap.impr.- R.e. Taxes- Ord.#723	215 General Fund Capital Facilities Debt	
Beginning Cash and Investments					
308	Beginning Cash and Investments	37,710	25,456	138,512	325,108
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	4,155	109,271	160,848
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	5,285	4,509	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	604	554	3,705	4,171
Total Revenues:		5,889	9,218	112,976	165,019
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	7,020	-	-	-
Total Expenditures:		7,020	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(1,131)	9,218	112,976	165,019
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	67,244
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	67,244
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	192,875
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	9,163	-
Total Other Decreases in Fund Resources:		-	-	9,163	192,875
Increase (Decrease) in Cash and Investments:		(1,131)	9,218	103,813	39,388
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	34,674	192,326	364,496
50841	Committed	-	-	-	-
50851	Assigned	36,579	-	50,000	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		36,579	34,674	242,326	364,496

The accompanying notes are an integral part of this statement.

City of Kalama
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		310	320 Capital	401 Water/sewer	402 Solid
		Transportation	Project Funds	Operating Fund	Waste / Garbage
		Benefit District			
Beginning Cash and Investments					
308	Beginning Cash and Investments	114,319	-	3,794,085	9,133
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	2,026	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	396,588	6,752	-
340	Charges for Goods and Services	-	-	3,957,907	469,571
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	67	5,755	391,409	4
Total Revenues:		67	402,343	4,358,094	469,575
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	2,695,328	447,329
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	2,695,328	447,329
Excess (Deficiency) Revenues over Expenditures:		67	402,343	1,662,766	22,246
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	311,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	104,576	14,707
Total Other Increases in Fund Resources:		-	311,000	104,576	14,707
Other Decreases in Fund Resources					
594-595	Capital Expenditures	78,442	41,335	916,947	-
591-593, 599	Debt Service	-	-	377,696	-
597	Transfers-Out	-	-	113,000	22,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	52,241	21,962
Total Other Decreases in Fund Resources:		78,442	41,335	1,459,884	43,962
Increase (Decrease) in Cash and Investments:		(78,375)	672,008	307,458	(7,009)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	35,945	672,008	656,403	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	3,445,137	2,124
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		35,945	672,008	4,101,540	2,124

The accompanying notes are an integral part of this statement.

City of Kalama
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		403 Stormwater Utility Fund
Beginning Cash and Investments		
308	Beginning Cash and Investments	118,689
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	141,743
350	Fines and Penalties	-
360	Miscellaneous Revenues	3,466
Total Revenues:		145,209
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	15,596
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		15,596
Excess (Deficiency) Revenues over Expenditures:		129,613
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	929
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	68,326
Total Other Decreases in Fund Resources:		69,255
Increase (Decrease) in Cash and Investments:		60,358
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	179,047
50891	Unassigned	-
Total Ending Cash and Investments		179,047

The accompanying notes are an integral part of this statement.

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

		<u>Custodial</u>
308	Beginning Cash and Investments	-
388 & 588	Net Adjustments	-
310-390	Additions	18,606
510-590	Deductions	<u>18,432</u>
	Net Increase (Decrease) in Cash and Investments:	174
508	Ending Cash and Investments	174

The accompanying notes are an integral part of this statement.

City of Kalama
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		<u>Custodial</u>
308	Beginning Cash and Investments	18
388 & 588	Net Adjustments	-
310-390	Additions	14,358
510-590	Deductions	14,376
	Net Increase (Decrease) in Cash and Investments:	(18)
508	Ending Cash and Investments	-

The accompanying notes are an integral part of this statement.

**CITY OF KALAMA
NOTES TO FINANCIAL STATEMENTS**

January 1, 2023, through December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kalama was incorporated on July 16, 1890, 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 of Kalama is a general-purpose government and provides public safety, street improvements, parks and recreation, and general administrative services. In addition, the city owns and operates water, sewer, and stormwater systems.

The City of Kalama 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 for proprietary and fiduciary funds are presented using classification 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 (Current Expense) Fund (001)

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

Special Revenue Funds (100)

These funds account for specific revenue sources that are restricted, committed, or assigned to specified purposes of the City. The City has established some managerial funds that are considered a part of the General Fund for reporting purposes.

Debt Service Funds (200)

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 Project Funds (300)

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 (400)

These funds account for operations that provide goods or services to the public and are supported primarily through user charges. The City has established some managerial funds that are considered a part of the primary fund number 401 for reporting purposes.

FUDICIARY FUND TYPES

Fiduciary Funds (600)

Fiduciary fund accounts are restricted for assets held by the government in a trustee capacity or as a custodian on behalf of others.

B. Basis of Accounting

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the City of Kalama also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments - See Note #3.

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 3 years. The capital assets and inventory of the City of Kalama are recorded as expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1,200 hours. Upon separation of service in good standing, employees may receive payment for a portion of the accumulated sick leave balance based upon the schedule as outlined in the applicable collective bargaining agreements or City contracts and personnel policies. The current rate of sick leave buyout for Teamster unit employees and non-bargaining Administrative and Management personnel is 40%. Current rate of sick leave buy out for Police Guild employees is at 0% due to length of service of less than 3 years and the non-bargaining position of Police Chief is eligible for 40% based on length of service. Payments are recognized as expenditures when paid.

F. Long-Term Debt - See Note #5

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 State Laws or Kalama City Council action. When expenditures that meet restrictions are incurred, the City of Kalama intends to use the most restricted resources first.

2023 Restricted/Committed Funding

Fund #	Fund Description	Restricted/Committed	Purpose
001	General Fund – Reserves	\$34,722.93	Restricted ARPA Funds
105	Special Revenue Fund - Hotel/Motel Tax-Tourism	\$152,094.14	Restricted by RCW
108	Committed Revenue Fund – Park Development	\$58,861.03	Committed by Ordinance
109	Special Revenue Fund - Affordable Housing	\$44,173.14	Restricted by RCW
116	Cap. Impr. -R.E. Taxes-Ord.#723	\$310,798.83	Restricted by RCW Restricted for Debt Service
215	2018 GO Bond - Debt Service	\$431,512.06	GO Bond Restricted - Special Purpose
310	Transportation Benefit District Fund	\$101,161.06	District Funding
320	Capital Improvements – General Funds – ARPA	\$446,747.45	Restricted ARPA Funds
401	Water/Sewer Operating Fund	\$658,831.84	Restricted for Debt/Loan Obligations
		\$2,239,902.48	

NOTE 2 – Budget Compliance

The City of Kalama adopts annual appropriated budgets for 30 funds with 7 managerial funds being rolled into the General Fund 001, 7 reserve/capital funds rolled into the Water/Sewer Operating Fund 401, and 2 reserve funds rolled into the Street Fund 101 for reporting purposes. The Budgets are appropriated at the fund level except for the

General Fund which is adopted as two departments separating out the Police Budget. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets, including all amendments, were as follows:

Budget 2023

Fund No. Descriptions	Fiscal	Budget	% of Total	Balance	Rolled Fund Totals	Rolled Budget Totals
General Fund	1,512,123.11	1,688,550.00				
Police	1,334,137.30	1,412,385.00				
001 General Fund	\$2,846,260.41	\$3,100,935.00	91.79%	\$254,674.59	3,071,629.00	3,740,335.00
101 Street Operations	\$224,625.44	\$233,000.00	96.41%	\$8,374.56	793,021.00	1,094,000.00
102 Street Improvement Res.	\$47,788.22	\$78,000.00	61.27%	\$30,211.78		
103 Sidewalk Improvement Reserve	\$547,008.03	\$783,000.00	69.86%	\$235,991.97		
104 Criminal Justice Fund	\$99,027.49	\$99,200.00	99.83%	\$172.51		
105 Tourism - Lodging Tax Fund	\$56,735.70	\$78,620.00	72.16%	\$21,884.30	56,735.70	78,620.00
106 Community Building Reserve	\$0.00	\$0.00	0.00%	\$0.00		
107 Wage & Benefit Reserve	\$0.00	\$20,000.00	0.00%	\$20,000.00		
108 Park Improvement Fund	\$2,706.00	\$45,900.00	5.90%	\$43,194.00	2,706.00	45,900.00
109 Affordable Housing/Recording Fees	\$0.00	\$0.00	0.00%	\$0.00		
110 Library Operations	\$98,076.98	\$111,900.00	87.65%	\$13,823.02		
113 Community Building Operations	\$52,631.75	\$53,300.00	98.75%	\$668.25		
115 Designated Reserves Fund	\$278,526.94	\$285,000.00	97.73%	\$6,473.06		
116 RE Excise Tax-Capital Improvements	\$43,905.95	\$62,840.00	69.87%	\$18,934.05	43,905.95	62,840.00
117 Police Vehicle Reserves	\$0.00	\$0.00	0.00%	\$0.00		
135 General Fund Reserves	\$67,700.00	\$70,000.00	96.71%	\$2,300.00		
215 Debt Service - GFCF Bond Payments	\$195,375.00	\$195,375.00	100.00%	\$0.00	195,375.00	195,375.00
310 Transportation Benefit District	\$102,254.45	\$129,300.00	79.08%	\$27,045.55	102,254.45	129,300.00
320 Capital Improvements - ARPA Funds	\$251,513.73	\$370,000.00	67.98%	\$118,486.27	251,513.73	370,000.00
401 Water/Sewer Operations	\$5,367,439.86	\$5,689,950.00	94.33%	\$322,510.14	3,941,479.00	7,071,950.00
402 Solid Waste/Garbage	\$530,223.90	\$566,700.00	93.56%	\$36,476.10	530,223.90	566,700.00
403 Stormwater Operations	\$47,760.96	\$107,700.00	44.35%	\$59,939.04	47,760.96	107,700.00
408 Water Improvement Reserve	\$171,954.27	\$255,250.00	67.37%	\$83,295.73		
410 Public Works Equipment Reserve	\$66,948.99	\$72,000.00	92.98%	\$5,051.01		
412 Sewer Loan Reserve	\$0.00	\$0.00	0.00%	\$0.00		
413 I&I Improvement Reserve	\$111,695.93	\$300,000.00	37.23%	\$188,304.07		
415 Sewer Improvement Reserve	\$433,073.96	\$457,250.00	94.71%	\$24,176.04		
420 Water Capital Improvement Res.	\$297,429.55	\$297,500.00	99.98%	\$70.45		
	\$11,940,663.51	\$13,462,720.00	88.69%	\$1,522,056.49	9,036,604.69	13,462,720.00

The General Fund, as reported in the Financial Statements, includes Funds 001,104,106,110,113,115,117, and 135. The Street Fund, as reported in the Financial Statements, includes Fund 101, 102, and 103. The Water/Sewer Fund, as reported on the Financial Statements, includes Funds 401, 408, 410, 412, 413, 415, 420, and 424. Special Revenue, Debt Service, and Capital Project Funds 105, 108, 109, 116, 210, 215, 310, 315, 320 and Enterprise Funds 402 and 403 are shown individually in the Financial Statements.

Budgeted amounts are authorized to be transferred between departments within any fund/object classes and within departments; however, any revisions that alter the total expenditure 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 Kalama City Council.

NOTE 3 - DEPOSITS & INVESTMENTS

Bond Investments are reported at original cost (*including prepaid interest at purchase). Deposits and Investments by type as shown on the corresponding bank statements on December 31, 2023, are as follows:

Type of Deposit or Investment		City's Own Investments	Funds Held as Custodial	Total
Heritage Bank Deposit W/Cash on Hand (\$580)		\$1,095,384.62	\$174.25	\$1,095,558.87
Outstanding Deposits		\$5,741.40		\$5,741.40
Outstanding Withdrawals		\$349,353.75		\$349,353.75
Heritage Bank Reconciled Balance		\$751,772.27	\$174.25	\$751,946.52
Local Government Investment Pool		\$4,767,611.43	\$0.00	\$4,767,611.43
Fibre Federal Credit Union Savings – TBD		\$101,161.06	\$0.00	\$101,161.06
US Bank/US Government Security 3133EDFA5	02/13/24	\$205,539.80	\$0.00	\$205,539.80
US Bank/US Government Security 3130A2UW4	09/13/24	\$195,105.00	\$0.00	\$195,105.00
US Bank/US Government Security 3133EKP75	09/17/24	\$249,999.25	\$0.00	\$249,999.25
US Bank/US Government Security 3130APRF4	11/15/24	\$189,473.20	\$0.00	\$189,473.20
US Bank/US Government Security 3133EMSC7	03/03/25	\$199,377.40	\$0.00	\$199,377.40
US Bank/US Government Security 3130ANX62	06/30/25	\$246,662.50	\$0.00	\$246,662.50
US Bank/US Government Security 3136G44U4	10/20/25	\$250,248.25	\$0.00	\$250,248.25
US Bank/US Government Security 3130AMKJ0	05/26/26	\$197,658.32	\$0.00	\$197,658.32
US Bank/US Government Security 3133EL3XO	08/13/26	\$248,775.00	\$0.00	\$248,775.00
US Bank/US Government Security 3130APU37	11/24/26	\$249,519.25	\$0.00	\$249,519.25
US Bank/US Government Security 3130ASZ69	08/27/27	\$200,000.00	\$0.00	\$200,000.00
US Bank/US Government Security 3130ASVS5	09/01/27	\$197,690.40	\$0.00	\$197,690.40
US Bank/US Government Security 3130AFFX04	11/16/28	\$300,909.12	\$0.00	\$300,909.12
US Bank/US Government Treasury Note 91282CGC9*		\$197,410.87	\$0.00	\$197,410.87
US Bank/US Government Treasury Note 91282CCC3		\$247,244.00	\$0.00	\$247,244.00
US Bank/US Government Treasury Note 912833LY4		\$249,843.83	\$0.00	\$249,843.83
		\$9,246,000.95	\$174.25	\$9,246,175.20

It is the City of Kalama’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds except for the checking account interest which is placed in the General Fund.

The City of Kalama 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.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. The Transportation Benefit District Fund 310 deposits are covered by the NCUA, and/or the Washington Public Deposit Protection Commission. All investments are insured, registered, or held by the City of Kalama or its agent in the government’s name.

NOTE 4 – LEASES

The City of Kalama leases 2 copiers – one from Canon (2021) and one from Ricoh (2020) both under contracts for 5 year terms.

The total amount paid for leases in 2023 was \$4,015.86. As of December 31, 2023, the future minimum lease payments are as follows:

<u>Year</u>	<u>Lease Payments</u>
2024	\$4,012.56
2025	\$3,783.37
2026	\$ 770.77
2027	\$0.00
	\$8,556.70

NOTE 5 – LONG-TERM DEBT

The accompanying Schedule of Liabilities (Schedule 09) provides more details of the outstanding debt and liabilities of the City and summarizes the City’s debt transactions for 2023.

The debt service requirements for 2024 and future years, including interest are as follows:

Year	Principal	Interest	Total Debt
2024	\$413,527.44	\$105,952.89	\$519,480.33
2025	\$418,537.17	\$102,972.57	\$521,509.74
2026	\$423,546.98	\$98,892.16	\$522,439.14
2027	\$423,556.90	\$94,611.65	\$518,168.55
2028	\$133,071.18	\$90,331.03	\$223,402.21
2029-2033	\$740,509.68	\$380,442.46	\$1,120,952.14
2034-2038	\$807,022.59	\$243,741.57	\$1,050,764.16
2039-2043	\$875,000.00	\$93,625.00	\$968,625.00
	\$4,234,771.94	\$1,210,569.33	\$5,445,341.27

NOTE 6 - PENSION PLANS

Substantially all City of Kalama 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 systems: Public Employer’s Retirement System (PERS) and Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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.

At June 30, 2023 the City of Kalama’s proportionate share of the collective net pension liabilities(rounded), as reported on the Schedule 09 was as follows:

DRS - Plan	Employer Contributions (DRS – PEFI)	Allocation %	Liability (Asset)
PERS 1	\$52,633	0.007724%	\$ 176,318
PERS 2	\$87,725	0.009978%	\$ (-408,967)
LEOFF 2	\$34,145	0.015127%	\$ (-362,836)

The City offers its employees a deferred compensation plan administered by the State of Washington. The plan is available to all eligible employees and permits them to defer a portion of their salary until future years. The deferred compensation is only available to employees upon separation, death, or unforeseeable emergencies in accordance with applicable laws. Compensation deferred under the plan, and all income attributable to the plan, is solely the property of the employee.

NOTE 7 - PROPERTY TAXES

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 of Kalama. Delinquent taxes are considered fully collectible, because a lien affixes to the property when taxes are levied.

The City's regular levy for 2023 was \$1.1166952918 per \$1,000 on an assessed valuation of \$498,560,354 for a total regular levy of \$556,740.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

NOTE 8 - RISK MANAGEMENT

The City of Kalama is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2023, 106 entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier. Pollution and cyber liability coverages are stand-alone policies which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$500,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$500,000. \$9.5 million in excess liability coverage limits is provided through an excess liability policy purchased from National League of Cities Mutual Insurance Company (NLC MIC). The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The property reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company and CHUBB. In 2023, AWC RMSA carried a retention of \$300,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides the remaining limits up to a total of \$250 million. All commercial policies have been purchased through the pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

NOTE 9 – SBITA

During the year ended 2023 the City of Kalama adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in the addition of a subscription liability reported on the Schedule of Liabilities.

The City of Kalama makes annual subscription payments for website, asset management, timekeeping and community access softwares. The SBITA contracts vary from 2 to 5 years and are renewable when current contract expires.

The total amount paid for SBITAs in 2023 was \$19,517.43. As of December 31, 2023, the future SBITA payments are as follows:

Year Ended December 31, 2023	Total
2024	\$17,269.05
2025	\$17,514.12
2026	\$2,352.96
2027	\$2,447.02
2028	\$2,447.02
2029-2034	\$0.00
	\$42,030.17

NOTE 10 - OTHER DISCLOSURES

A. Litigation and Potential Litigation

Councilmember-Criminal Charges – Allegations against the City

In March of 2023 then Councilmember Matthew Merz was arrested on felony charges of computer trespass and data theft. The trial was held in March 2023 at which the jury returned a verdict of guilty on both counts and sentencing was completed on May 5, 2023. Mr. Merz refused to step down from his Council seat, so the City Council requested the Cowlitz County prosecuting attorney pursue quo warranto action to remove Mr. Merz from his Council seat under RCW 46.12.010(5). The quo warranto action resulted in Mr. Merz being removed from the City Council in August of 2023. In early 2023 Mr. Merz filed a tort claim notice with the City which has been sent to the City’s insurance, the AWC RMSA pool, requesting \$65,000,000 in damages, but no further actions have been taken on that claim at the time of filing this report.

B. Significant Commitments or Obligations

1. The City of Kalama has signed an agreement with the Washington Department of Ecology for federal funding through a state revolving fund water quality loan in the amount of \$5.2 million with a 1.6% interest rate and 30 year term to be used to complete the North East Downtown Sewer Rehabilitation project. The City signed the agreement on December 18, 2023. No funds have been drawn at this time.

2. The City of Kalama has active construction projects as December 31, 2023, The projects include:
 1. Cedar Street & 10th Sidewalk -2022 – retainage on TIB project P-W-953(P08)-1 \$10,368.04
 2. Date Street & 10th Sidewalk -2023 – retainage on TIB project P-W-953(P09)-1 \$9,296.59
 3. 2022 Rapid Flashers Downtown – Balance on contract 22231 - \$1,524.92
 4. 2022 Cowlitz PUD LED Streetlight Conversion – Contracted for project under TIB project grant S-W-953(002)-1 at end of 2023 - \$33,623.00

Project	Paid to 12-31-2023	Remaining Commitment
Cedar Street & 10th Sidewalk -2022	\$276,477.75	\$10,368.04
Date Street & 10th Sidewalk -2023	\$242,617.21	\$9,296.59
2022 Rapid Flashers Downtown	\$203,294.16	\$1,524.92
2022 Cowlitz PUD LED Streetlight Conversion	0.00	\$33,623.00
Total	\$722,389.12	\$54,812.55

**CITY OF KALAMA
NOTES TO FINANCIAL STATEMENTS**

January 1, 2022, through December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kalama was incorporated on July 16, 1890, 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 of Kalama is a general-purpose government and provides public safety, street improvements, parks and recreation, and general administrative services. In addition, the city owns and operates water, sewer, and stormwater systems.

The City of Kalama 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 for proprietary and fiduciary funds are presented using classification 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. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund (001)

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

Special Revenue Funds (100)

These funds account for specific revenue sources that are restricted or committed to specified purposes of the City. The City has established some managerial funds that are considered a part of the General Fund for reporting purposes.

Debt Service Funds (200)

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 Project Funds (300)

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 (400)

These funds account for operations that provide goods or services to the public and are supported primarily through user charges. The City has established some managerial funds that are considered a part of the primary fund number 401 for reporting purposes.

FUDICIARY FUND TYPES

Fiduciary Funds (600)

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

B. Basis of Accounting

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized only when cash is received, and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law, Kalama also recognizes expenditures paid during the twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments - See Note #3.

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 3 years. The capital assets and inventory of the City of Kalama are recorded as expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1,200 hours. Upon separation of service in good standing, employees may receive payment for a portion of the accumulated sick leave balance based upon the schedule as outlined in the applicable collective bargaining agreements or City contracts and personnel policies. The current rate of sick leave buyout for Teamster unit employees and non-bargaining Administrative and Management personnel is 40%. Current rate of sick leave buy out for Police Guild employees is at 0% due to length of service of less than 3 years and the non-bargaining position of Police Chief is eligible for 20% based on length of service. Payments are recognized as expenditures when paid.

F. Long-Term Debt - See Note #5

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by State Laws or Kalama City Council action. When expenditures that meet restrictions are incurred, the City of Kalama intends to use restricted or committed resources first.

2022 Restricted/Committed Funding

Fund #	Fund Description	Restricted/Committed	Purpose
001	General Fund – Reserves	\$34,813.93	Restricted ARPA Funds
105	Special Revenue Fund - Hotel/Motel Tax-Tourism	\$139,477.22	Restricted by RCW
109	Special Revenue Fund - Affordable Housing	\$34,674.39	Restricted by RCW
116	Cap. Impr. -R.E. Taxes-Ord.#723	\$192,325.65	Restricted by RCW
215	2018 GO Bond - Debt Service	\$364,495.91	Restricted for Debt Service GO Bond
310	Transportation Benefit District Fund	\$35,944.98	Restricted - Special Purpose District Funding
320	Capital Improvements – General Funds – ARPA	672,007.90	Restricted ARPA Funds
401	Water/Sewer Operating Fund	\$656,402.95	Restricted for Debt/Loan Obligations
		\$2,130,142.93	

NOTE 2 – Budget Compliance

The City of Kalama adopts annual appropriated budgets for 30 funds with 7 managerial funds being rolled into the General Fund 001, 7 reserve/capital funds rolled into the Water/Sewer Operating Fund 401, and 2 reserve funds rolled into the Street Fund 101

for reporting purposes. The Budgets are appropriated at the fund level except for the General Fund which is adopted as two departments separating out the Police Budget. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets, including all amendments, were as follows:

Budget 2022

Fund No. Descriptions	Fiscal	Budget	% of Total	Balance	Rolled Fund Totals	Rolled Budget Totals
General Fund	\$1,448,251.42	\$1,653,420.00				
Police	\$1,168,776.22	\$1,263,500.00				
001 General Fund	\$2,617,027.64	\$2,916,920.00	89.72%	\$299,892.36	\$3,275,805.00	\$3,882,320.00
101 Street Operations	\$206,930.85	\$229,650.00	90.11%	\$22,719.15	\$261,956.27	\$759,660.00
102 Street Improvement Res.	\$7,325.34	\$130,000.00	5.63%	\$122,674.66		
103 Sidewalk Improvement Reserve	\$47,700.08	\$400,010.00	11.92%	\$352,309.92		
104 Criminal Justice Fund	\$78,340.70	\$82,700.00	94.73%	\$4,359.30		
105 Tourism - Lodging Tax Fund	\$26,227.43	\$52,400.00	50.05%	\$26,172.57	\$26,227.43	\$52,400.00
106 Community Building Reserve	\$0.00	\$0.00	0.00%	\$0.00		
107 Wage & Benefit Reserve	\$0.00	\$0.00	0.00%	\$0.00		
108 Park Improvement Fund	\$7,020.00	\$37,000.00	18.97%	\$29,980.00	\$7,020.00	\$37,000.00
109 Affordable Housing/Recording Fees	\$0.00	\$0.00	0.00%	\$0.00		
110 Library Operations	\$90,834.07	\$98,500.00	92.22%	\$7,665.93		
113 Community Building Operations	\$39,803.91	\$42,200.00	94.32%	\$2,396.09		
115 Designated Reserves Fund	\$263,254.80	\$267,000.00	98.60%	\$3,745.20		
116 RE Excise Tax-Capital Improvement	\$9,162.60	\$15,000.00	61.08%	\$5,837.40	\$9,162.60	\$15,000.00
117 Police Vehicle Reserves	\$0.00	\$0.00	0.00%	\$0.00		
135 General Fund Reserves	\$380,838.95	\$475,000.00	80.18%	\$94,161.05		
215 Debt Service - GFCF Bond Payments	\$192,875.00	\$194,000.00	99.42%	\$1,125.00	\$192,875.00	\$194,000.00
310 Transportation Benefit District	\$78,441.68	\$115,000.00	68.21%	\$36,558.32	\$78,441.68	\$115,000.00
320 Capital Improvements - ARPA Fund	\$41,334.92	\$676,725.00	6.11%	\$635,390.08	\$41,334.92	\$676,725.00
401 Water/Sewer Operations	\$4,120,240.60	\$4,516,100.00	91.23%	\$395,859.40	\$4,155,212.00	\$6,387,600.00
402 Solid Waste/Garbage	\$491,291.17	\$535,200.00	91.80%	\$43,908.83	\$491,291.17	\$535,200.00
403 Stormwater Operations	\$84,850.81	\$146,460.00	57.93%	\$61,609.19	\$84,850.81	\$146,460.00
408 Water Improvement Reserve	\$461,003.00	\$536,000.00	86.01%	\$74,997.00		
410 Public Works Equipment Reserve	\$125,884.59	\$140,000.00	89.92%	\$14,115.41		
412 Sewer Loan Reserve	\$0.00	\$0.00	0.00%	\$0.00		
413 I&I Improvement Reserve	\$224,487.29	\$380,000.00	59.08%	\$155,512.71		
415 Sewer Improvement Reserve	\$463,388.14	\$465,500.00	99.55%	\$2,111.86		
420 Water Capital Improvement Res.	\$58,982.69	\$350,000.00	15.67%	\$295,155.28		
	\$10,131,622.15	\$12,834,365.00	78.91%	\$2,706,880.82	\$8,624,176.88	\$12,801,365.00

The General Fund, as reported in the Financial Statements, includes Funds 001,104,106,110,113,115,117, and 135. The Street Fund, as reported in the Financial Statements, includes Fund 101, 102, and 103. The Water/Sewer Fund, as reported on the Financial Statements, includes Funds 401, 408, 410, 412, 413, 415, 420, and 424. Special Revenue, Debt Service, and Capital Project Funds 105, 108, 109, 116, 210, 215, 310, 315, 320 and Enterprise Funds 402 and 403 are shown individually in the Financial Statements.

Budgeted amounts are authorized to be transferred between departments within any fund/object classes and within departments; however, any revisions that alter the total expenditure 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 Kalama City Council.

NOTE 3 - DEPOSITS & INVESTMENTS

Bond Investments are reported at original cost (*including prepaid interest at purchase). Deposits and Investments by type as shown on the corresponding bank statements on December 31, 2022, are as follows:

Type of Deposit or Investment	City's Own Investments	Funds Held as Custodial	Total
Heritage Bank Deposit W/Cash on Hand (\$580)	\$1,038,841.65	\$0.00	\$1,038,841.65
Outstanding Deposits	28,379.47		28,379.47
Outstanding Withdrawals	379,515.89		379,515.89
Heritage Bank Reconciled Balance	\$687,705.23		687,705.23
Local Government Investment Pool	\$3,881,245.55	\$0.00	\$3,881,245.55
Fibre Federal Credit Union Savings – TBD	\$35,944.98	\$0.00	\$35,944.98
US Bank/US Government Security 3133EL3XO 8/2026	\$248,775.00	\$0.00	\$248,775.00
US Bank/US Government Security 3133EK4X1 11/2023	\$199,770.00	\$0.00	\$199,770.00
US Bank/US Government Security 3133EDFA5 2/2024	\$205,539.80	\$0.00	\$205,539.80
US Bank/US Government Security 3133EKP75 9/2024	\$249,999.25	\$0.00	\$249,999.25
US Bank/US Government Security 3133EMSC7 6/2025	\$199,377.40	\$0.00	\$199,377.40
US Bank/US Government Security 3130ANX62 6/2025	\$246,662.50	\$0.00	\$246,662.50
US Bank/US Government Security 3136G44U4 10/2025	\$250,248.25	\$0.00	\$250,248.25
US Bank/US Government Security 3130APU37 11/2026	\$249,519.25	\$0.00	\$249,519.25
US Bank/US Government Treasury Note 91282CCC3	\$247,244.00	\$0.00	\$247,244.00
US Bank/US Government Treasury Note 912833LY4	\$249,843.83	\$0.00	\$249,843.83
US Bank/US Government Security 3130ASX87 9/2022*	\$200,156.09	\$0.00	\$200,156.09
US Bank/US Government Security 3130APRF4 11/2024*	\$190,062.09	\$0.00	\$190,062.09
US Bank/US Government Security 3130ASZ69 – 8/2027 *	\$200,022.50	\$0.00	\$200,022.50
US Bank/US Government Security 3130ASVS5 9/2027 *	\$198,123.73	\$0.00	\$198,123.73
TOTAL DEPOSITS & INVESTMENTS 12/31/2022	\$7,740,239.45	\$0.00	\$7,740,239.45

It is the City of Kalama’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds except for the checking account interest which is placed in the General Fund.

The City of Kalama 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.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. The Transportation Benefit District Fund 310 deposits are covered by the NCUA, and/or the

Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City of Kalama or its agent in the government's name.

NOTE 4 – LEASES

The City of Kalama leases 2 copiers – one from Canon (2021) and one from Ricoh (2020) both under contracts for 5 year terms.

The total amount paid for leases in 2022 was \$3,898.72 as one payment was missed and not paid until 2023 when Canon notified the City to reconcile the account. As of December 31, 2022, the future minimum lease payments are as follows:

<u>Year</u>	<u>Lease Payments</u>
2023	\$4,118.72
2024	\$4,008.72
2025	\$3,784.66
2026	\$ 660.00
	\$12,572.50

NOTE 5 – LONG-TERM DEBT

The accompanying Schedule of Liabilities (Schedule 09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for 2022.

The debt service requirements for 2023 and future years, including interest are as follows:

Year	Principal	Interest	Total Debt
2023	\$413,055.22	\$109,395.71	\$522,450.93
2024	\$413,060.22	\$106,420.11	\$519,480.33
2025	\$418,065.27	\$103,444.47	\$521,509.74
2026	\$423,070.37	\$99,368.77	\$522,439.14
2027	\$423,075.52	\$95,093.03	\$518,168.55
2028-2032	\$712,978.00	\$407,327.11	\$1,120,305.11
2033-2037	\$838,114.74	\$275,425.51	\$1,113,540.25
2038-2042	\$868,130.05	\$124,206.30	\$992,336.35
2043-2048	\$185,000.00	\$6,475.00	\$191,475.00
Totals	\$4,694,549.39	\$1,327,156.01	\$6,021,705.40

NOTE 6 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Repayments	Balance 12/31/2022
403	413	\$68,338.35		\$68,338.35	\$ 0.00

NOTE 7 - PENSION PLANS

Substantially all City of Kalama 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 systems: Public Employer’s Retirement System (PERS) and Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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.

At June 30, 2022 the City of Kalama’s proportionate share of the collective net pension liabilities(rounded), as reported on the Schedule 09 was as follows:

DRS - Plan	Employer Contributions (DRS – PEFI)	Allocation %	Liability (Asset)
PERS 1	\$48,266	0.007875%	\$ 219,269
PERS 2	\$82,308	0.010245%	\$ (-379,965)
LEOFF 2	\$27,596	0.013329%	\$ (-362,242)

The City offers its employees a deferred compensation plan administered by the State of Washington. The plan is available to all eligible employees and permits them to defer a portion of their salary until future years. The deferred compensation is only available to employees upon separation, death, or unforeseeable emergencies in accordance with applicable laws. Compensation deferred under the plan, and all income attributable to the plan, is solely the property of the employee.

NOTE 8 - PROPERTY TAXES

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 of Kalama. Delinquent taxes are considered fully collectible, because a lien affixes to the property when taxes are levied.

The City's regular levy for 2022 was \$1.2876233053 per \$1,000 on an assessed valuation of \$411,580,000.00 for a total regular levy of \$529,960.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

NOTE 9 - RISK MANAGEMENT

The City of Kalama is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2022, 106 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime), pollution liability, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$500,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$500,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from National League of Cities Mutual Insurance Company (NLC MIC). The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance and CHUBB. In 2022, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved,

unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

NOTE 10 - OTHER DISCLOSURES

A. Litigation and Potential Litigation

1. Councilmember-Criminal Charges – Allegations against the City

In March of 2022 current Councilmember Matthew Merz was arrested on felony charges of computer trespass and data theft. The trial was held in March 2023 at which the jury returned a verdict of guilty on both counts and sentencing was completed on May 5, 2023. The City Council has requested the Cowlitz County prosecuting attorney pursue quo warranto action to remove Mr. Merz from his Council seat under RCW 46.12.010(5). Throughout 2022 Councilmember Merz continually made accusations of wrong doing, misconduct, and conspiracy against the Mayor, other councilors, city staff members, county officials, and citizens voluntarily sitting on City committees. This included filing complaints with the Washington State Auditor, and the Criminal Justice Commission, neither of which found any merit to the claims. He filed a whistleblower violation claim with the State of Washington which was heard before the Office of Administrative Hearings at which the City prevailed. The legal costs regarding the behavior of Mr. Merz were over \$35,000 for the whistleblower claim. He has currently filed a tort claim notice with the City which has been sent to the City's insurance, the AWC RMSA pool, requesting \$65,000,000 in damages.

B. Significant Commitments or Obligations

The City of Kalama has budgeted capital projects for construction in 2023 but as of December 31,2022 has no executed contracts for any construction projects.

**City of Kalama
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	GO Bond 2018 GFCF - Police Facility	12/1/2043	2,780,000	-	90,000	2,690,000
	Total General Obligation Debt/Liabilities:		2,780,000	-	90,000	2,690,000
Revenue and Other (non G.O.) Debt/Liabilities						
263.86	DOE/SRF WWTP Constrution - 2004	9/30/2026	1,477,478	-	295,496	1,181,982
263.86	DOH/DWSRF Loan - Green Mtn Reservoir	10/1/2040	437,071	-	74,282	362,789
264.30	Pension Liabilities		219,269	-	42,951	176,318
259.12	Compensated Absences- General		97,040	97,283	76,753	117,570
259.12	Compensated Absences - Water-Sewer		103,767	114,453	110,281	107,939
263.52	Copier Leases		12,572	-	4,016	8,556
263.57	SBITA Liabilities		21,377	40,170	19,517	42,030
	Total Revenue and Other (non G.O.) Debt/Liabilities:		2,368,574	251,906	623,296	1,997,184
	Total Liabilities:		5,148,574	251,906	713,296	4,687,184

**City of Kalama
Schedule of Liabilities
For the Year Ended December 31, 2022**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Bond 2018 GFCF - Police Facility	12/1/2043	2,865,000	-	85,000	2,780,000
263.56	Copier Leases		16,471	-	3,899	12,572
	Total General Obligation Debt/Liabilities:		2,881,471	-	88,899	2,792,572
Revenue and Other (non G.O.) Debt/Liabilities						
263.86	DOE/SRF WWTP Construction - 2004	9/30/2026	1,772,974	-	295,496	1,477,478
263.86	DOH/DWSRF Loan - Green Mtn Reservoir	10/1/2040	514,130	-	77,059	437,071
264.30	Pension Liabilities		96,710	122,559	-	219,269
259.12	Compensated Absences- General		78,434	114,019	95,413	97,040
259.12	Compensated Absences - Water-Sewer		78,050	121,140	95,423	103,767
	Total Revenue and Other (non G.O.) Debt/Liabilities:		2,540,298	357,718	563,391	2,334,625
	Total Liabilities:		5,421,769	357,718	652,290	5,127,197

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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