



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Town of Cathlamet

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

*Published November 27, 2024*

Report No. 1036040



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

November 27, 2024

Mayor and Town Council  
Town of Cathlamet  
Cathlamet, Washington

**Report on Financial Statements**

Please find attached our report on the Town of Cathlamet's financial statements.

We are issuing this report in order to provide information on the Town's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Town of Cathlamet January 1, 2022 through December 31, 2023**

#### **2023-001 The Town did not have adequate internal controls ensuring accurate reporting of its financial statements.**

##### ***Background***

Town management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance financial reporting is reliable. The Town prepares its financial statements in accordance with the cash-basis accounting method as prescribed by the *Budgeting, Accounting and Reporting System* (BARS) Manual.

Our audit identified a material weakness in internal controls over financial reporting that resulted in errors in the Town's financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate a material weakness in internal controls as a finding.

##### ***Description of Condition***

We identified the following deficiencies in internal controls that represent a material weakness:

- The financial statement preparation process did not ensure financial reporting was complete, accurate and in accordance with the BARS Manual.
- The Town did not sufficiently research significant and unusual transactions that occurred during the audit period, such as its debt refunding.
- The Town's review of the financial statements was not sufficient to detect errors in the annual report submitted for audit.

##### ***Cause of Condition***

The Town has a small accounting staff with limited resources to commit to financial statement preparation. Staff were therefore unfamiliar with the requirements for accounting for a debt refunding and did not dedicate sufficient time and resources to preparing the financial statements.

## ***Effect of Condition***

We identified the following errors in the financial statements:

- In 2022, nonoperating revenues and expenditures were overstated by \$710,423 because the Town did not eliminate all intra-fund activity in the water and sewer funds.
- In 2023, about \$4,300,000 in debt proceeds and debt payments related to a bond refunded were omitted from the statements.

The Town subsequently corrected the errors identified above.

## ***Recommendation***

We recommend the Town strengthen internal controls over financial statement preparation to ensure financial statements are accurate, complete and in compliance with BARS Manual requirements. Specifically, we recommend the Town dedicate sufficient resources to understand and identify BARS Manual requirements, especially as they relate to unusual and significant transactions. We also recommend the Town ensure a knowledgeable person performs an effective review of the annual reports to identify errors or omissions.

## ***City's Response***

*The Town is dedicated to maintaining transparency and accuracy in our annual financial reports. As we move forward, we are committed to providing our staff with the necessary training, time, and access to external resources to enhance the preparation of financial statements and the review of supporting documentation. Management is actively focused on refining processes and procedures related to financial statement preparation and review, ensuring continued improvement in the quality and reliability of our financial reporting.*

## ***Auditor's Remarks***

We appreciate the Town's response and commitment to resolving this finding. We thank it for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

## *Applicable Laws and Regulations*

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

*Budgeting, Accounting and Reporting System (BARS) Manual*, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

Audit and Accounting Guides (AICPA), State and Local Government, Chapter 16 – audit Reporting, paragraph 53.

## 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*

#### **Town of Cathlamet January 1, 2022 through December 31, 2023**

Mayor and Town Council  
Town of Cathlamet  
Cathlamet, 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 Town of Cathlamet, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated November 20, 2024.

We issued an unmodified opinion on the fair presentation of the Town'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 Town 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 Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be material weaknesses.

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Town'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*.

## **TOWN'S RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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



Town'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 Town'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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

November 20, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Town of Cathlamet January 1, 2022 through December 31, 2023**

Mayor and Town Council  
Town of Cathlamet  
Cathlamet, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Town of Cathlamet, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the financial section of our report.

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

As described in Note 1, the Town 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 Town of Cathlamet, and its changes in cash and investments, for the years ended December 31, 2023 and 2022, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town of Cathlamet, as of December 31, 2023 and 2022, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, 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 Town 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 Town'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 Town'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 Town'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 Town'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 November 20, 2024 on our consideration of the Town'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 Town'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 Town'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

November 20, 2024

## **FINANCIAL SECTION**

### **Town of Cathlamet January 1, 2022 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023

Fund Resources and Uses Arising from Cash Transactions – 2022

Notes to Financial Statement – 2023

Notes to Financial Statement – 2022

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2023

Schedule of Liabilities – 2022

**Town of Cathlamet**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Streets</b>	<b>109 EMS Cumulative Reserve</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	3,592,022	1,548,253	33,545	55,254
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	474,767	446,240	-	-
320	Licenses and Permits	21,176	21,176	-	-
330	Intergovernmental Revenues	108,511	32,828	23,355	49,828
340	Charges for Goods and Services	1,602,008	22,408	138	107,925
350	Fines and Penalties	13,177	307	-	-
360	Miscellaneous Revenues	281,995	192,291	2,928	25
Total Revenues:		2,501,634	715,250	26,421	157,778
<b>Expenditures</b>					
510	General Government	214,246	214,246	-	-
520	Public Safety	313,736	182,603	-	131,133
530	Utilities	1,075,559	2,250	-	-
540	Transportation	33,579	-	33,579	-
550	Natural/Economic Environment	13,793	3,080	-	-
560	Social Services	82	82	-	-
570	Culture and Recreation	239,414	239,414	-	-
Total Expenditures:		1,890,409	641,675	33,579	131,133
Excess (Deficiency) Revenues over Expenditures:		611,225	73,575	(7,158)	26,645
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	4,279,010	-	-	-
397	Transfers-In	55,000	-	55,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	18,109	9,109	-	-
Total Other Increases in Fund Resources:		4,352,119	9,109	55,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,284,349	378,403	35,226	-
591-593, 599	Debt Service	4,408,438	32,200	-	829
597	Transfers-Out	55,000	55,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	22,782	8,182	-	-
Total Other Decreases in Fund Resources:		5,770,569	473,785	35,226	829
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(807,225)</b>	<b>(391,101)</b>	<b>12,616</b>	<b>25,816</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	210,744	75,040	-	-
50841	Committed	-	-	-	-
50851	Assigned	2,283,031	791,090	46,159	81,069
50891	Unassigned	291,018	291,018	-	-
<b>Total Ending Cash and Investments</b>		<b>2,784,793</b>	<b>1,157,148</b>	<b>46,159</b>	<b>81,069</b>

The accompanying notes are an integral part of this statement.

**Town of Cathlamet**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>120 Tourism Development Reserve</b>	<b>301 Cap Projects Reserve</b>	<b>402 Water O/M Fund</b>	<b>403 Sewer O/M Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	10,030	62,528	1,190,006	692,406
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	7,633	20,894	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,500	-	-	-
340	Charges for Goods and Services	-	-	814,229	657,308
350	Fines and Penalties	-	-	9,802	3,068
360	Miscellaneous Revenues	-	3,410	45,187	38,154
Total Revenues:		10,133	24,304	869,218	698,530
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	589,113	484,196
540	Transportation	-	-	-	-
550	Natural/Economic Environment	10,713	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		10,713	-	589,113	484,196
Excess (Deficiency) Revenues over Expenditures:		(580)	24,304	280,105	214,334
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	4,279,010
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	4,900	4,100
Total Other Increases in Fund Resources:		-	-	4,900	4,283,110
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	1,168	847,363	22,189
591-593, 599	Debt Service	-	-	100,019	4,275,390
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	6,200	8,400
Total Other Decreases in Fund Resources:		-	1,168	953,582	4,305,979
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(580)</b>	<b>23,136</b>	<b>(668,577)</b>	<b>191,465</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	9,450	85,664	40,590	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	480,841	883,872
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>9,450</b>	<b>85,664</b>	<b>521,431</b>	<b>883,872</b>

The accompanying notes are an integral part of this statement.



**Town of Cathlamet**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Streets</b>	<b>109 EMS Cumulative Reserve</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	3,805,159	1,788,743	39,430	61,224
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	467,622	449,777	-	-
320	Licenses and Permits	24,349	24,349	-	-
330	Intergovernmental Revenues	307,870	177,638	71,345	48,725
340	Charges for Goods and Services	1,645,954	25,887	-	56,842
350	Fines and Penalties	13,205	305	-	-
360	Miscellaneous Revenues	77,644	34,041	1,175	275
Total Revenues:		2,536,644	711,997	72,520	105,842
<b>Expenditures</b>					
510	General Government	265,294	265,294	-	-
520	Public Safety	256,767	148,142	-	108,625
530	Utilities	991,666	3,000	-	-
540	Transportation	32,770	-	32,770	-
550	Natural/Economic Environment	5,300	3,800	-	-
560	Social Services	166	166	-	-
570	Culture and Recreation	227,872	227,872	-	-
Total Expenditures:		1,779,835	648,274	32,770	108,625
Excess (Deficiency) Revenues over Expenditures:		756,809	63,723	39,750	(2,783)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	30,000	-	30,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	31,824	278	-	-
Total Other Increases in Fund Resources:		61,824	278	30,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	635,990	241,949	75,635	1,520
591-593, 599	Debt Service	341,376	31,546	-	1,667
597	Transfers-Out	30,000	30,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	24,408	1,004	-	-
Total Other Decreases in Fund Resources:		1,031,774	304,499	75,635	3,187
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(213,141)</b>	<b>(240,498)</b>	<b>(5,885)</b>	<b>(5,970)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	567,584	159,829	-	-
50841	Committed	-	-	-	-
50851	Assigned	2,661,665	1,025,651	33,545	55,254
50891	Unassigned	362,765	362,765	-	-
<b>Total Ending Cash and Investments</b>		<b>3,592,014</b>	<b>1,548,245</b>	<b>33,545</b>	<b>55,254</b>

The accompanying notes are an integral part of this statement.

**Town of Cathlamet**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>120 Tourism Development Reserve</b>	<b>301 Cap Projects Reserve</b>	<b>402 Water O/M Fund</b>	<b>403 Sewer O/M Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	5,483	88,372	1,210,572	611,335
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	6,046	11,799	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	10,162	-	-
340	Charges for Goods and Services	-	-	762,689	800,536
350	Fines and Penalties	-	-	9,242	3,658
360	Miscellaneous Revenues	-	1,476	24,674	16,003
Total Revenues:		6,046	23,437	796,605	820,197
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	537,497	451,169
540	Transportation	-	-	-	-
550	Natural/Economic Environment	1,500	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,500	-	537,497	451,169
Excess (Deficiency) Revenues over Expenditures:		4,546	23,437	259,108	369,028
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	15,986	15,560
Total Other Increases in Fund Resources:		-	-	15,986	15,560
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	49,280	199,115	68,491
591-593, 599	Debt Service	-	-	89,703	218,460
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	6,842	16,562
Total Other Decreases in Fund Resources:		-	49,280	295,660	303,513
<b>Increase (Decrease) in Cash and Investments:</b>		<b>4,546</b>	<b>(25,843)</b>	<b>(20,566)</b>	<b>81,075</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	10,030	62,528	81,688	253,509
50841	Committed	-	-	-	-
50851	Assigned	-	-	1,108,318	438,897
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>10,030</b>	<b>62,528</b>	<b>1,190,006</b>	<b>692,406</b>

The accompanying notes are an integral part of this statement.

**TOWN OF CATHLAMET, WASHINGTON**  
**NOTES TO FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Cathlamet was incorporated on February 18, 1907, and operates under the laws of the state of Washington applicable to Towns with a mayor-council form of government. The town is a general-purpose local government and provides fire prevention, street improvement, parks and recreation, and general administrative services. In addition, the town owns and operates water and wastewater systems.

The town 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.

**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 town 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 \$2,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

## **E. COMPENSATED ABSENCES**

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 720 hours and is payable upon separation or retirement at 10%. Compensatory time may be accumulated up to 40 hours and is payable upon separation or retirement or if it is unused within six months. Payments are recognized as expenditures when paid.

## **F. LONG-TERM DEBT**

See Note 5 – Long-term Debt.

## **G. RESTRICTED AND COMMITTED PORTION OF ENDING CASH AND INVESTMENTS**

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or resolution of the Town Council. When expenditures that meet restrictions are incurred, the town intends to use the most restricted resources first. *Restrictions and commitments of Ending Cash and Investments consist of:*

<b>Fund Name</b>	<b>Amount Reserved</b>	<b>Reason for Restriction</b>
ARPA Funds	\$75,039	Externally Restricted (Grant)
Special Revenue Fund	\$9,449	Externally Restricted (RCW)
Capital Projects Fund	\$85,664	Externally Restricted (RCW)
Water Debt Service	\$40,590	Contractual (Debt) Obligation
<b>Total</b>	<b>\$210,743</b>	

## **NOTE 2 – BUDGET COMPLIANCE**

The town 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 follow:*

<b>Fund/Department</b>	<b>Final Appropriated Amount</b>	<b>Actual Expenses</b>	<b>Variance</b>
001 Current Expense	\$1,156,926	\$662,684	\$494,242
002 ARPA Grant	\$171,639	\$93,599	\$78,039
007 CE Reserve Fund	\$1,713,145	\$255,703	\$1,457,441
030 Repairs & Demo	\$200,000	\$0	\$200,000
032 Public WiFi	\$4,643	\$2,250	\$2,393
102 Library Fund	\$81,093	\$71,026	\$10,067
108 CFD Reserve	\$47,950	\$30,199	\$17,751
<b>001 Current Expense</b>	<b>\$3,375,399</b>	<b>\$1,115,463</b>	<b>\$2,259,936</b>
<b>101 Streets</b>	<b>\$288,182</b>	<b>\$68,807</b>	<b>\$219,374</b>
<b>109 EMS Reserve</b>	<b>\$226,697</b>	<b>\$131,962</b>	<b>\$94,735</b>
<b>120 Tourism Dev.</b>	<b>\$19,929</b>	<b>\$10,712</b>	<b>\$9,217</b>
<b>301 Capital Projects</b>	<b>\$85,528</b>	<b>\$1,168</b>	<b>\$84,360</b>
402 Water O/M	\$1,687,731	\$1,016,796	\$670,935
401 Water Capital Reserve	\$454,494	\$427,052	\$27,441
406 Water Debt	\$140,588	\$98,846	\$41,741
405 Utility Deposits	\$6,000	\$0	\$6,000
<b>402 Water O/M</b>	<b>\$2,288,814</b>	<b>\$1,542,695</b>	<b>\$746,118</b>
403 Sewer O/M	\$888,852	\$515,955	\$372,897
404 Sewer Capital Reserve	\$230,548	\$0	\$230,548
407 Sewer Debt	\$497,809	\$0	\$497,809
405 Utility Deposits	\$6,000	\$0	\$6,000
<b>403 Sewer O/M</b>	<b>\$1,623,210</b>	<b>\$515,955.93</b>	<b>\$1,107,255</b>
<b>Total</b>	<b>\$7,907,762</b>	<b>\$3,386,765</b>	<b>\$4,520,997</b>

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 town's legislative body. *Budget amendments were as follows:*

<b>Ordinance No.</b>	<b>Total Budget</b>	<b>Amended By</b>	<b>Total Budget</b>	<b>Variance</b>
668-22	\$7,362,180	676-23	\$7,907,762	\$545,581

### **NOTE 3 – DEPOSITS AND INVESTMENTS**

Investments are reported at fair value. It is the town's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds. *Deposits and investments by type at December 31, 2023 are as follows:*

Type of deposit or investment	Town own deposits and investments	Total
Bank Deposits	-\$99,551	-\$99,551
Local Government Investment Pool	\$2,884,174	\$2,884,174
Cash on Hand	\$170	\$170
<b>Total</b>	<b>\$2,784,793</b>	<b>\$2,784,793</b>

**Investments in the State Local Government Investment Pool (LGIP)** – The town is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with [Chapter 43.250 RCW](#). Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals. The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

**Custodial Credit Risk** – Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the town 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 town’s deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the town or its agent in the government’s name.

#### **NOTE 4 – LEASES**

The town leases two copiers from Ricoh for \$128.20 and \$119.81 per month, and one postage machine from Purchase Power for \$549.60 per quarter, each on a five-year lease. The total amount paid for leases in 2023 was \$5,174.52. *As of December 31, 2023, the future minimum lease payments are as follows:*

Year	Amount
2024	\$5,175
2025	\$4,456
2026	\$3,737
2027	\$128
<b>Total</b>	<b>\$13,495</b>

#### **NOTE 5 – LONG-TERM DEBT**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the town and summarizes the town’s debt transactions for the year ended December 31, 2023. *The debt service requirements for general obligation bonds, revenue bonds and loans are as follows:*

Year		Principal	Interest	Total
2024		\$189,780	\$98,225	\$288,005
2025		\$200,310	\$78,253	\$278,563
2026		\$203,799	\$74,717	\$278,517
2027		\$207,386	\$71,088	\$278,475
2028		\$211,076	\$67,361	\$278,438
2029	- 2033	\$1,084,373	\$277,252	\$1,361,625
2034	- 2038	\$1,060,086	\$184,650	\$1,244,737
2039	- 2043	\$777,364	\$113,809	\$891,173
2044	- 2048	\$793,577	\$71,274	\$864,852
2049	- 2053	\$851,083	\$26,091	\$877,174
2054	- 2058	\$0	\$0	\$0
<b>Total</b>		<b>\$5,578,838</b>	<b>\$1,062,724</b>	<b>\$6,641,563</b>

**Debt Refinancing** – The town refinanced a USDA loan for the Wastewater Treatment Plant through the Department of Ecology in the amount of \$4,279,010.38. This refinancing was undertaken to reduce the interest rate from 2.75% to 1.40% over the next 30 years.

**Unused Lines of Credit** – At fiscal year end, the town had \$66,743.81 available in unused lines of credit.

## **NOTE 6 – PENSION PLANS**

### **A. STATE SPONSORED PENSION PLANS**

Substantially all town 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: Public Employees' Retirement System (PERS).

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. Also, the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

*At June 30, 2023, the town's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:*

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$17,228	0.002528%	\$57,708
PERS 2/3	\$28,717	0.003266%	(\$133,863)
VFFRPF	\$270	0.16%	\$30,901

#### **NOTE 7 – PROPERTY TAX**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month. Property tax revenues are recognized when cash is received by the town. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The town's regular levy for the year 2023 was \$0.90068 per \$1,000 on an assessed valuation of \$96,678,305 for a total regular levy of \$87,076.22.

#### **NOTE 8 – RISK MANAGEMENT**

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

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$500,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$500,000. \$9.5 million in excess liability coverage limits is provided through an excess liability policy purchased from National League of Cities Mutual Insurance Company (NLC MIC). The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a



cooperative program, there is joint liability among the participating members. The property reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company and CHUBB. In 2023, AWC RMSA carried a retention of \$300,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides the remaining limits up to a total of \$250 million. All commercial policies have been purchased through the pool's Broker of Record, Aon.

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

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

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

Outline of Coverage	Member Deductible	Pool Retention or Deductible	Coverage Limits
General, automobile, and employment practices liability	None*	\$500,000	\$15,000,000
Property	None*	\$300,000	\$250,000,000
Auto physical damage	None*	\$300,000	\$13,000,000
Flood	\$200,000	None	\$25,000,000 property \$5,000,000 vehicles \$10,000,000 high zones
Earthquake	\$200,000**	None	\$25,000,000 property \$5,000,000 vehicles
Equipment breakdown	\$5,000	\$300,000	\$50,000,000
Crime - Employee fidelity	None	\$300,000	\$1,000,000
Pollution	None	\$100,000	\$2,000,000
Cyber liability	None	\$250,000	\$3,000,000
Aviation general liability***	None	None	\$2,000,000
Drone liability/property***	5% of the loss for physical damage	None	\$1,000,000 liability \$25,000 physical damage aggregate

### **Medical & Health Care:**

The Town of Cathlamet is a member of the Washington Counties Insurance Fund (WCIF). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a

pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1998, when three counties in the State of Washington joined together by signing an Interlocal Agreement to pool their self - insured losses and jointly purchase insurance and administrative services. As of December 1, 2018, there are eight counties in the program.

All plans offered through the Washington Counties Insurance Fund (WCIF) are fully insured plans through insurance carriers. Benefits are provided for the month that the premiums are paid. No premiums are paid in advance, or during an employee's active employment years, that provide for any defined medical, dental, or vision benefits during their postemployment years.

Retiree plans are rated separately from all other plans and are not subsidized by any active employee plans. This eliminates any possibility of potential liability due to underfunding of the retiree plans.

*Unemployment claims are processed by Washington State, Employment Security Department.*

<b>Type of Risk</b>	<b>Self - insured (Y/N)</b>	<b>Name of Insurer</b>
Property & Liability	N	RMSA - Risk Management Service Agency
Health & Welfare	N	WCIF - Washington Counties Insurance Fund
Unemployment Compensation (ESD)	N	Pay taxes to Employment Security Department
Workers Compensation (L&I)	N	Pay premiums to Labor & Industries

**TOWN OF CATHLAMET, WASHINGTON**  
**NOTES TO FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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## **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 \$2,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

## **E. COMPENSATED ABSENCES**

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 720 hours and is payable upon separation or retirement at 10%. Compensatory time may be accumulated up to 40 hours and is payable upon separation or retirement or if it is unused within six months. Payments are recognized as expenditures when paid.

## **F. LONG-TERM DEBT**

See Note 5 – Long-term Debt.

## **G. RESTRICTED AND COMMITTED PORTION OF ENDING CASH AND INVESTMENTS**

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or resolution of the Town Council. When expenditures that meet restrictions are incurred, the town intends to use the most restricted resources first. *Restrictions and commitments of Ending Cash and Investments consist of:*

<b>Fund Name</b>	<b>Amount Reserved</b>	<b>Reason for Restriction</b>
ARPA Funds	\$159,828	Externally Restricted (Grant)
Special Revenue Fund	\$10,030	Externally Restricted (RCW)
Capital Projects Fund	\$62,528	Externally Restricted (RCW)
Water Debt Service	\$81,688	Contractual (Debt) Obligation
Sewer Debt Service	\$253,509	Contractual (Debt) Obligation
<b>Total</b>	<b>\$567,584</b>	

## **NOTE 2 – BUDGET COMPLIANCE**

The town 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 follow:*

<b>Fund/Department</b>	<b>Final Appropriated Amount</b>	<b>Actual Expenses</b>	<b>Variance</b>
001 Current Expense	\$1,181,795	\$567,597	\$614,199
002 Repair & Demo Fund	\$200,000	\$0	\$200,000
007 CE Reserve Fund	\$1,075,298	\$284,091	\$791,207
032 Public WiFi	\$5,100	\$3,000	\$2,100
102 Library Fund	\$80,049	\$67,886	\$12,163
108 CFD Reserve	\$56,431	\$30,199	\$26,232
<b>001 Current Expense</b>	<b>\$2,598,674</b>	<b>\$952,773</b>	<b>\$1,645,901</b>
<b>101 Streets</b>	<b>\$327,541</b>	<b>\$108,405</b>	<b>\$219,136</b>
<b>109 EMS Reserve</b>	<b>\$180,649</b>	<b>\$111,812</b>	<b>\$68,838</b>
<b>120 Tourism Dev.</b>	<b>\$8,612</b>	<b>\$1,500</b>	<b>\$7,112</b>
<b>301 Capital Projects</b>	<b>\$114,823</b>	<b>\$49,280</b>	<b>\$65,543</b>
402 Water O/M	\$1,937,256	\$744,691	\$1,192,565
401 Water Capital Reserve	\$250,000	\$0	\$250,000
406 Water Debt	\$168,194	\$88,466	\$79,729
405 Utility Deposits	\$22,507	\$0	\$22,508
<b>402 Water O/M</b>	<b>\$2,377,959</b>	<b>\$833,157</b>	<b>\$1,544,802</b>
403 Sewer O/M	\$1,083,969	\$537,459	\$546,510
404 Sewer Capital Reserve	\$220,000	\$0	\$220,000
407 Sewer Debt	\$463,048	\$217,223	\$245,826
405 Utility Deposits	\$22,507	\$0	\$22,508
<b>403 Sewer O/M</b>	<b>\$1,789,526</b>	<b>\$754,682</b>	<b>\$1,034,844</b>
<b>Total</b>	<b>\$7,397,785</b>	<b>\$2,811,609</b>	<b>\$4,586,176</b>

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 town's legislative body. *Budget amendments were as follows:*

<b>Ordinance No.</b>	<b>Total Budget</b>	<b>Amended By</b>	<b>Total Budget</b>	<b>Variance</b>
654-21	\$7,027,221.77	667-22	\$7,397,785.24	\$370,563.47

### **NOTE 3 – DEPOSITS AND INVESTMENTS**

It is the town's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds and reported at original cost. *Deposits and investments by type at December 31, 2022 are as follows:*

Type of deposit or investment	Town's own deposits and investments	Total
Bank Deposits	\$157,439	\$157,439
Local Government Investment Pool	\$3,434,413	\$3,434,413
Cash on Hand	\$170	\$170
<b>Total</b>	<b>\$3,592,022</b>	<b>\$3,592,022</b>

**Investments in the State Local Government Investment Pool (LGIP)** – The town is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with [Chapter 43.250 RCW](#). Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals. The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

**Custodial Credit Risk** – Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the town 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 town's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the town or its agent in the government's name.

#### **NOTE 4 – LEASES**

The town leases two copiers from Ricoh for \$128.20 and \$119.81 per month, and one postage machine from Purchase Power for \$549.60 per quarter, each on a five-year lease. The total amount paid for leases in 2022 was \$5,487.81. *As of December 31, 2022, the future minimum lease payments are as follows:*

Year	Amount
2023	\$5,175
2024	\$5,175
2025	\$4,456
2026	\$3,737
2027	\$128
<b>Total</b>	<b>\$18,670</b>

#### **NOTE 5 – LONG-TERM DEBT**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the town and summarizes the town's debt transactions for the year ended December 31, 2022. *The debt service requirements for general obligation bonds, revenue bonds and loans are as follows:*

Year	Principal	Interest	Total Debt Service
2023	\$186,060	\$155,630	\$341,690
2024	\$190,401	\$150,769	\$341,171
2025	\$181,138	\$145,763	\$326,901
2026	\$185,775	\$140,723	\$326,497
2027	\$190,567	\$135,527	\$326,093
2028 - 2032	\$969,829	\$593,869	\$1,563,698
2033 - 2037	\$1,005,495	\$448,691	\$1,454,186
2038 - 2042	\$862,182	\$311,176	\$1,173,358
2043 - 2047	\$856,219	\$194,928	\$1,051,147
2048 - 2052	\$880,091	\$64,398	\$944,489
2053 - 2057	\$107,342	\$0	\$107,342
<b>Total</b>	<b>\$5,615,097</b>	<b>\$2,341,474</b>	<b>\$7,956,573</b>

## **NOTE 6 – PENSION PLANS**

### **A. STATE SPONSORED PENSION PLANS**

Substantially all town 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: Public Employees' Retirement System (PERS).

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. Also, the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

*At June 30, 2022, the town's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:*

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$17,083	0.002786%	\$77,572
PERS 2/3	\$29,125	0.003625%	(\$134,443)
VFFRPF	\$420.00	0.22%	\$62,432

## **NOTE 7 – PROPERTY TAX**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month. Property tax revenues are recognized when cash is received by the town. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The town's regular levy for the year 2022 was \$1.08229 per \$1,000 on an assessed valuation of \$76,738,194 for a total regular levy of \$83,085.98.

## **NOTE 8 – RISK MANAGEMENT**

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

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier. Pollution, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and liability coverage. Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$500,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$500,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from National League of Cities Mutual Insurance Company (NLC MIC). The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company and CHUBB. In 2022, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides the remaining limits up to a total of \$250 million. All commercial policies have been purchased through the pool's Broker of Record, Aon.

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



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

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

Outline of Coverage	Member Deductible	Pool Retention or Deductible	Coverage Limits
General, automobile, and employment practices liability	None*	\$500,000	\$15,000,000
Property	None*	\$300,000	\$250,000,000
Auto physical damage	None*	\$300,000	\$13,000,000
Flood	\$200,000	None	\$25,000,000 property \$5,000,000 vehicles \$10,000,000 high zones
Earthquake	\$200,000**	None	\$25,000,000 property \$5,000,000 vehicles
Equipment breakdown	\$5,000	\$200,000	\$50,000,000
Crime - Employee fidelity	None	\$200,000	\$1,000,000
Pollution	None	\$100,000	\$2,000,000
Cyber liability	None	\$150,000	\$3,000,000
Aviation general liability***	None	None	\$2,000,000
Drone liability/property***	5% of the loss for physical damage	None	\$1,000,000 liability \$5,000 physical damage aggregate

### **Medical & Health Care:**

The Town of Cathlamet is a member of the Washington Counties Insurance Fund (WCIF). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1998, when three counties in the State of Washington joined together by signing an Interlocal Agreement to pool their self - insured losses and jointly purchase insurance and administrative services. As of December 1, 2018, there are eight counties in the program.

All plans offered through the Washington Counties Insurance Fund (WCIF) are fully-insured plans through insurance carriers. Benefits are provided for the month that the premiums are paid. No premiums are paid in advance, or during an employee's active employment years, that provide for any defined medical, dental, or vision benefits during their postemployment years.

Retiree plans are rated separately from all other plans and are not subsidized by any active employee plans. This eliminates any possibility of a potential liability due to underfunding of the retiree plans.

*Unemployment claims are processed by Washington State, Employment Security Department.*

Type of Risk	Self - insured (Y/N)	Name of Insurer
Property & Liability	N	RMSA - Risk Management Service Agency
Health & Welfare	N	WCIF - Washington Counties Insurance Fund
Unemployment Compensation (ESD)	N	Pay taxes to Employment Security Department
Workers Compensation (L&I)	N	Pay premiums to Labor & Industries

**Town of Cathlamet  
Schedule of Liabilities  
For the Year Ended December 31, 2023**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	KS Bank Equipment Loan 229-4	8/29/2032	249,487	-	21,137	228,350
263.56	TH Copier	1/1/2027	6,282	-	1,538	4,744
263.56	EMS Copier	5/1/2025	3,594	-	1,438	2,156
263.56	Postage Machine	6/1/2024	8,794	-	2,198	6,596
<b>Total General Obligation Debt/Liabilities:</b>			<b>268,157</b>	<b>-</b>	<b>26,311</b>	<b>241,846</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	1999 Water Revenue Bond 534-2	1/24/2039	461,358	-	20,048	441,310
259.12	Compensated Absences		52,879	-	12,944	39,935
263.82	PWB PR18 Pre-Construction Loan	6/30/2024	27,499	-	13,750	13,749
263.82	PWB PC20 Construction Loan	6/1/2039	635,936	-	37,408	598,528
263.82	USDA WWTF loan 535-5	6/30/2053	4,240,817	-	4,240,817	-
263.82	DOE WWTF loan WQC 535-4	12/23/2053	-	4,296,900	-	4,296,900
264.30	Pension Liabilities		121,033	45,945	109,271	57,707
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>5,539,522</b>	<b>4,342,845</b>	<b>4,434,238</b>	<b>5,448,129</b>
<b>Total Liabilities:</b>			<b>5,807,679</b>	<b>4,342,845</b>	<b>4,460,549</b>	<b>5,689,975</b>

**Town of Cathlamet  
Schedule of Liabilities  
For the Year Ended December 31, 2022**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	KS Bank Equipment Loan 229-4	8/29/2032	269,883	-	20,396	249,487
263.56	TH Copier - Old	7/1/2022	322	-	322	-
263.56	TH Copier	1/1/2027	-	7,692	1,410	6,282
263.56	FH Copier	5/1/2025	5,152	-	1,558	3,594
263.56	Postage Machine	6/1/2024	10,992	-	2,198	8,794
<b>Total General Obligation Debt/Liabilities:</b>			<b>286,349</b>	<b>7,692</b>	<b>25,884</b>	<b>268,157</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		44,581	8,298	-	52,879
264.30	Pension Liabilities		74,405	46,628	43,461	77,572
263.82	PWB PR18 Pre-Construction Loan	6/30/2024	41,249	-	13,750	27,499
263.82	PWB PC20 Construction Loan	6/1/2039	673,344	-	37,408	635,936
252.11	Water Revenue Bond 534-2	1/24/2039	480,534	-	19,176	461,358
263.82	USDA Loan WW Treatment Fac. 535-4	6/26/2053	4,328,708	-	87,891	4,240,817
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>5,642,821</b>	<b>54,926</b>	<b>201,686</b>	<b>5,496,061</b>
<b>Total Liabilities:</b>			<b>5,929,170</b>	<b>62,618</b>	<b>227,570</b>	<b>5,764,218</b>

## 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](http://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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