



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Algona

For the period January 1, 2020 through December 31, 2022

Published October 31, 2024

Report No. 1035866



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

October 31, 2024

Mayor and City Council
City of Algona
Algona, Washington

Report on Financial Statements

Please find attached our report on the City of Algona'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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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Algona January 1, 2020 through December 31, 2022

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2018 through December 31, 2019	Report Ref. No.: 1029506	Finding Ref. No.: 2019-001
Finding Caption: The City did not have adequate internal controls over financial statement preparation to ensure accurate and reliable financial reporting.		
Background: During the audit period, City staff responsible for compiling financial information lacked technical knowledge and experience needed to accurately prepare the financial statements, notes to the financial statements, and schedules of liabilities, the City did not retain documentation showing monthly reconciliations between the County Treasurer statements and its general ledger were reviewed, and there was insufficient oversight and review of the financial reporting package prior to submission to the Washington State Auditor's Office (SAO) to ensure information reported was accurate and complete.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The City has hired an outside CPA, Tara Dunford, who has the knowledge and experience to accurately prepare financial statements on behalf of the City. Prior to the submission of the financial reporting package to SAO, the City Clerk reviews it. The City Clerk now retains monthly reconciling documentation for the King County Treasurer statements and general ledger.</i>		

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 Algona January 1, 2020 through December 31, 2022

Mayor and City Council
City of Algona
Algona, 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 Algona, as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 24, 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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

October 24, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Algona January 1, 2020 through December 31, 2022

Mayor and City Council
City of Algona
Algona, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Algona, as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Algona, and its changes in cash and investments, for the years ended December 31, 2022, 2021 and 2020, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Algona, as of December 31, 2022, 2021 and 2020, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 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 that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

October 24, 2024

FINANCIAL SECTION

City of Algona January 1, 2020 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
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SUPPLEMENTARY AND OTHER INFORMATION

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

		Total for All Funds (Memo Only)	001 Current Expense	101 Street Fund	110 Park Impact Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	6,112,453	1,022,136	115,785	136,680
388 / 588	Net Adjustments	-	4,673	-	-
Revenues					
310	Taxes	2,506,777	2,171,179	192,357	33,697
320	Licenses and Permits	326,896	310,399	16,497	-
330	Intergovernmental Revenues	878,086	622,545	255,541	-
340	Charges for Goods and Services	3,596,826	165,308	-	-
350	Fines and Penalties	33,245	1,403	-	-
360	Miscellaneous Revenues	170,919	167,701	3,218	-
Total Revenues:		7,512,749	3,438,535	467,613	33,697
Expenditures					
510	General Government	589,524	589,524	-	-
520	Public Safety	1,898,855	1,898,855	-	-
530	Utilities	2,262,693	15,323	-	-
540	Transportation	526,600	-	526,600	-
550	Natural/Economic Environment	455,604	455,604	-	-
560	Social Services	3,911	3,911	-	-
570	Culture and Recreation	361,910	361,910	-	-
Total Expenditures:		6,099,097	3,325,127	526,600	-
Excess (Deficiency) Revenues over Expenditures:		1,413,652	113,408	(58,987)	33,697
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	573,000	-	253,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	742,574	742,574	-	-
Total Other Increases in Fund Resources:		1,315,574	742,574	253,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	167,309	31,260	77,258	-
591-593, 599	Debt Service	319,669	867	-	-
597	Transfers-Out	573,000	253,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	(16,620)	(16,620)	-	-
Total Other Decreases in Fund Resources:		1,043,358	268,507	77,258	-
Increase (Decrease) in Cash and Investments:		1,685,868	587,475	116,755	33,697
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	987,323	377,027	-	170,377
50841	Committed	-	-	-	-
50851	Assigned	5,895,213	321,465	232,541	-
50891	Unassigned	915,794	915,794	-	-
Total Ending Cash and Investments		7,798,330	1,614,286	232,541	170,377

The accompanying notes are an integral part of this statement.

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

		205 General Obligation Bond Fund	306 Capital Improvement Fund	401 Stormwater Mgmt Fund	402 Water Maintenance Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	6,002	642,610	1,841,849	1,485,152
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	109,544	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	437,496	952,015
350	Fines and Penalties	-	-	2,046	18,326
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		-	109,544	439,542	970,341
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	400,566	729,640
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	400,566	729,640
Excess (Deficiency) Revenues over Expenditures:		-	109,544	38,976	240,701
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	320,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		320,000	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	318,238	-	88	193
597	Transfers-Out	-	320,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		318,238	320,000	88	193
Increase (Decrease) in Cash and Investments:		1,762	(210,456)	38,888	240,508
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	7,764	432,155	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	1,880,737	1,725,662
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		7,764	432,155	1,880,737	1,725,662

The accompanying notes are an integral part of this statement.

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

		403 Sewer Maintenance Fund	501 Equipment Replacement Fund	520 Unemployment Trust Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	857,566	-	4,673
388 / 588	Net Adjustments	-	-	(4,673)
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	1,223,507	818,500	-
350	Fines and Penalties	11,470	-	-
360	Miscellaneous Revenues	-	-	-
Total Revenues:		1,234,977	818,500	-
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	1,117,164	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,117,164	-	-
Excess (Deficiency) Revenues over Expenditures:		117,813	818,500	-
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	-	58,791	-
591-593, 599	Debt Service	283	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		283	58,791	-
Increase (Decrease) in Cash and Investments:		117,530	759,709	-
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	975,099	759,709	-
50891	Unassigned	-	-	-
Total Ending Cash and Investments		975,099	759,709	-

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 Current Expense	101 Street Fund	110 Park Impact Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	5,570,388	826,734	124,108	109,632
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,331,028	1,893,872	185,467	27,048
320	Licenses and Permits	294,523	294,163	360	-
330	Intergovernmental Revenues	753,521	651,344	65,713	-
340	Charges for Goods and Services	2,569,747	119,420	1,261	-
350	Fines and Penalties	47,904	38,683	-	-
360	Miscellaneous Revenues	70,902	50,579	20,323	-
Total Revenues:		6,067,625	3,048,061	273,124	27,048
Expenditures					
510	General Government	587,673	587,673	-	-
520	Public Safety	1,552,355	1,552,355	-	-
530	Utilities	2,089,592	16,376	-	-
540	Transportation	273,329	-	273,329	-
550	Natural/Economic Environment	316,948	316,948	-	-
560	Social Services	7,694	7,694	-	-
570	Culture and Recreation	179,042	179,042	-	-
Total Expenditures:		5,006,633	2,660,088	273,329	-
Excess (Deficiency) Revenues over Expenditures:		1,060,992	387,973	(205)	27,048
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	210,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	2,254	2,254	-	-
Total Other Increases in Fund Resources:		212,254	2,254	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	90,088	81,970	8,118	-
591-593, 599	Debt Service	318,238	-	-	-
597	Transfers-Out	210,000	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	112,855	112,855	-	-
Total Other Decreases in Fund Resources:		731,181	194,825	8,118	-
Increase (Decrease) in Cash and Investments:		542,065	195,402	(8,323)	27,048
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	785,967	6,677	-	136,680
50841	Committed	-	-	-	-
50851	Assigned	4,434,492	123,465	115,785	-
50891	Unassigned	891,994	891,994	-	-
Total Ending Cash and Investments		6,112,453	1,022,136	115,785	136,680

The accompanying notes are an integral part of this statement.

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

		205 General Obligation Bond Fund	306 Capital Improvement Fund	401 Stormwater Mgmt Fund	402 Water Maintenance Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	114,240	627,969	1,730,091	1,296,775
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	224,641	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	36,464	-
340	Charges for Goods and Services	-	-	427,583	873,885
350	Fines and Penalties	-	-	596	5,052
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		-	224,641	464,643	878,937
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	352,885	690,560
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	352,885	690,560
Excess (Deficiency) Revenues over Expenditures:		-	224,641	111,758	188,377
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	210,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		210,000	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	318,238	-	-	-
597	Transfers-Out	-	210,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		318,238	210,000	-	-
Increase (Decrease) in Cash and Investments:		(108,238)	14,641	111,758	188,377
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	642,610	-	-
50841	Committed	-	-	-	-
50851	Assigned	6,002	-	1,841,849	1,485,152
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		6,002	642,610	1,841,849	1,485,152

The accompanying notes are an integral part of this statement.

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

		403 Sewer Maintenance Fund	520 Unemployment Trust Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	736,166	4,673
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	1,147,598	-
350	Fines and Penalties	3,573	-
360	Miscellaneous Revenues	-	-
Total Revenues:		1,151,171	-
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	1,029,771	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		1,029,771	-
Excess (Deficiency) Revenues over Expenditures:		121,400	-
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:		121,400	-
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	857,566	4,673
50891	Unassigned	-	-
Total Ending Cash and Investments		857,566	4,673

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 Current Expense	101 Street Fund	110 Park Impact Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	6,062,136	1,310,308	142,047	77,240
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,212,628	1,852,187	182,419	30,958
320	Licenses and Permits	263,458	255,759	7,699	-
330	Intergovernmental Revenues	471,430	272,027	193,504	-
340	Charges for Goods and Services	2,268,432	46,683	-	1,011
350	Fines and Penalties	69,617	57,497	-	-
360	Miscellaneous Revenues	143,219	119,644	2,372	423
Total Revenues:		5,428,784	2,603,797	385,994	32,392
Expenditures					
510	General Government	604,184	592,994	-	-
520	Public Safety	1,560,244	1,560,244	-	-
530	Utilities	1,879,061	18,895	-	-
540	Transportation	321,144	-	321,144	-
550	Natural/Economic Environment	377,259	377,259	-	-
560	Social Services	9,916	9,916	-	-
570	Culture and Recreation	29,784	29,784	-	-
Total Expenditures:		4,781,592	2,589,092	321,144	-
Excess (Deficiency) Revenues over Expenditures:		647,192	14,705	64,850	32,392
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	505,000	-	150,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	2,833	2,833	-	-
Total Other Increases in Fund Resources:		507,833	2,833	150,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	363,192	89,138	232,789	-
591-593, 599	Debt Service	318,239	-	-	-
597	Transfers-Out	505,000	505,000	-	-
585	Special or Extraordinary Items	553,368	-	-	-
581, 582, 589	Other Uses	(93,026)	(93,026)	-	-
Total Other Decreases in Fund Resources:		1,646,773	501,112	232,789	-
Increase (Decrease) in Cash and Investments:		(491,748)	(483,574)	(17,939)	32,392
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	742,694	5,093	-	109,632
50841	Committed	-	-	-	-
50851	Assigned	4,129,518	123,465	124,108	-
50891	Unassigned	698,176	698,176	-	-
Total Ending Cash and Investments		5,570,388	826,734	124,108	109,632

The accompanying notes are an integral part of this statement.

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

		205 General Obligation Bond Fund	306 Capital Improvement Fund	401 Stormwater Mgmt Fund	402 Water Maintenance Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	77,479	1,032,540	1,595,299	1,116,860
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	147,064	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	5,899	-
340	Charges for Goods and Services	-	-	385,875	844,480
350	Fines and Penalties	-	-	725	9,764
360	Miscellaneous Revenues	-	1,733	8,830	6,248
Total Revenues:		-	148,797	401,329	860,492
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	250,260	656,029
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	250,260	656,029
Excess (Deficiency) Revenues over Expenditures:		-	148,797	151,069	204,463
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	355,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		355,000	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	16,277	24,548
591-593, 599	Debt Service	318,239	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	553,368	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		318,239	553,368	16,277	24,548
Increase (Decrease) in Cash and Investments:		36,761	(404,571)	134,792	179,915
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	627,969	-	-
50841	Committed	-	-	-	-
50851	Assigned	114,240	-	1,730,091	1,296,775
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		114,240	627,969	1,730,091	1,296,775

The accompanying notes are an integral part of this statement.

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

		403 Sewer Maintenance Fund	520 Unemployment Trust Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	694,585	15,778
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	990,383	-
350	Fines and Penalties	1,631	-
360	Miscellaneous Revenues	3,884	85
Total Revenues:		995,898	85
Expenditures			
510	General Government	-	11,190
520	Public Safety	-	-
530	Utilities	953,877	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		953,877	11,190
Excess (Deficiency) Revenues over Expenditures:		42,021	(11,105)
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	440	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		440	-
Increase (Decrease) in Cash and Investments:		41,581	(11,105)
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	736,166	4,673
50891	Unassigned	-	-
Total Ending Cash and Investments		736,166	4,673

The accompanying notes are an integral part of this statement.

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

		Private-Purpose Trust
		<hr/>
308	Beginning Cash and Investments	27,415
388 & 588	Net Adjustments	-
310-390	Additions	2
510-590	Deductions	<hr/> -
	Net Increase (Decrease) in Cash and Investments:	2
508	Ending Cash and Investments	27,417

The accompanying notes are an integral part of this statement.

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

		Private-Purpose Trust
		<hr/>
308	Beginning Cash and Investments	27,415
388 & 588	Net Adjustments	-
310-390	Additions	-
510-590	Deductions	-
		<hr/>
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	27,415

The accompanying notes are an integral part of this statement.

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

		Private-Purpose Trust
		<hr/>
308	Beginning Cash and Investments	27,165
388 & 588	Net Adjustments	-
310-390	Additions	250
510-590	Deductions	<hr/> -
	Net Increase (Decrease) in Cash and Investments:	250
508	Ending Cash and Investments	27,415

The accompanying notes are an integral part of this statement.

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The City of Algona was incorporated on September 12, 1955 and operates under the laws of the state of Washington applicable to a Code City. The City of Algona is a general purpose local government and provides public safety, street and road maintenance, parks, and recreation, health and social services, water and sewer service and general administration services.

The City of Algona 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 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.

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2022

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.

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 during 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 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2022

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 720 hours. Upon separation or retirement, employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5 - Debt Service Requirements.

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 Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restricted cash balances include:

- General Fund - \$6,677 – restricted for drug education
- General Fund - \$370,350 – restricted for public open space or transportation capital projects per RCW 35.70.030
- Park Impact Fee Fund - \$170,377 – restricted for park capital projects
- GO Bond Fund - \$7,764 – restricted for capital and debt payments (transfers in from Capital Improvement Fund/REET revenue)
- Capital Improvement Fund - \$432,155 – restricted for construction
- Explorers Program Fund - \$27,417 – restricted for Explorer program

Note 2 – Budget Compliance

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2022

<u>Fund</u>	<u>Final Appropriated Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Current Expense	3,826,900	3,582,547	244,353
Drug Fund	2,200	-	2,200
Unemployment Trust	-	11,086	(11,086)
Contingency Fund	-	-	-
Total 001 - Current Expense	<u>3,829,100</u>	<u>3,593,633</u>	<u>235,467</u>
Street Fund	860,650	603,858	256,792
Park Impact Fee Fund	-	-	-
General Obligation Bond Fund	319,000	318,238	762
Capital Improvement Fund	320,000	320,000	-
Stormwater Maintenance	417,400	400,655	16,745
Stormwater Capital	-	-	-
Total Stormwater	<u>417,400</u>	<u>400,655</u>	<u>16,745</u>
Water Maintenance	836,500	729,832	106,668
Water Capital	400,000	-	400,000
Total Water	<u>1,236,500</u>	<u>729,832</u>	<u>506,668</u>
Sewer Maintenance	1,239,900	1,117,447	122,453
Sewer Capital	-	-	-
Total Sewer	<u>1,239,900</u>	<u>1,117,447</u>	<u>122,453</u>
Equipment Replacement Fund	87,350	58,791	28,559
Explorers Program	-	-	-
Total	<u>8,309,900</u>	<u>7,142,454</u>	<u>1,167,446</u>

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.

The reported variance in expenditures represents residual fund balances. The City budgets for residual fund balances in its budget process.

Note 3 – Deposits and Investments

As of December 31, 2022, the City's own bank deposits on hand were \$673,477, none of which was held by the City on behalf of other local governments, individuals or private organizations.

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2022

It is the City of Algona's policy to invest all temporary cash surpluses in the Local Government Investment Pool. The interest on these investments is prorated to the various funds.

The City is a voluntary participant in the Local Government Investment Pool (LGIP), 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 or online at www.tre.wa.gov.

At December 31, 2022, the City held a total of \$7,152,299 in the LGIP, none of which was held by the City on behalf of other local governments, individuals or private organizations.

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

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

Note 4 - 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 the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Algona's regular levy for the year 2022 was \$.98 per \$1,000 on an assessed valuation of \$782,356,270 for a total regular levy of \$762,953.

Note 5 – Long Term Debt

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2022.

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

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2022

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	284,152	34,086	318,238
2024	291,057	27,181	318,238
2025	298,130	20,108	318,238
2026	305,375	12,864	318,239
2027	224,000	5,443	229,443
Totals	1,402,714	99,682	1,502,396

Note 6 – Other Post-Employment Benefits (OPEB) Plans

The LEOFF 1 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, 2022, the plan had 1 retired member. As of December 31, 2022, the City's total OPEB liability was \$415,947, as calculated using the alternative measurement method. For the year ended December 31, 2022, the City paid \$11,529 in benefits.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Algona'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 PERS 1, PERS 2, PERS 3, and LEOFF 1, and LEOFF 2.

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 that includes financial statements and required supplementary information for each plan. The DRS financial report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

At June 30, 2022 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities (assets), was as follows:

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2022

Plan Type	Employer Contributions	Allocation Percentage	Net Pension Liability	Net Pension Asset
PERS 1	28,402	0.004634%	129,028	
PERS 2/3	48,439	0.006029%		(223,602)
LEOFF 1		0.001125%		(32,272)
LEOFF 2	39,345	0.019004%		(516,471)
			129,028	(772,346)

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 8 – Risk Management

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

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

As of December 31, 2022, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2022

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

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris and Kaiser plans at an individual stop loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

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

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

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2022

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

Note 9 – Leases

During the year ended 2022, the city adopted guidance for the presentation and disclosure of the leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The city leases a postage machine under a 5-year lease which began 3/30/2022 and ends 3/29/2027. This lease is non-cancellable and is unlikely to be extended beyond the end of the term. Total payments for this lease were \$1430 in 2022. Future lease payments are as follows:

2023	1,907
2024	1,907
2025	1,907
2026	1,907
2027	477
	<u>\$ 8,105</u>

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

Note 1 - Summary of Significant Accounting Policies

The City of Algona was incorporated on September 12, 1955 and operates under the laws of the state of Washington applicable to a Code City. The City of Algona is a general purpose local government and provides public safety, street and road maintenance, parks, and recreation, health and social services, water and sewer service and general administration services.

The City of Algona 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 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

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

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.

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 during 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 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital 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 720 hours. Upon separation or retirement, employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5 - Debt Service Requirements.

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

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 Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restricted cash balances include:

- General Fund - \$6,677 – restricted for drug education
- Park Impact Fee Fund - \$136,680 – restricted for park capital projects
- Capital Improvement Fund - \$642,610 – restricted for construction
- Explorers Program Fund - \$27,415 – restricted for Explorer program

Note 2 – Budget Compliance

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

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

<u>Fund</u>	<u>Final Appropriated Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Current Expense	2,880,033	2,854,913	25,120
Drug Fund	2,200	-	2,200
Contingency Fund	-	-	-
Total 001 - Current Expense	<u>2,882,233</u>	<u>2,854,913</u>	<u>27,320</u>
Street Fund	334,000	281,447	52,553
Park Impact Fee Fund	-	-	-
General Obligation Bond Fund	320,000	318,238	1,762
Capital Improvement Fund	210,000	210,000	-
Stormwater Maintenance	353,000	352,885	115
Stormwater Capital	-	-	-
Total Stormwater	<u>353,000</u>	<u>352,885</u>	<u>115</u>
Water Maintenance	737,250	690,560	46,690
Water Capital	-	-	-
Total Water	<u>737,250</u>	<u>690,560</u>	<u>46,690</u>
Sewer Maintenance	1,073,900	1,029,771	44,129
Sewer Capital	100,000	-	100,000
Total Sewer	<u>1,173,900</u>	<u>1,029,771</u>	<u>144,129</u>
Unemployment Trust	15,000	-	15,000
Explorers Program	15,000	-	15,000
Total	<u>6,040,383</u>	<u>5,737,814</u>	<u>302,569</u>

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.

The reported variance in expenditures represents residual fund balances. The City budgets for residual fund balances in its budget process.

Note 3 – Deposits and Investments

As of December 31, 2021 the City's own bank deposits on hand were \$592,936, none of which was held by the City on behalf of other local governments, individuals or private organizations.

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

It is the City of Algona's policy to invest all temporary cash surpluses in the Local Government Investment Pool. The interest on these investments is prorated to the various funds.

The City is a voluntary participant in the Local Government Investment Pool (LGIP), 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 or online at www.tre.wa.gov.

At December 31, 2021, the City held a total of \$5,546,932 in the LGIP, none of which was held by the City on behalf of other local governments, individuals or private organizations.

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

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

Note 4 - 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 the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Algona's regular levy for the year 2021 was \$1.04 per \$1,000 on an assessed valuation of \$710,798,052 for a total regular levy of \$735,486.

Note 5 – Long Term Debt

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

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	277,411	40,827	318,238
2023	284,152	34,086	318,238
2024	291,057	27,181	318,238
2025	298,130	20,108	318,238
2026	305,375	12,864	318,239
2027	224,000	5,443	229,443
Totals	1,680,125	140,509	1,820,634

Note 6 – Other Post-Employment Benefits (OPEB) Plans

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had 1 retired member. As of December 31, 2021, the City's total OPEB liability was \$399,050, as calculated using the alternative measurement method. For the year ended December 31, 2021, the City paid \$18,009 in benefits.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Algona'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 PERS 1, PERS 2, PERS 3, and LEOFF 1, and LEOFF 2.

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 that includes financial statements and required supplementary information for each plan. The DRS financial report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

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

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

Plan Type	Employer Contributions	Allocation Percentage	Net Pension Liability	Net Pension Asset
PERS 1	41,790	0.005610%	68,511	
PERS 2/3	63,474	0.006701%		(667,527)
LEOFF 1		0.001095%		(37,510)
LEOFF 2	37,475	0.018799%		(1,091,924)
			68,511	(1,796,961)

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 8 – Risk Management

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

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

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

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

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

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2021, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

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

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

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal

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

year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 9 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The City has not experienced significant revenue declines because of the pandemic. Increases to operating costs have largely been covered by federal assistance.

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

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

The City of Algona was incorporated on September 12, 1955 and operates under the laws of the state of Washington applicable to a Code City. The City of Algona is a general purpose local government and provides public safety, street and road maintenance, parks, and recreation, health and social services, water and sewer service and general administration services.

The City of Algona 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 to the financial statements)
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance 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.

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2020

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.

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 during 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 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital 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 720 hours. Upon separation or retirement, employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5 - Debt Service Requirements.

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2020

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 Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restricted cash balances include:

- General Fund - \$5,093 – restricted for drug education
- Park Impact Fee Fund - \$109,632 – restricted for park capital projects
- Capital Improvement Fund - \$627,969 – restricted for construction
- Explorers Program Fund - \$27,415 – restricted for Explorer program

Note 2 – Budget Compliance

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2020

<u>Fund</u>	<u>Final Appropriated Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Current Expense	3,493,600	3,090,199	403,401
Drug Fund	2,200	-	2,200
Contingency Fund	-	-	-
Total 001 - Current Expense	<u>3,495,800</u>	<u>3,090,199</u>	<u>405,601</u>
Street Fund	742,438	553,932	188,506
Park Impact Fee Fund	-	-	-
General Obligation Bond Fund	355,000	318,238	36,762
Capital Improvement Fund	-	-	-
Stormwater Maintenance	290,938	266,536	24,402
Stormwater Capital	-	-	-
Total Stormwater	<u>290,938</u>	<u>266,536</u>	<u>24,402</u>
Water Maintenance	880,138	680,577	199,561
Water Capital	-	-	-
Total Water	<u>880,138</u>	<u>680,577</u>	<u>199,561</u>
Sewer Maintenance	988,836	954,318	34,518
Sewer Capital	100,000	-	100,000
Total Sewer	<u>1,088,836</u>	<u>954,318</u>	<u>134,518</u>
Unemployment Trust	15,000	11,189	3,811
Explorers Program	15,000	-	15,000
Total	<u>6,883,150</u>	<u>5,874,989</u>	<u>1,008,161</u>

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.

The reported variance in expenditures represents residual fund balances. The City budgets for residual fund balances in its budget process.

Note 3 – Deposits and Investments

As of December 31, 2020 the City's own bank deposits on hand were \$35,834, none of which was held by the City on behalf of other local governments, individuals or private organizations.

It is the City of Algona's policy to invest all temporary cash surpluses in the Local Government Investment Pool. The interest on these investments is prorated to the various funds.

The City is a voluntary participant in the Local Government Investment Pool (LGIP), 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

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2020

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 or online at www.tre.wa.gov.

At December 31, 2020, the City held a total of \$5,541,346 in the LGIP, none of which was held by the City on behalf of other local governments, individuals or private organizations.

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

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

Note 4 - 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 the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Algona's regular levy for the year 2020 was \$1.16 per \$1,000 on an assessed valuation of \$635,541,724 for a total regular levy of \$732,748.

Note 5 – Long Term Debt

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2020.

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

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2020

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	270,830	47,408	318,238
2022	277,411	40,827	318,238
2023	284,152	34,086	318,238
2024	291,057	27,181	318,238
2025	298,130	20,108	318,238
2026-2027	529,375	18,307	547,682
Totals	<u>1,950,955</u>	<u>187,918</u>	<u>2,138,873</u>

Note 6 – Other Post-Employment Benefits (OPEB) Plans

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2020, the plan had 1 retired member. As of December 31, 2020 the City's total OPEB liability was \$428,699, as calculated using the alternative measurement method. For the year ended December 31, 2020 the City paid \$11,363 in benefits.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Algona'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 PERS 1, PERS 2, PERS 3, and LEOFF 1, and LEOFF 2.

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 that includes financial statements and required supplementary information for each plan. The DRS financial report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2020

At June 30, 2020 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities (assets), was as follows:

Plan Type	Employer Contributions	Plan Liability / (Asset)	Responsibility Percentage	Net Pension Liability	Net Pension Asset
PERS 1	50,333	3,530,540,000	0.006945%	245,196	
PERS 2/3	58,234	1,278,943,000	0.006321%	80,842	
LEOFF 1		(1,888,509,000)	0.001069%		(20,188)
LEOFF 2	33,031	(2,039,854,000)	0.016885%		(344,429)
				326,038	(364,618)

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 8 – Risk Management

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

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

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2020

As of December 31, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2020

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 9 - Other Disclosures

The Capital Improvement Fund includes a special item (decrease to cash) of \$553,368. This item represents an overpayment of Real Estate Excise Tax revenue which was received in 2019 and refunded to King County in 2020. The overpayment was reported as a special item (increase to cash) on the 2019 financial statements and the refund is reported as a special item (decrease to cash) on the 2020 financial statements.

Note 10 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The City has not experienced significant revenue declines because of the pandemic. Increases to operating costs have largely been covered by federal assistance.

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

City of Algona
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	General Obligation Bonds	12/1/2027	1,680,125	-	277,411	1,402,714
Total General Obligation Debt/Liabilities:			1,680,125	-	277,411	1,402,714
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated absences		122,374	197	-	122,571
264.30	Pension liability		68,511	60,517	-	129,028
264.40	OPEB Liability		399,050	16,897	-	415,947
263.57	Copier leases	3/29/2027	-	9,535	1,430	8,105
Total Revenue and Other (non G.O.) Debt/Liabilities:			589,935	87,146	1,430	675,651
Total Liabilities:			2,270,060	87,146	278,841	2,078,365

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	General Obligation Bonds	12/1/2027	1,950,955	-	270,830	1,680,125
	Total General Obligation Debt/Liabilities:		1,950,955	-	270,830	1,680,125
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated absences		108,653	13,721	-	122,374
264.30	Pension liability		326,038	-	257,527	68,511
264.40	OPEB liability		428,699	-	29,649	399,050
	Total Revenue and Other (non G.O.) Debt/Liabilities:		863,390	13,721	287,176	589,935
	Total Liabilities:		2,814,345	13,721	558,006	2,270,060

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	General Obligation Bonds	12/1/2027	2,215,360	-	264,405	1,950,955
Total General Obligation Debt/Liabilities:			2,215,360	-	264,405	1,950,955
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated absences		115,000	-	6,347	108,653
264.30	Pension liability		342,234	-	16,196	326,038
264.40	OPEB liability		439,568	-	10,869	428,699
Total Revenue and Other (non G.O.) Debt/Liabilities:			896,802	-	33,412	863,390
Total Liabilities:			3,112,162	-	297,817	2,814,345

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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