



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Cosmopolis

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

Published December 26, 2024

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

December 26, 2024

Mayor and City Council
City of Cosmopolis
Cosmopolis, Washington

Report on Financial Statements

Please find attached our report on the City of Cosmopolis financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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

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

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

We noted certain other matters that we have reported to the management of the City in a separate letter dated December 20, 2024.

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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 20, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Cosmopolis
Cosmopolis, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

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

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Cosmopolis, and its changes in cash and investments, for the years ended December 31, 2023 and 2022, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

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

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 20, 2024

FINANCIAL SECTION

City of Cosmopolis 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
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to Financial Statements – 2023
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023
Schedule of Liabilities – 2022

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

		Total for All Funds (Memo Only)	001 General Expense Fund	101 Street Fund	105 Cemetery Perpetual Care Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	4,367,653	758,312	5,636	61,601
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,578,851	1,287,375	118,006	-
320	Licenses and Permits	48,684	48,684	-	-
330	Intergovernmental Revenues	237,562	204,413	32,992	-
340	Charges for Goods and Services	1,342,439	10,438	-	5,000
350	Fines and Penalties	37,859	37,859	-	-
360	Miscellaneous Revenues	117,029	111,357	1,355	-
Total Revenues:		3,362,424	1,700,126	152,353	5,000
Expenditures					
510	General Government	466,125	466,125	-	-
520	Public Safety	1,366,803	1,366,803	-	-
530	Utilities	1,326,448	53,274	-	-
540	Transportation	129,328	-	129,328	-
550	Natural/Economic Environment	52,302	45,831	-	-
560	Social Services	489	489	-	-
570	Culture and Recreation	145,746	145,746	-	-
Total Expenditures:		3,487,241	2,078,268	129,328	-
Excess (Deficiency) Revenues over Expenditures:		(124,817)	(378,142)	23,025	5,000
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	76,393	31,433	-	-
Total Other Increases in Fund Resources:		76,393	31,433	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	420,664	26,882	1,184	-
591-593, 599	Debt Service	312,819	85,607	461	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	75,096	69,100	5,996	-
Total Other Decreases in Fund Resources:		808,579	181,589	7,641	-
Increase (Decrease) in Cash and Investments:		(857,003)	(528,298)	15,384	5,000
Ending Cash and Investments					
50821	Nonspendable	268,330	-	-	-
50831	Restricted	2,762,030	705	-	-
50841	Committed	66,601	-	-	66,601
50851	Assigned	266,213	53,068	21,022	-
50891	Unassigned	147,475	176,241	-	-
Total Ending Cash and Investments		3,510,649	230,014	21,022	66,601

The accompanying notes are an integral part of this statement.

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

		204 Utgo Bond Redemption Fund 1997	205 UTGO Bond Redemption Fund 2020	301 General Capital Project Fund	305 Real Estate Excise Tax
Beginning Cash and Investments					
308	Beginning Cash and Investments	50,334	12,384	2,794,569	223,771
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	154,335	-	19,135
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	157
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	1,048	37
Total Revenues:		-	154,335	1,048	19,329
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	154,335	1,048	19,329
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	-	-	392,598	-
591-593, 599	Debt Service	-	195,485	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	195,485	392,598	-
Increase (Decrease) in Cash and Investments:		-	(41,150)	(391,550)	19,329
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	50,334	-	2,403,018	243,100
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	(28,766)	-	-
Total Ending Cash and Investments		50,334	(28,766)	2,403,018	243,100

The accompanying notes are an integral part of this statement.

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

		401 Water Fund	402 Sewer Fund	410 Stormwater Utility	702 Makarenko Park Reserve Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	48,341	110,629	64,592	237,484
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	618,904	639,817	68,280	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,317	915	-	-
Total Revenues:		621,221	640,732	68,280	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	637,942	601,882	33,350	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	6,471	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		637,942	601,882	39,821	-
Excess (Deficiency) Revenues over Expenditures:		(16,721)	38,850	28,459	-
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	-	14,113	-	30,847
Total Other Increases in Fund Resources:		-	14,113	-	30,847
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	31,266	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		31,266	-	-	-
Increase (Decrease) in Cash and Investments:		(47,987)	52,963	28,459	30,847
Ending Cash and Investments					
50821	Nonspendable	-	-	-	268,330
50831	Restricted	-	64,873	-	-
50841	Committed	-	-	-	-
50851	Assigned	355	98,718	93,050	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		355	163,591	93,050	268,330

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 General Expense Fund	101 Street Fund	105 Cemetery Perpetual Care Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,918,980	516,240	11,935	56,601
388 / 588	Net Adjustments	(2,630)	(2,630)	-	-
Revenues					
310	Taxes	2,216,490	1,863,202	132,661	-
320	Licenses and Permits	52,141	52,141	-	-
330	Intergovernmental Revenues	408,869	375,547	33,257	-
340	Charges for Goods and Services	1,333,920	17,347	-	5,000
350	Fines and Penalties	25,076	25,076	-	-
360	Miscellaneous Revenues	162,937	153,330	-	-
Total Revenues:		4,199,433	2,486,643	165,918	5,000
Expenditures					
510	General Government	363,333	363,333	-	-
520	Public Safety	1,289,096	1,289,096	-	-
530	Utilities	1,204,101	75,264	-	-
540	Transportation	163,815	-	163,815	-
550	Natural/Economic Environment	46,820	46,820	-	-
560	Social Services	494	494	-	-
570	Culture and Recreation	275,194	275,194	-	-
Total Expenditures:		3,342,853	2,050,201	163,815	-
Excess (Deficiency) Revenues over Expenditures:		856,580	436,442	2,103	5,000
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	9,974	9,974	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	43,694	40	-	-
Total Other Increases in Fund Resources:		53,668	10,014	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	85,325	49,127	-	-
591-593, 599	Debt Service	310,846	105,680	2,550	-
597	Transfers-Out	9,974	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	52,797	46,947	5,850	-
Total Other Decreases in Fund Resources:		458,942	201,754	8,400	-
Increase (Decrease) in Cash and Investments:		451,306	244,702	(6,297)	5,000
Ending Cash and Investments					
50821	Nonspendable	237,484	-	-	-
50831	Restricted	3,131,331	-	-	-
50841	Committed	122,622	55,385	5,636	61,601
50851	Assigned	185,947	12,658	-	-
50891	Unassigned	690,272	690,272	-	-
Total Ending Cash and Investments		4,367,656	758,315	5,636	61,601

The accompanying notes are an integral part of this statement.

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

		204 Utgo Bond Redemption Fund 1997	205 UTGO Bond Redemption Fund 2020	301 General Capital Project Fund	305 Real Estate Excise Tax
Beginning Cash and Investments					
308	Beginning Cash and Investments	50,334	-	2,829,927	182,149
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	179,070	-	41,557
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	65
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	840	-
Total Revenues:		-	179,070	840	41,622
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	179,070	840	41,622
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	-	-	36,198	-
591-593, 599	Debt Service	-	166,686	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	166,686	36,198	-
Increase (Decrease) in Cash and Investments:		-	12,384	(35,358)	41,622
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	50,334	12,384	2,794,569	223,771
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		50,334	12,384	2,794,569	223,771

The accompanying notes are an integral part of this statement.

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

		401 Water Fund	402 Sewer Fund	410 Stormwater Utility	702 Makarenko Park Reserve Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	7,064	52,494	-	212,236
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	659,275	588,715	63,583	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	658	1,709	1,024	5,376
Total Revenues:		659,933	590,424	64,607	5,376
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	585,062	543,760	15	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		585,062	543,760	15	-
Excess (Deficiency) Revenues over Expenditures:		74,871	46,664	64,592	5,376
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	-	13,807	-	29,847
Total Other Increases in Fund Resources:		-	13,807	-	29,847
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	33,594	2,336	-	-
597	Transfers-Out	-	-	-	9,974
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		33,594	2,336	-	9,974
Increase (Decrease) in Cash and Investments:		41,277	58,135	64,592	25,249
Ending Cash and Investments					
50821	Nonspendable	-	-	-	237,484
50831	Restricted	-	50,273	-	-
50841	Committed	-	-	-	-
50851	Assigned	48,341	60,356	64,592	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		48,341	110,629	64,592	237,484

The accompanying notes are an integral part of this statement.

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

		<u>Custodial</u>
308	Beginning Cash and Investments	2,731
388 & 588	Net Adjustments	-
310-390	Additions	68,081
510-590	Deductions	<u>61,783</u>
	Net Increase (Decrease) in Cash and Investments:	6,298
508	Ending Cash and Investments	9,027

The accompanying notes are an integral part of this statement.

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

		<u>Custodial</u>
308	Beginning Cash and Investments	690
388 & 588	Net Adjustments	-
310-390	Additions	60,973
510-590	Deductions	<u>58,932</u>
	Net Increase (Decrease) in Cash and Investments:	2,041
508	Ending Cash and Investments	2,731

The accompanying notes are an integral part of this statement.

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2023

Note 1 - Summary of Significant Accounting Policies

The City of Cosmopolis was incorporated on June 10, 1891 and operates under the laws of the state of Washington applicable to a Code City. The city is a general-purpose local government and provides public safety, street improvements, parks and recreation, and general administration services.

The city reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see *Notes 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 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 COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2023

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.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

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.

FIDUCIARY FUND TYPES:

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

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 3- *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 3 years. 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 960 hours. Upon separation or retirement employees receive payment for 25%

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2023

of unused sick leave. Payments are recognized as expenditures when paid. As of December 31, 2023, the City has a liability of \$146,657 for compensated absences.

F. Long-Term Debt

See Note 5 – *Long-Term Debt (formerly 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 the City Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

<u>Fund</u>	<u>Restricted</u>	<u>Committed</u>	
General Fund	705		Drug seizures
Cemetery Perpetual Care	-	66,601	Cemetery
UTGO Bond Redemption 1997	50,334		Bonds
General Capital Improvement	2,403,018		Bond proceeds
Real Estate Excise Tax	243,100		Real estate excise tax
Sewer Fund	64,873		LID funds
Total	<u>2,762,030</u>	<u>66,601</u>	

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 COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2023

<u>Fund</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenses</u>	<u>Variance</u>
001 General Expense	2,101,559	2,152,139	(50,580)
002 Fire Equipment	33,000	32,883	117
007 Equipment Reserve	57,482	67,308	(9,826)
010 Drug Seizure	-	-	-
011 Advance Payment Cemetery	-	-	-
012 Makarenko Park	-	7,527	(7,527)
General Fund Total	2,192,041	2,259,857	(67,816)
Street Fund	161,366	136,969	24,397
Cemetery Perpetual Care	-	-	-
UTGO Bond Redemption 1997	-	-	-
2020 Bond/Capital Improvement	2,983,000	588,083	2,394,917
Real Estate Excise Tax	234,000	-	234,000
Water	712,771	669,207	43,564
Sewer	624,044	601,882	22,162
Stormwater	61,500	39,821	21,679
Makarenko Park Reserve	3,000	-	3,000
Total	6,971,722	4,295,819	2,675,903

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

Note 3– Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2023 are as follows:

<u>Type of Deposit or Investment</u>	<u>City's own deposits & investments</u>	<u>Deposits & investments held by the City as a custodian for other local governments, individuals, or private organizations</u>	<u>Total</u>
Cash on Hand	300	-	300
Bank Deposits	3,063,823	9,027	3,072,850
LGIP	446,524	-	446,524
Total	3,510,647	9,027	3,519,674

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2023

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

The city is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository 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 and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

Note 4- Interfund Loans

The following table displays interfund loan activity during 2023:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>
001 General Expense	402 Sewer	41,045	(8,117)	32,928
001 General Expense	702 Makerenko Park Reserve	51,244	(10,146)	41,098
001 General Expense	702 Makerenko Park Reserve	101,677	(20,700)	80,977
101 Street Fund	402 Sewer	18,443	(5,996)	12,447
Total		212,409	(44,959)	167,450

Note 5 – Long-Term Debt *(formerly Debt Service Requirements)*

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

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

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2023

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	200,612	89,915	290,528
2025	182,989	84,464	267,453
2026	183,083	79,580	262,663
2027	189,979	74,559	264,538
2028	197,080	69,351	266,431
2029-2033	1,041,760	286,605	1,328,364
2034-2038	1,029,186	163,119	1,192,305
2039-2043	409,115	18,382	427,497
Total	<u>3,433,804</u>	<u>865,975</u>	<u>4,299,779</u>

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the city’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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

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

At June 30, 2023 (the measurement date of the plans), the city’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2023

<u>Plan Type</u>	<u>Employer Contributions</u>	<u>Allocation Percentage</u>	<u>Plan Liability (Asset)</u>
PERS 1 UAAL	23,776	0.003489%	79,645
PERS 2/3	39,625	0.004507%	(184,728)
LEOFF 2	22,569	0.009999%	(239,836)
VFFRPF	90	0.050000%	(10,300)

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 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 after the end of each month.

Property tax revenues are recognized when cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2023 was \$1.96 per \$1,000 on an assessed valuation of \$237,478,977 for a total regular levy of \$465,432. The City's bond levy for the year 2023 was \$.79 per \$1,000 on an assessed valuation of \$234,038,420 for a total bond levy of \$184,477.

Note 8 – Health & Welfare

The City of Cosmopolis 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, 2023, 264 cities/towns/non-city entities participate and have enrollment in the AWC

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2023

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, 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 2023, the AWC Trust HCP purchased medical 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"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2023

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– Risk Management

The City of Cosmopolis is a member of Cities Insurance Association of Washington (CIAW). 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, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2023, membership includes 196 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, Crime Protection and Liability, including General, Automobile, Wrongful Acts, and Cyber, which are included to fit the member's various needs.

The program acquires reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of \$50,000,000 with a self-insured retention (SIR) of \$750,000. Members are responsible for a \$1,000 to \$50,000 deductible for each claim (can vary by member), while the program is responsible for the \$750,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the \$750,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$8,347,047, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of \$750,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$750,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence SIR of \$25,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR.

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2023

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2023, were \$3,172,937.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

Note 10– Subsequent Event

In December 2022, Cosmo Specialty Fibers changed ownership. Their work slowdown has created a gap in our budget out of our control. Based on the 2005 closure of the mill when it was under Weyerhaeuser ownership and the extended closure during the COVID-19 pandemic, we feel that there may be impacts that at this time are not fully understood. The volatility of the pulp market creates uncertainty regarding ongoing budget planning and difficulties in projecting budget position. Additionally, Mill ownership feels certain that the Mill will be operational in the future.

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

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The city reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
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- 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 different from the ending net position classifications in GAAP.

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GOVERNMENTAL FUND TYPES:

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These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

CITY OF COSMOPOLIS
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.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

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.

FIDUCIARY FUND TYPES:

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

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 4- *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 3 years. 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 960 hours. Upon separation or retirement employees receive payment for 25%

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2022

of unused sick leave. Payments are recognized as expenditures when paid. As of December 31, 2022, the City has a liability of \$161,426 for compensated absences.

F. Long-Term Debt

See Note 7 – *Long-Term Debt (formerly 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 the City Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Fund Name		
General Fund		\$ 55,385
Equipment Reserve Fund	\$ 54,680	
Drug Seizure Fund	\$ 705	
Street Fund		\$ 5,636
Real Estate Excise Tax		\$ 223,771
UTGO Bond 1997		\$ 50,334
UTGO Bond 2020		\$ 2,804,323
Water		\$ 48,341
Sewer		\$ 110,629
Stormwater		\$ 64,592
Cemetery Perpetual Care		\$ 61,601
Municipal Court Agency		\$ 2,731
Total		\$ 3,427,343

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 COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2022

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
General Fund	\$ 2,446,653	\$ 2,251,955	\$ 194,698
Street Fund	\$ 206,483	\$ 172,217	\$ 34,266
UTGO Bond 1997	\$ 50,335	\$ -	\$ 50,335
UTGO Bond 2020	\$ 2,941,000	\$ 202,885	\$ 2,738,115
REET Fund	\$ 200,000	\$ -	\$ 200,000
Water Fund	\$ 625,000	\$ 618,656	\$ 6,344
Sewer Fund	\$ 658,070	\$ 546,097	\$ 111,973
Stormwater Utility	\$ 63,000	\$ 15	\$ 62,985
Cemetery Perpetual Care	\$ 54,500	\$ -	\$ 54,500
Makarenko Park Reserve	\$ 245,250	\$ 9,974	\$ 235,276
Total	\$ 7,490,291	\$ 3,801,795	\$ 3,688,492

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

Note 3– 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 received the second tranche of funding from the American Rescue Plan Act in the amount of \$232,199 to replace revenue lost during the Covid-19 pandemic.

Mayor Pauley formally ended the State of Emergency within the City of Cosmopolis on November 1, 2022, coinciding with the end of the Washington State order.

Note 4– Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2022 are as follows:

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2022

Type of Deposit or Investment	City's own deposits & investments	Deposits & investments held by the City as custodian for other local governments, individuals, or private organizations.	Combined
Bank of the Pacific	3,365,313	2,731	3,368,044
LGIP	971,047		971,047
North Cascades Bank	31,296		31,296
<i>Totals</i>	4,367,657	2,731	4,370,387

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

The city is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository 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 and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

Note 5 – Subsequent Events

In December 2022, Cosmo Specialty Fibers changed ownership. Their work slowdown has created a gap in our budget out of our control. Based on the 2005 closure of the mill when it was under Weyerhaeuser ownership and the extended closure during the COVID-19 pandemic, we have already put measures in place to ensure these periods of lesser tax input are not as detrimental as they could be. Based on the tax market share of the pulp mill within Cosmopolis, it is imperative that budgets are conservative to allow for market adjustments. This may include heightened cost reduction during market downtimes, and, at a last resort, the elimination of labor force. The volatility of the pulp market creates an uncertainty regarding ongoing budget planning, but with safeguards and policies in place to respond to unseen

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2022

outside elements we have been able to maintain a financial position that does not place undue harm onto the city.

Note 6- Interfund Loans

The following table displays interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Beginning Balance	New Loans	Payments	Ending Balance
1	404	49001.74		7,956.55	41,045.19
1	702	61189.84		9,946.31	51,243.53
1	702	121577.09		19,900.64	101,676.45
101	404	24292.59		5,850.09	18,442.50

Note 7 – Long-Term Debt *(formerly Debt Service Requirements)*

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

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

Year	Principal	Interest	Total Debt Service
2023	201,549	96,022	297,571
2024	203,452	89,989	293,441
2025	182,990	84,462	267,452
2026	183,082	79,581	262,663
2027	189,979	74,559	264,538
2028-2032	1,043,785	307,697	1,351,482
2033-2037	1,002,490	223,397	1,225,887
2038-2040	630,865	40,407	671,272
<i>Totals</i>	3,638,192	996,114	4,634,306

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (list only applicable plans).

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

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

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

At June 30, 2022 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	23862.26	0.00389400%	2,784,367,000	108,423	
PERS 2/3	40688.41	0.00506500%	(3,708,781,000)		(187,850)
LEOFF 2	22994.89	0.01110700%	(2,717,698,000)		(301,855)
VFFRPF	390	0.210000%			(57,973)
		<i>Totals</i>		108,423	(547,677)

LEOFF Plan 2

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Note 9 - Property Tax

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2022

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2022 was \$2.3382816 per \$1,000 on an assessed valuation of \$193,819,947 for a total regular levy of \$453,206. The City's bond levy for the year 2022 was \$.9496456 on an assess valuation of \$190,586,601 for a total bond levy of \$180,990.

NOTE 10 – HEALTH & WELFARE

The City of Cosmopolis 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 and have enrollment 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, 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 medical stop loss insurance for

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2022

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"). 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 11– Risk Management

The City of Cosmopolis is a member of Cities Insurance Association of Washington (CIAW). 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, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **As of November 30, 2022, membership includes 195 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, Crime Protection and Liability, including General, Automobile, Wrongful Acts, and Cyber, which are included to fit the member's various needs.

CITY OF COSMOPOLIS
Notes to the Financial Statements
For the year ended December 31, 2022

The program acquires reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to an **aggregate limit of \$50,000,000** with a **self-insured retention (SIR) of \$500,000**. Members are responsible for a \$1,000 to \$50,000 deductible for each claim (can vary by member), while the program is responsible for the **\$500,000 SIR**. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the **\$500,000 SIR**, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of \$7,110,058**, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence **SIR of \$500,000**. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the **\$500,000 SIR**, in addition to the deductible.

Crime insurance is subject to a per occurrence **SIR of \$25,000**. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the **\$25,000 SIR**, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence **SIR of \$50,000**. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining **\$40,000 SIR**.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending **December 1, 2022, were \$2,747,183.56**.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	2019 Tahoe	7/15/2024	17,860	-	12,945	4,915
263.51	2019 Fire Truck	1/29/2033	376,994	-	31,202	345,792
263.51	Mini-Excavator/F150	3/23/2025	57,278	-	24,858	32,420
263.51	City Hall Copier	1/23/2023	321	-	321	-
251.12	UTGO Bond - 2020	10/1/2040	2,795,365	-	113,550	2,681,815
Total General Obligation Debt/Liabilities:			3,247,818	-	182,876	3,064,942
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	Water Revenue Bonds	12/1/2038	387,679	-	18,817	368,862
259.12	Compensated Absences		161,426	-	14,679	146,747
264.30	Pension Liabilities		108,423	-	28,778	79,645
Total Revenue and Other (non G.O.) Debt/Liabilities:			657,528	-	62,274	595,254
Total Liabilities:			3,905,346	-	245,150	3,660,196

**City of Cosmopolis
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						
263.51	2016 Tahoe PPV - Lease/Purchase	2/28/2022	2,296	-	2,296	-
263.51	2017 Vehicle Loan	7/31/2022	18,712	-	18,712	-
263.51	2019 Tahoe	7/15/2024	32,756	-	12,201	20,555
263.51	2019 Fire Truck	1/29/2033	407,140	-	30,146	376,994
263.51	Mini-Excavator/F150	3/23/2025	81,217	-	23,939	57,278
263.51	City Hall Copier	1/23/2023	2,163	-	1,842	321
251.12	UTGO Bond - 2020	10/1/2040	2,904,440	-	109,075	2,795,365
Total General Obligation Debt/Liabilities:			3,448,724	-	198,211	3,250,513
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	Water Revenue Bonds	12/1/2038	405,899	-	18,220	387,679
259.12	Compensated Absences		180,288	-	18,862	161,426
264.30	Pension Liabilities		47,106	61,317	-	108,423
Total Revenue and Other (non G.O.) Debt/Liabilities:			633,293	61,317	37,082	657,528
Total Liabilities:			4,082,017	61,317	235,293	3,908,041

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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