



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Pacific

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

Published April 17, 2025

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

April 17, 2025

Mayor and City Council
City of Pacific
Pacific, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Pacific's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction
21.027	COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2022-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Pacific January 1, 2022 through December 31, 2022

2022-001 The City did not have adequate internal controls and did not comply with federal suspension and debarment requirements.

Assistance Listing Number and Title:	21.027 COVID -19 - Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$
Prior Year Audit Finding:	N/A

Background

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected and make necessary investments in water, sewer or broadband infrastructure. In 2022, the City spent \$885,273 in program funds for these activities.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods and services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors are not suspended, debarred or otherwise excluded from

participating in federal programs. The City may verify this by obtaining a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The City must verify this before entering into the contract, and must maintain documentation demonstrating compliance with this federal requirement.

Description of Condition

Although the City has a process to verify the suspension and debarment status for contractors it pays more than \$25,000, our audit found the City did not follow this process and did not verify eight contractors were not suspended or debarred before purchasing from them.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

Cause of Condition

City staff were aware of the federal suspension and debarment verification requirements and usually verify this during the procurement process. However, City staff had other job responsibilities to prioritize and did not follow its normal process to complete the verification procedure as required.

Effect of Condition

The City did not obtain a written certification from the contractors, insert a clause into the contracts or check for exclusion records at SAM.gov to verify contractors it paid \$666,965 using federal funds were not suspended or debarred before contracting. Without adequate internal controls, the City increases its risk of awarding federal funds to contractors that are excluded from participating in federal programs. Any payments the City made to an ineligible party would be unallowable, and the awarding agency could potentially recover them.

We subsequently verified the contractors were not suspended or debarred. Therefore, we are not questioning costs.

Recommendation

We recommend the City strengthen its internal controls to verify all contractors it pays \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs and maintain documentation demonstrating compliance with this requirement.

City's Response

The City of Pacific appreciates the opportunity to respond to the Washington State Auditor's Office notification of a finding for the period ending December 31, 2022. The City of Pacific holds their responsibility for enabling internal controls to ensure compliance with federal requirements at the highest regard. Management is committed to ensuring the City's internal controls and procedures ensure compliance with all requirements governing the administration of federal grant programs.

In 2021/2022, the City Council authorized contracts for projects to improve city facilities, some these included HVAC and flooring replacements at City Hall, storm pipe cleaning and fencing, and Public Works Shop Electrical updates. Although staff routinely reviews SAM.gov for all federally funded activity, due in part, to significant staff turnover in key management positions this important step in contractor verification was missed and a SAM.gov record for these projects were not able to be located in the project files.

Upon discovery of the oversight during the audit, the contractors were verified and were not suspended or debarred. The readers of this report should be reassured that the City strives to maintain strong internal controls, and there were no questioned costs in this matter.

The City appreciates the importance the Auditor applies to the need for internal controls and proper federal procurement. The City will immediately add language to our standard contract and purchase order referencing compliance with federal procurement, including suspension and debarment, requirements. In addition, the City will continue to emphasize and encourage training opportunities for all staff involved in projects receiving federal participation.

Auditor's Remarks

We thank the City for its cooperation and assistance during the audit and acknowledge its commitment to improving this condition. We will review the condition during our next audit.

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

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 Pacific January 1, 2020 through December 31, 2022

Mayor and City Council
City of Pacific
Pacific, 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 Pacific, as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated April 8, 2025.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

April 8, 2025

INDEPENDENT AUDITOR'S REPORT

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

City of Pacific January 1, 2022 through December 31, 2022

Mayor and City Council
City of Pacific
Pacific, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Pacific, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022- 001, that we consider to be a material weakness.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

April 8, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Pacific
Pacific, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

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

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

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

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

Adverse Opinion on U.S. GAAP

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

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2025 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.

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Pat McCarthy, State Auditor

Olympia, WA

April 8, 2025

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fund Resources and Uses Arising from Cash Transactions – 2021
Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
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Schedule of Liabilities – 2021
Schedule of Liabilities – 2020
Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street	107 Tourism
Beginning Cash and Investments					
308	Beginning Cash and Investments	10,202,801	3,490,362	91,209	219,735
388 / 588	Net Adjustments	140,030	145,668	-	-
Revenues					
310	Taxes	5,058,728	4,437,779	-	33,661
320	Licenses and Permits	497,635	481,610	16,025	-
330	Intergovernmental Revenues	4,445,618	1,226,227	145,765	-
340	Charges for Goods and Services	7,125,655	67,537	-	-
350	Fines and Penalties	86,860	332	-	-
360	Miscellaneous Revenues	1,439,716	201,312	1,027	2,283
Total Revenues:		18,654,212	6,414,797	162,817	35,944
Expenditures					
510	General Government	1,334,888	1,334,888	-	-
520	Public Safety	2,593,768	2,579,462	-	-
530	Utilities	4,603,197	57,562	-	-
540	Transportation	482,403	-	482,403	-
550	Natural/Economic Environment	560,127	538,636	-	21,491
560	Social Services	219,662	216,996	-	-
570	Culture and Recreation	521,026	493,463	-	-
Total Expenditures:		10,315,071	5,221,007	482,403	21,491
Excess (Deficiency) Revenues over Expenditures:		8,339,141	1,193,790	(319,586)	14,453
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,289,471	581,212	400,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	1,385,032	13,570	-	-
Total Other Increases in Fund Resources:		3,674,503	594,782	400,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	5,504,489	31,746	-	-
591-593, 599	Debt Service	1,094,416	10,293	1,413	-
597	Transfers-Out	2,289,471	918,777	48,283	-
585	Special or Extraordinary Items	57,292	57,292	-	-
581, 582, 589	Other Uses	1,400,649	315,931	-	-
Total Other Decreases in Fund Resources:		10,346,317	1,334,039	49,696	-
Increase (Decrease) in Cash and Investments:		1,667,327	454,533	30,718	14,453
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	3,179,887	474,592	-	234,188
50841	Committed	638,659	638,659	-	-
50851	Assigned	5,840,808	626,508	121,927	-
50891	Unassigned	2,350,804	2,350,804	-	-
Total Ending Cash and Investments		12,010,158	4,090,563	121,927	234,188

The accompanying notes are an integral part of this statement.

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

		209 LID 6 Redemption	210 LID 6 Reserve	300 Municipal Capital Improvements	301 Roads Capital Improvements
Beginning Cash and Investments					
308	Beginning Cash and Investments	591,071	479,817	781,685	339,271
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	264,684	264,684
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	124,981
350	Fines and Penalties	1,099	-	-	-
360	Miscellaneous Revenues	854,067	1,772	5,454	4,716
Total Revenues:		855,166	1,772	270,138	394,381
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	2,666	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	2,666	-
Excess (Deficiency) Revenues over Expenditures:		855,166	1,772	267,472	394,381
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	585,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	585,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	694,736	65,268
591-593, 599	Debt Service	486,411	-	-	-
597	Transfers-Out	-	-	-	67,255
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	733,810	-	-	-
Total Other Decreases in Fund Resources:		1,220,221	-	694,736	132,523
Increase (Decrease) in Cash and Investments:		(365,055)	1,772	157,736	261,858
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	226,016	481,589	939,421	358,350
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	242,779
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		226,016	481,589	939,421	601,129

The accompanying notes are an integral part of this statement.

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

		305 Parks Capital Improvement	307 Milwaukee Boulevard Project	308 Valentine Road Project	309 West Valley
Beginning Cash and Investments					
308	Beginning Cash and Investments	194,270	37,600	27,779	87,155
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	57,920	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	992,745	-	36,509
340	Charges for Goods and Services	2,975	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,829	-	-	-
Total Revenues:		62,724	992,745	-	36,509
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	27,563	-	-	-
Total Expenditures:		27,563	-	-	-
Excess (Deficiency) Revenues over Expenditures:		35,161	992,745	-	36,509
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	161,982	-	75,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	320,554	-	-
Total Other Increases in Fund Resources:		-	482,536	-	75,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	25,795	1,512,881	-	107,318
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		25,795	1,512,881	-	107,318
Increase (Decrease) in Cash and Investments:		9,366	(37,600)	-	4,191
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	94,174	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	109,462	-	27,779	91,346
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		203,636	-	27,779	91,346

The accompanying notes are an integral part of this statement.

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

		310 Stewart/Thornton Ave Rd Project	333 Fire Capital Improvement	401 Water	402 Sewer
Beginning Cash and Investments					
308	Beginning Cash and Investments	363,719	282,451	2,498,274	170,961
388 / 588	Net Adjustments	-	-	(2,036)	(2,788)
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,044,372	-	-	-
340	Charges for Goods and Services	-	81,992	2,218,154	3,353,708
350	Fines and Penalties	-	-	43,782	28,489
360	Miscellaneous Revenues	-	-	363,297	2,180
Total Revenues:		2,044,372	81,992	2,625,233	3,384,377
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	14,306	-	-
530	Utilities	-	-	1,194,047	2,744,227
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	14,306	1,194,047	2,744,227
Excess (Deficiency) Revenues over Expenditures:		2,044,372	67,686	1,431,186	640,150
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	100,000	-	279,279	23,310
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	350,908	-	700,000	-
Total Other Increases in Fund Resources:		450,908	-	979,279	23,310
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,858,999	-	104,269	50,343
591-593, 599	Debt Service	-	-	593,107	1,691
597	Transfers-Out	-	-	313,077	343,812
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	350,908	-
Total Other Decreases in Fund Resources:		2,858,999	-	1,361,361	395,846
Increase (Decrease) in Cash and Investments:		(363,719)	67,686	1,049,104	267,614
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	350,137	21,420	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	3,523,922	435,787
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	350,137	3,545,342	435,787

The accompanying notes are an integral part of this statement.

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

		409 Storm
Beginning Cash and Investments		
308	Beginning Cash and Investments	547,442
388 / 588	Net Adjustments	(814)
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	1,276,308
350	Fines and Penalties	13,158
360	Miscellaneous Revenues	1,779
Total Revenues:		1,291,245
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	607,361
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		607,361
Excess (Deficiency) Revenues over Expenditures:		683,884
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	83,688
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		83,688
Other Decreases in Fund Resources		
594-595	Capital Expenditures	53,134
591-593, 599	Debt Service	1,501
597	Transfers-Out	598,267
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		652,902
Increase (Decrease) in Cash and Investments:		114,670
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	661,298
50891	Unassigned	-
Total Ending Cash and Investments		661,298

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street	107 Tourism
Beginning Cash and Investments					
308	Beginning Cash and Investments	9,747,971	3,003,924	249,010	195,802
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	4,355,386	3,926,951	-	22,228
320	Licenses and Permits	350,571	335,446	15,125	-
330	Intergovernmental Revenues	3,214,204	1,182,060	142,513	-
340	Charges for Goods and Services	6,289,128	137,785	-	-
350	Fines and Penalties	148,481	136,973	-	-
360	Miscellaneous Revenues	1,024,134	213,544	1,557	1,705
Total Revenues:		15,381,904	5,932,759	159,195	23,933
Expenditures					
510	General Government	1,525,358	1,525,358	-	-
520	Public Safety	2,465,919	2,449,061	-	-
530	Utilities	4,317,118	11,023	-	-
540	Transportation	457,581	-	455,806	-
550	Natural/Economic Environment	426,071	426,071	-	-
560	Social Services	140,762	138,944	-	-
570	Culture and Recreation	404,576	387,261	-	-
Total Expenditures:		9,737,385	4,937,718	455,806	-
Excess (Deficiency) Revenues over Expenditures:		5,644,519	995,041	(296,611)	23,933
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	3,267,056	623,229	202,500	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	15,421	15,421	-	-
Total Other Increases in Fund Resources:		3,282,477	638,650	202,500	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,080,026	117,981	-	-
591-593, 599	Debt Service	1,120,815	-	-	-
597	Transfers-Out	3,267,056	1,025,000	63,691	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	4,275	4,275	-	-
Total Other Decreases in Fund Resources:		8,472,172	1,147,256	63,691	-
Increase (Decrease) in Cash and Investments:		454,824	486,435	(157,802)	23,933
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	948,031	620,160	-	-
50841	Committed	2,605,849	-	-	219,735
50851	Assigned	4,127,655	348,936	91,209	-
50891	Unassigned	2,521,266	2,521,266	-	-
Total Ending Cash and Investments		10,202,801	3,490,362	91,209	219,735

The accompanying notes are an integral part of this statement.

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

		209 LID 6 Redemption	210 LID 6 Reserve	300 Municipal Capital Improvements	301 Roads Capital Improvements
Beginning Cash and Investments					
308	Beginning Cash and Investments	507,884	479,578	570,766	260,246
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	202,910	202,910
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	347,626
340	Charges for Goods and Services	-	-	-	118,253
350	Fines and Penalties	122	-	-	-
360	Miscellaneous Revenues	580,311	239	5,270	5,455
Total Revenues:		580,433	239	208,180	674,244
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	1,818	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	1,818	-
Excess (Deficiency) Revenues over Expenditures:		580,433	239	206,362	674,244
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	695,494	155,833
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	695,494	155,833
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	690,936	51,052
591-593, 599	Debt Service	497,246	-	-	-
597	Transfers-Out	-	-	-	700,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		497,246	-	690,936	751,052
Increase (Decrease) in Cash and Investments:		83,187	239	210,920	79,025
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	591,071	479,817	781,685	339,271
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		591,071	479,817	781,685	339,271

The accompanying notes are an integral part of this statement.

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

		305 Parks Capital Improvement	307 Milwaukee Boulevard Project	308 Valentine Road Project	309 West Valley
Beginning Cash and Investments					
308	Beginning Cash and Investments	166,344	-	29,219	118,022
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	387	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	21,589
340	Charges for Goods and Services	7,286	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	56,134	-	-	-
Total Revenues:		63,807	-	-	21,589
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	17,315	-	-	-
Total Expenditures:		17,315	-	-	-
Excess (Deficiency) Revenues over Expenditures:		46,492	-	-	21,589
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	350,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	350,000	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	18,565	312,400	1,440	52,456
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		18,565	312,400	1,440	52,456
Increase (Decrease) in Cash and Investments:		27,927	37,600	(1,440)	(30,867)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	194,270	-	-	-
50851	Assigned	-	37,600	27,779	87,155
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		194,270	37,600	27,779	87,155

The accompanying notes are an integral part of this statement.

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

		310 Stewart/Thornton Ave Rd Project	333 Fire Capital Improvement	401 Water	402 Sewer
Beginning Cash and Investments					
308	Beginning Cash and Investments	215,384	268,808	2,604,302	444,672
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,412,327	-	-	68,528
340	Charges for Goods and Services	-	30,502	1,894,529	2,929,963
350	Fines and Penalties	-	-	5,357	3,259
360	Miscellaneous Revenues	1,520	-	153,848	2,445
Total Revenues:		1,413,847	30,502	2,053,734	3,004,195
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	16,858	-	-
530	Utilities	-	-	1,095,412	2,659,184
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	16,858	1,095,412	2,659,184
Excess (Deficiency) Revenues over Expenditures:		1,413,847	13,644	958,322	345,011
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	940,000	-	250,000	50,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		940,000	-	250,000	50,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,205,513	-	329,670	179,149
591-593, 599	Debt Service	-	-	613,755	-
597	Transfers-Out	-	-	370,925	489,574
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,205,513	-	1,314,350	668,723
Increase (Decrease) in Cash and Investments:		148,334	13,644	(106,028)	(273,712)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	282,451	45,420	-
50841	Committed	-	-	-	-
50851	Assigned	363,719	-	2,452,854	170,961
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		363,719	282,451	2,498,274	170,961

The accompanying notes are an integral part of this statement.

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

		409 Storm
Beginning Cash and Investments		
308	Beginning Cash and Investments	634,010
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	39,561
340	Charges for Goods and Services	1,170,810
350	Fines and Penalties	2,770
360	Miscellaneous Revenues	2,106
Total Revenues:		1,215,247
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	551,499
540	Transportation	1,775
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		553,274
Excess (Deficiency) Revenues over Expenditures:		661,973
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	120,864
591-593, 599	Debt Service	9,814
597	Transfers-Out	617,866
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		748,544
Increase (Decrease) in Cash and Investments:		(86,571)
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	547,442
50891	Unassigned	-
Total Ending Cash and Investments		547,442

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street	107 Tourism
Beginning Cash and Investments					
308	Beginning Cash and Investments	10,484,871	3,066,224	305,067	181,481
388 / 588	Net Adjustments	(1,789)	(1,789)	-	-
Revenues					
310	Taxes	3,786,167	3,593,919	-	10,877
320	Licenses and Permits	279,886	256,636	23,250	-
330	Intergovernmental Revenues	2,698,823	508,117	136,706	-
340	Charges for Goods and Services	6,275,386	130,026	-	-
350	Fines and Penalties	105,534	89,428	-	-
360	Miscellaneous Revenues	1,280,211	126,069	4,641	3,443
Total Revenues:		14,426,007	4,704,195	164,597	14,320
Expenditures					
510	General Government	1,183,501	1,183,501	-	-
520	Public Safety	2,548,071	2,547,774	-	-
530	Utilities	4,173,448	27,267	-	-
540	Transportation	446,707	-	438,762	-
550	Natural/Economic Environment	391,034	391,034	-	-
560	Social Services	501,894	501,479	-	-
570	Culture and Recreation	388,840	382,353	-	-
Total Expenditures:		9,633,495	5,033,408	438,762	-
Excess (Deficiency) Revenues over Expenditures:		4,792,512	(329,213)	(274,165)	14,320
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,062,348	465,934	270,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	13,550	13,550	-	-
Total Other Increases in Fund Resources:		2,075,898	479,484	270,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,395,775	160,188	-	-
591-593, 599	Debt Service	1,114,808	-	-	-
597	Transfers-Out	2,062,348	20,000	51,891	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	30,598	30,598	-	-
Total Other Decreases in Fund Resources:		7,603,529	210,786	51,891	-
Increase (Decrease) in Cash and Investments:		(735,119)	(60,515)	(56,056)	14,320
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	882,557	519,597	-	-
50841	Committed	2,180,620	-	-	195,802
50851	Assigned	4,222,056	21,589	249,010	-
50891	Unassigned	2,462,738	2,462,738	-	-
Total Ending Cash and Investments		9,747,971	3,003,924	249,010	195,802

The accompanying notes are an integral part of this statement.

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

		209 LID 6 Redemption	210 LID 6 Reserve	300 Municipal Capital Improvements	301 Roads Capital Improvements
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,226	478,427	661,422	66,489
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	90,505	90,505
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	203,187	1,581,075
340	Charges for Goods and Services	-	-	-	203,928
350	Fines and Penalties	364	-	-	-
360	Miscellaneous Revenues	1,012,941	1,151	13,340	2,760
Total Revenues:		1,013,305	1,151	307,032	1,878,268
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	415	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	415	-
Excess (Deficiency) Revenues over Expenditures:		1,013,305	1,151	306,617	1,878,268
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	312,084
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	312,084
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	368,106	1,996,596
591-593, 599	Debt Service	491,648	-	-	-
597	Transfers-Out	15,000	-	29,167	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		506,648	-	397,273	1,996,596
Increase (Decrease) in Cash and Investments:		506,657	1,151	(90,656)	193,756
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	507,884	479,578	570,766	260,246
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		507,884	479,578	570,766	260,246

The accompanying notes are an integral part of this statement.

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

		305 Parks Capital Improvement	308 Valentine Road Project	309 West Valley	310 Stewart/Thornton Ave Rd Project
Beginning Cash and Investments					
308	Beginning Cash and Investments	113,372	15,686	169,722	456,668
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	361	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	248,800
340	Charges for Goods and Services	8,467	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	50,630	-	-	-
Total Revenues:		59,458	-	-	248,800
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	6,487	-	-	-
Total Expenditures:		6,487	-	-	-
Excess (Deficiency) Revenues over Expenditures:		52,971	-	-	248,800
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	15,000	-	125,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	15,000	-	125,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	1,468	51,700	615,083
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	1,468	51,700	615,083
Increase (Decrease) in Cash and Investments:		52,971	13,532	(51,700)	(241,283)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	166,344	-	-	-
50851	Assigned	-	29,219	118,022	215,384
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		166,344	29,219	118,022	215,384

The accompanying notes are an integral part of this statement.

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

		333 Fire Capital Improvement	401 Water	402 Sewer	409 Storm
Beginning Cash and Investments					
308	Beginning Cash and Investments	265,593	3,376,008	813,246	514,240
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	20,938
340	Charges for Goods and Services	3,512	1,894,048	2,883,273	1,152,132
350	Fines and Penalties	-	8,827	3,502	3,413
360	Miscellaneous Revenues	-	48,172	7,696	9,368
Total Revenues:		3,512	1,951,047	2,894,471	1,185,851
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	297	-	-	-
530	Utilities	-	1,053,416	2,543,053	549,712
540	Transportation	-	-	-	7,945
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		297	1,053,416	2,543,053	557,657
Excess (Deficiency) Revenues over Expenditures:		3,215	897,631	351,418	628,194
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	300,000	429,581	144,749
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	300,000	429,581	144,749
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	470,309	716,717	15,608
591-593, 599	Debt Service	-	618,253	-	4,907
597	Transfers-Out	-	880,773	432,859	632,658
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	1,969,335	1,149,576	653,173
Increase (Decrease) in Cash and Investments:		3,215	(771,704)	(368,577)	119,770
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	268,808	94,152	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	2,510,150	444,672	634,010
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		268,808	2,604,302	444,672	634,010

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	83,062
388 & 588	Net Adjustments	(88,376)
310-390	Additions	97,935
510-590	Deductions	43,468
	Net Increase (Decrease) in Cash and Investments:	54,467
508	Ending Cash and Investments	49,153

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	103,032
388 & 588	Net Adjustments	-
310-390	Additions	254,827
510-590	Deductions	274,794
	Net Increase (Decrease) in Cash and Investments:	(19,967)
508	Ending Cash and Investments	83,062

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	143,432
388 & 588	Net Adjustments	-
310-390	Additions	211,804
510-590	Deductions	252,206
	Net Increase (Decrease) in Cash and Investments:	(40,402)
508	Ending Cash and Investments	103,032

The accompanying notes are an integral part of this statement.

CITY OF PACIFIC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pacific was incorporated on August 2, 1909 and operates under the laws of the State of Washington applicable to a Code City with a Mayor-Council form of government. The City is a general-purpose government and provides a broad range of general governmental services including law enforcement, planning and community development, street maintenance and improvements, parks, senior and youth programs, public works, and general administrative services. Fire services are provided by Valley Regional Fire Authority. In addition, the City owns and operates water, sewer collection, and storm water utility systems.

The City of Pacific reports financial activity in accordance with the *Cash Basis Budgeting, Accounting, and Reporting System* (BARS) Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter [43.09](#) RCW. This manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements (see Note 11 – *Joint Ventures, Component Unit(s), and Related Parties*).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the City of Pacific 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 City’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 by the City of Pacific:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the City of Pacific. 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 City of Pacific.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave is accrued at a variable rate based on years of service. Vacation leave may be accumulated up to two times the employee's maximum vacation accrual per year of service and is payable upon separation or retirement.

Sick leave is accrued at the rate of eight hours per month up to 960 hours. Sick leave is only paid out upon retirement. Upon retirement, exempt employees will be compensated 50% of accrued sick leave and represented employees will be compensated at one-third of accumulated sick leave.

Compensatory time may accumulate up to a maximum of 120 hours. Overtime earned that would cause the accumulative to exceed 120 hours is paid to the employee in the current pay period. Compensatory hours accrued by non-exempt employees will be paid at the overtime rate of 1.5 times the employee's regular rate of pay upon separation of employment.

All leave payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6 – *Long-Term Debt*.

G. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of:

Fund	Amount	Classification	Restriction
General Fund	\$474,592	Restricted	ARPA Funds \$474,592; Petty Cash \$815; Seizure & Forfeiture \$25,754 (RCW 69.50.505)
General Fund	638,660	Committed	Customer & Developer Deposits \$119,623; Equipment Reserves \$519,037
Tourism Fund	234,188	Restricted	Lodging Taxes (RCW 67.28.180)
LID 6 Redemption Fund	226,016	Restricted	LID Special Assessments
LID 6 Reserve Fund	481,589	Restricted	LID Bond Guarantee
Municipal Capital Improvements Fund	939,421	Restricted	ARPA Funds \$15,714 & REET 1 \$923,707 (RCW 82.46)
Road Capital Improvements Fund	358,350	Restricted	REET 2 (RCW 82.46) & Impact Fees
Parks Capital Improvement Fund	94,174	Restricted	Parks Levy – Voter Approved
Fire Capital Improvements Fund	350,137	Restricted	Impact Fees (RCW 82.02)
Utility Revenue Bond Fund	21,420	Restricted	Revenue Bonds Debt Service
Customer Deposits Fund	49,153	Restricted	Custodial Funds

NOTE 2 – BUDGET COMPLIANCE

The City of Pacific adopts annual appropriated budgets for all governmental 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:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$8,606,772	\$7,130,063	\$1,476,709
Customer/Developer Deposits	53,330	1,750	51,580
General Fund Equipment Reserve	355,000	31,747	323,253
Street Fund	573,315	532,098	41,217
Tourism Fund	25,500	21,492	4,008
LID #6 Bond Redemption Fund	1,220,221	1,220,221	0
Municipal Capital Improvements Fund	923,000	697,402	225,598
Streets Capital Improvement Fund	368,755	132,523	236,232
Parks Capital Improvement Fund	65,136	53,358	11,778
Milwaukee Boulevard Project Fund	1,581,643	1,512,881	68,762
Valentine Road Project Fund	27,779	0	27,779
West Valley Project Fund	175,000	107,318	67,682
Stewart Rd/Thornton Ave Project Fund	3,512,436	2,858,999	653,437
Fire Capital Improvement Fund	25,500	14,307	11,193
Water Operations Fund	2,116,230	2,010,199	106,031
Sewer Operations Fund	3,348,748	3,289,729	59,019
Utility Revenue Bond Fund	276,499	276,499	0
Water Capital Improvement Fund	1,321,784	525,048	796,736
Sewer Capital Improvement Fund	132,500	50,344	82,156
Stormwater Fund	1,502,089	1,357,603	144,486
Stormwater Capital Improvement Fund	394,727	202,661	192,066
Pierce County Water Area Fund	88,534	88,533	1
Utilities Equipment Reserve Fund	450,000	5,128	444,872
Information Technology Fund	214,415	196,151	18,264
Customer Deposits Fund	115,720	73,302	42,418
Developer Deposits Fund	115,100	115,100	0
Total All Funds	\$27,589,733	\$22,504,456	\$5,085,277

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 of Pacific's legislative body.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

<u>Type of Deposit or Investment</u>	City's own Deposits and Investments	Deposits and Investments held by the City as custodian for other local governments, individuals or private organizations	Total Deposits and Investments
Bank Deposits	\$2,406,163	\$49,153	\$2,455,316
Certificates of Deposit	34,071		34,071
Local Government Investment Pool (L.G.I.P.)	508,355		508,355
U.S. Government Securities	8,110,691		8,110,691
Columbia Bank Investment Account	950,877		950,877
Total	\$12,010,156	\$49,153	\$12,059,309

It is the City of Pacific'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 of Pacific 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, or 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 of Pacific 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 Deposit 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 of Pacific or its agent in the City of Pacific's name.

NOTE 4 - PROPERTY TAX

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

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

The City of Pacific's regular levy for the year 2022 was \$0.98132 per \$1,000 on an assessed valuation of \$1,084,061,942 for a total regular levy of \$1,057,699.

NOTE 5 – INTERFUND LOANS

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.

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Repayments	Balance 12/31/2022
Valentine Road Project	Water Capital Fund	\$ 700,000	\$ -	\$ 700,000	\$ -
Milwaukee Blvd Project	General Fund	-	320,554	-	320,554
Stewart Road Project	Water Capital Fund	-	350,908	-	350,908
Total Interfund Loans		\$ 700,000	\$671,462	\$ 700,000	\$ 671,462

NOTE 6 – LONG-TERM DEBT

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

The debt service requirements for revenue bonds, Public Works Trust Fund loans and Local Improvement District bonds are as follows:

	Principal	Interest	Total
2023	\$733,761	\$193,878	\$927,639
2024	739,761	175,363	915,124
2025	745,761	156,672	902,433
2026	752,760	137,805	890,565
2027	759,760	118,732	878,492
2028 – 2032	3,902,803	300,563	4,203,366
TOTALS	\$7,634,606	\$1,083,013	\$8,717,619

NOTE 7 – LEASES

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

The City had leases for the following items as of December 31, 2022:

Leased Item	Lessor	Monthly Payment	Lease Term
Copiers	Canon Financial Services	\$758	5 years
Copier	Pacific Office Automation	151	5 years
Plotter	Wells Fargo Financial Leasing	184	5 years
Postage Machine	Quadient Leasing USA, Inc.	73	5 years
Hot Water Heater	Grand HVAC Leasing USA, LLC	21	3 years

These items are under non-cancelable operating leases, except for the hot water heater which can be purchased at any time during the lease term. The City has the option to purchase leased copiers at fair market value at the end of the lease terms. The Pacific Office Automation lease term ended in October 2022 and the City continues to utilize the equipment on a month-to-month basis per the terms of the agreement.

The total amount paid for leases in 2022 was \$14,243 exclusive of sales tax. As of December 31, 2022, minimum future lease payments are as follows:

Year ended December 31	Principal
2023	\$14,820
2024	4,118
2025	565
TOTAL	\$19,503

NOTE 8 - PENSION PLANS

State Sponsored Pension Plans

Substantially all City 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)
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS Annual Comprehensive Financial Report may also be downloaded from the DRS website at www.drs.wa.gov.

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

	Employer Contributions	Allocation %	Liability (Asset)
--	------------------------	--------------	-------------------

PERS 1	\$95,823	0.015635%	\$435,336
PERS 2/3	152,423	0.018973%	(703,667)
LEOFF 2	60,003	0.028983%	(787,670)

Only the net pension liabilities are reported on Schedule 09.

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.

Defined Contribution Pension Plan

Employees of the City have the option of participating in the Deferred Compensation Program (DCP), a tax-deferred supplemental retirement savings program. DCP is an IRC Section 457 plan administered by the Washington State Department of Retirement Systems.

The City matches up to \$75 per month to DCP for all uniformed police employees and the Police Chief. In 2022, the City contributed \$2,850 to the Deferred Compensation Program.

NOTE 9 – RISK MANAGEMENT

The City of Pacific 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 together 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 \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

NOTE 10 – HEALTH & WELFARE

The City of Pacific 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 Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United State Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC 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 – JOINT VENTURES, COMPONENT UNIT(S), AND RELATED PARTIES

Valley Regional Fire Authority: On January 1, 2007, as a result of a voter-approved measure, the Auburn Fire Department combined with the Pacific Fire Department and the City of Algona to form the Valley Regional Fire Authority (VRFA), which provides fire and EMS services to all three cities. VRFA is a municipal corporation with its own governing board and is legally separate from the three cities it serves. VRFA's Board of Governance consists of the Mayor and two Councilmembers from each participating city. This nine-member board serves as the legislative body, guiding and overseeing VRFA. Membership of the Governing Board is made by appointment from the City Council of the respective member cities. All personnel, assets, equipment, and contractual obligations of the former Pacific Fire Department, Auburn Fire Department, and City of Algona were transferred to the VRFA upon formation.

NOTE 11 – ENVIRONMENTAL AND CERTAIN ASSET RETIREMENT LIABILITIES

Pollution Remediation Obligation: The City of Pacific has ground contaminated with petroleum from an underground fuel storage tank that was removed at the Public Safety Building. The WA State Department of Ecology has not determined the City to be a potentially liable party responsible for cleanup under the Model Toxic Control Act (MTCA) but notified the City that an area of contamination exists on the property. Ecology will conduct a more detailed inspection at a future time and will assess what action is needed and establish a priority for the work under the formal MTCA cleanup process. At that time, the potentially liable party(s) would be determined and would be responsible for cleanup costs, including State oversight. Therefore, at this time, the City doesn't have sufficient information to reasonably estimate the liability related to potential cleanup of the site if the City is determined to be the responsible party.

Asset Retirement Obligation (ARO): The City of Pacific owns, operates, and maintains three groundwater wells. These assets are expected to be operated and maintained in perpetuity. In the unlikely event that the City were to decommission these wells there are specific decommissioning requirements within the Washington Administrative Code (WAC). As the City cannot estimate the timing or extent of the obligation associated with these assets, a reasonable estimate of the one-time decommissioning costs associated with these wells cannot be made. As such Asset Retirement Obligation liabilities have not been recorded for retirement activities associated with these assets. An ARO will be recorded if future events warrant any changes.

NOTE 12 - OTHER DISCLOSURES

- A. Special and Extraordinary Events: The City Council voted to enter into an Interlocal Agreement with King County District Court to provide judicial services for the City of Pacific effective January 1, 2022. Prior to 2022 the City had been providing its own municipal court services, as well as municipal court services to the City of Algona through an Interlocal Agreement. The net impact of court close-out transactions are reflected in the report.
- B. Contingencies and Litigations: The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based

on available information, management believes it is probable that the City will have to make payment. There are no known or pending claims, except as described below, for the period of December 31, 2022 to the filing of this report.

- Blake Decision. In February 2021, the Washington State Supreme Court issued an opinion in *State of Washington v. Blake*, declaring that RCW 69.50.4013, Washington's simple possession of a controlled substance statute violates the due process clause of the state and federal constitution. Individuals convicted under that statute beginning in 1971 may be eligible to have their convictions vacated and/or be resentenced. All penalties, fines, and restitution (Legal Financial Obligations "LFO") imposed in connection with simple possession convictions must be refunded. At this time the City does not have the information necessary to make an estimate of any potential liability. It is the City's position that this liability is the responsibility of the State. The State has thus far provided funding sufficient for the City to process vacations and refund LFOs.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

C. Accounting Changes: The following changes were implemented or revised in 2022:

1. Fiduciary Activities: The City implemented GASB Statement No. 84 – Fiduciary Activities in 2022 and identified revenue sources and related expenditures that no longer meet the definition of fiduciary activities. Customer and developer deposits, and funds received from Valley Regional Fire Authority for Public Safety Building utilities and maintenance are now being recorded in General Fund 096 – Customer/Developer Deposits. These activities were previously reported in the Customer Deposits and Developer Deposits fiduciary funds. As a result, \$37,318 was reclassified and transferred out of the Customer Deposits Fund 601 and \$108,350 was reclassified and transferred out of the Developer Deposits Fund 630. The net impact of these reclassification is reflected in this report.
2. Cash & Investments Classifications: The City reclassified certain 2022 beginning cash and investments per Washington State Auditor's Office fund balance classification requirements. 2021 ending cash and investments classifications do not align with 2022 beginning cash and investments due to this reclassification.

D. Prior Period Adjustments: The City decreased beginning cash and investments in the utility funds by \$5,638 to correct minor errors from prior years.

E. Transportation Benefit District Sales Tax: On October 24, 2022, the City Council adopted Ordinance No. 2022-2063 adopting legislation to authorize a sales & use tax to fund transportation improvements within the City of Pacific Transportation Benefit District. The additional 0.1% sales & use tax is anticipated to generate approximately \$19,000 annually to be used for transportation improvement projects identified in the City's Six-Year Transportation Improvement Program, the Comprehensive Plan Transportation Element, and the Twenty-Year Capital Improvement Plan. This sales tax became effective April 1, 2023.

- F. Subsequent Events: The City received a refund in the amount of \$287,795 from the WA State Department of Revenue in March 2023 as a result of overpayment of sewer excise taxes for the tax periods from January 2018 – June 2022. The refund included interest in the amount of \$21,324. The overpayment was due to a deduction that was not taken for amounts paid to King County for services jointly provided.
- G. Construction Commitments: The City has three active construction projects as of December 31, 2022.

At year-end the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Milwaukee Boulevard Project	\$1,825,281	\$9,281
West Valley Highway Project	411,284	207,512
Stewart/Thornton Avenue Project	6,479,087	253,022
Total	\$8,715,652	\$469,815

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pacific was incorporated on 1909 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 Water, Sewer, Law Enforcement, Stormwater Facilities, Community Development and Senior and Youth Services.

The City of Pacific 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:

General Fund – includes:	Funds 001, 097, 098, 099, 500, 800
Special Revenue Funds	Funds 101, 107
Debt Service Funds	Funds 209, 210
Capital project Funds	Funds 300, 301, 305, 307, 308, 309, 310, 333
Water Utility Funds	Funds 401, 404, 406, 411, 499
Sewer Utility Funds	Funds 402, 408, 499
Garbage Utility Fund	Fund 403
Storm Water Utility Fund	Funds 409, 410, 499
Fiduciary Funds	Funds 601, 630, 635, 640

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

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.

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

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

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 \$5000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to twice the employee's allowed vacation earnings per year of service and is payable upon separation or retirement. Vacation hours earned after maximum accumulation shall be forfeited.

Sick leave may be accumulated at a rate of 10 hours per month for Uniform employees and 8 hours per month for all other employees with a maximum accumulation of 960 hours. Upon retirement, employees will receive payment for unused sick leave at a rate equal to 1/3 of the sick leave accumulated. Payments are recognized as expenditures when paid.

Total cost for compensated absences as of 12/31/21: **\$390,802**

F. Long-Term Debt

See Note 6 – *Debt Service Requirements*.

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

G. Restricted and Committed Portion of Ending Cash and Investments

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

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
001: General Fund	\$ 106,624		\$ 106,624	Seizure funds
099: General Fund Cumulative Reserve		\$ 525,126	\$ 525,126	
107: Tourism	\$ 219,735		\$ 219,735	Special revenue
209: LID 6 Redemption		\$ 591,071	\$ 591,071	Valentine Project - LID
210: LID 6 Reserve		\$ 479,817	\$ 479,817	Valentine Project - LID reserve
300: Municipal Capital Improvements		\$ 781,685	\$ 781,685	Special capital projects
301: Road Capital Improvements		\$ 339,271	\$ 339,271	Special road projects
305: Parks Capital Improvements		\$ 194,270	\$ 194,270	Special park projects
307: Milwaukee Blvd. Project		\$ 37,600	\$ 37,600	Special project - Milwaukee Blvd.
308: Valentine Road Project		\$ 27,779	\$ 27,779	Special project - Valentine Road
309: West Valley Road Project		\$ 87,155	\$ 87,155	Special project - West Valley Road
310: Stewart/Thornton Ave. Road Project		\$ 363,719	\$ 363,719	Special project - Stewart/Thornton
333: Fire Capital Improvements		\$ 282,451	\$ 282,451	Special fire capital projects
404: Water & Sewer Revenue Bond Redemption	\$ 45,420	\$ -	\$ 45,420	Redemption bond payments
Totals	\$ 371,778	\$ 3,709,944	\$ 4,081,722	

Restrictions and commitments of Ending Cash and Investments consist of **\$4,081,722**.

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

NOTE 2: BUDGET COMPLIANCE

The City of Pacific adopts annual appropriated budgets for the general, special revenue, capital projects and enterprise funds. These budgets are appropriated at the fund level except the general (current expense) fund, where budget is adopted at the department 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 Pacific
Notes to the Financial Statements
For the year ended December 31, 2021

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - General Fund			
001 - General Fund	\$ 5,584,672.15	\$ 5,522,082.18	\$ 62,589.97
097 - Pacific Municipal Court	\$ 370,671.03	\$ 370,671.03	
098 - General Fund Equipment Reserve	\$ 146,500.00	\$ 117,981.08	\$ 28,518.92
099 - General Fund Cumulative Reserv			
500 - Information Technology	\$ 75,750.00	\$ 69,966.46	\$ 5,783.54
800 - Payroll EE Benefit Clearing	\$ 8,791.70	\$ 4,275.34	\$ 4,516.36
Total 001 - General Fund	\$ 6,186,384.88	\$ 6,084,976.09	\$ 101,408.79
101 - Street	\$ 525,333.57	\$ 519,495.90	\$ 5,837.67
107 - Tourism	\$ 20,000.00		\$ 20,000.00
206 - LID 3 Redemption			
207 - LID 3 Reserve			
209 - LID 6 Redemption	\$ 497,245.04	\$ 497,245.04	
300 - Municipal Capital Improvements	\$ 706,500.00	\$ 692,753.65	\$ 13,746.35
301 - Roads Capital Improvements	\$ 791,500.00	\$ 751,052.32	\$ 40,447.68
305 - Parks Capital Improvement	\$ 41,406.74	\$ 35,879.95	\$ 5,526.79
307 - Milwaukee Boulevard Project	\$ 350,000.00	\$ 312,399.58	\$ 37,600.42
308 - Valentine Road Project	\$ 1,500.00	\$ 1,440.00	\$ 60.00
309 - West Valley	\$ 57,500.00	\$ 52,456.03	\$ 5,043.97
310 - Stewart/Thornton Ave Rd Projec	\$ 2,215,500.00	\$ 2,205,512.98	\$ 9,987.02
333 - Fire Capital Improvement	\$ 20,000.00	\$ 16,858.13	\$ 3,141.87
401 - Water			
401 - Water	\$ 1,554,934.29	\$ 1,541,530.49	\$ 13,403.80
404 - Water & Sewer Revenue Bond Redemption Fu	\$ 276,232.20	\$ 276,232.20	
406 - Water Capital Improvement	\$ 506,030.94	\$ 504,047.90	\$ 1,983.04
411 - Pierce County Water Area	\$ 85,500.00	\$ 85,500.00	
499 - Utilities Equipment Reserve	\$ 7,500.00	\$ 2,452.50	\$ 5,047.50
Total 401 - Water	\$ 2,430,197.43	\$ 2,409,763.09	\$ 20,434.34
402 - Sewer			
402 - Sewer	\$ 3,025,997.45	\$ 3,017,757.67	\$ 8,239.78
408 - Sewer Cumulative Fund	\$ 314,147.58	\$ 310,147.25	\$ 4,000.33
Total 402 - Sewer	\$ 3,340,145.03	\$ 3,327,904.92	\$ 12,240.11
409 - Storm			
409 - Storm	\$ 821,707.09	\$ 812,453.88	\$ 9,253.21
410 - Stormwater Facility Fund	\$ 492,697.59	\$ 489,361.67	\$ 3,335.92
Total 409 - Storm	\$ 1,314,404.68	\$ 1,301,815.55	\$ 12,589.13
690 - Custodial Funds			
601 - Customer Deposits	\$ 13,900.00	\$ 12,928.86	\$ 971.14
630 - Developer Deposit	\$ 48,500.00	\$ 47,279.57	\$ 1,220.43
635 - Pacific Court	\$ 130,773.83	\$ 129,889.47	\$ 884.36
640 - Algona Court	\$ 85,250.00	\$ 84,696.08	\$ 553.92
Total 690 - Custodial Funds	\$ 278,423.83	\$ 274,793.98	\$ 3,629.85
GENERAL FUNDS	\$ 6,186,384.88	\$ 6,084,976.09	\$ 101,408.79
101-333 FUNDS	\$ 5,226,485.35	\$ 5,085,093.58	\$ 141,391.77
WATER FUNDS	\$ 2,430,197.43	\$ 2,409,763.09	\$ 20,434.34
SEWER FUNDS	\$ 3,340,145.03	\$ 3,327,904.92	\$ 12,240.11
STORM FUNDS	\$ 1,314,404.68	\$ 1,301,815.55	\$ 12,589.13
CUSTODIAL FUNDS	\$ 278,423.83	\$ 274,793.98	\$ 3,629.85
	\$ 18,776,041.20	\$ 18,484,347.21	\$ 291,693.99

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

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

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

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.

In response to the pandemic, most City facilities have been closed to the public for over a year, many City employees work remotely, and new policies and procedures have been put in place. While some activities have been limited or temporarily curtailed, the City continues to operate all major functions and meet its public mandates. The City has remained economically stable and continues to adapt to the changing conditions.

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

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

NOTE 4: DEPOSITS & INVESTMENTS

Investments are reported at original cost. Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	(City/Town/District)'s own deposits & investments	Deposits & investments held by the (City,Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
12/31/21 Bank Balances	\$ 531,228	\$ 83,063	\$ 614,291
LGIP	\$ 672,438		\$ 672,438
CD's	\$ 33,955		\$ 33,955
Bonds	\$ 8,110,691		\$ 8,110,691
CB Investment Pool	\$ 854,488		\$ 854,488
Totals	\$ 10,202,800	\$ 83,063	\$ 10,285,863

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.

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

NOTE 5: INTERFUND LOANS

The following table displays interfund loan activity during 2021:

Borrowing Fund	Lending Fund	Beginning			Ending
		Balance	New Loans	Payments	Balance
406 - Water Capital Improvement Fund	308 - Valentine Road Project	350,000			350,000

The above listed interfund loan is due in full by 12/31/22

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

NOTE 6: 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, 2021.

The debt service requirements for future payment requirements, including interest, are as follows:

Year	Principal	Interest	Total Debt Service
2022	\$ 863,746	\$ 214,268	\$ 1,078,014
2023	\$ 733,761	\$ 193,878	\$ 927,639
2024	\$ 739,761	\$ 175,363	\$ 915,124
2025	\$ 745,761	\$ 156,672	\$ 902,433
2026-2030	\$ 3,831,803	\$ 496,323	\$ 4,328,125
2031-2032	\$ 1,583,521	\$ 60,777	\$ 1,644,298
Totals	\$ 8,498,352	\$ 1,297,281	\$ 9,795,633

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

NOTE 7: PENSION PLANS

A. State Sponsored Pension Plans

Substantially all 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. Substantially all City of Pacific's full-time and qualifying employees participate in the Public Employees Retirement System (PERS) administered by the Washington State Department of Retirement System.

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.

At June 30, **2021** (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1	\$ 7,066	0.000949%	\$ 1,221,234,000	\$ 11,590	
PERS 1 UAAL	\$ 103,816	0.013937%	\$ 1,221,234,000	\$ 170,203	
PERS 2/3	\$ 169,785	0.017924%	\$ (9,961,609,000)		\$ (1,785,519)
LEOFF 2	\$ 59,997	0.030097%	\$ (5,808,414,000)		\$ (1,748,158)
		Totals		\$ 181,793	\$ (3,533,677)

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.

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

NOTE 8: 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/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 2021 was \$1.1224 per \$1,000 on an assessed valuation of \$940,684,023 for a total regular levy of \$1,015,453.

Levy Type	Per \$1000	Assessed Valuation	Amount
Regular	1.1224	904,684,023	1,015,453
			0
			0
			0
			0

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

NOTE 9: RISK MANAGEMENT:

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

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

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

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

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

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

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

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

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

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 10: OTHER DISCLOSURES

A. Legal Disclosures

a. From Charlotte Archer, Attorney at Law with Inslee Best:

This office has served as legal counsel to the City of Pacific since December 2017. The City has requested us to provide a list of all litigation, claims and assessments, as of December 31, 2021, and to the date of this letter.

While this firm represents the City on a regular basis, our engagement has been limited to specific matters on which we were consulted. For the current status of claims for which this firm does not offer legal representation, please contact Laurie Cassell, City Clerk. Information relating to the probable outcome of suits, claims or actions, and the City's liability thereunder, are in many cases difficult, if not impossible, to determine the amount in controversy in any given litigation and the likelihood of a favorable or adverse result. Accordingly, unless these factors can be reasonably determined at this time, I will omit reference to them in this response.

Subject to the foregoing and the limitations set forth below, we advise that as of December 31, 2018, and since that date to the date of this letter, we have only been engaged to give substantive attention to, or represent the City in connection with, the following litigation, assessments and claims (asserted, threatened or unasserted that are probable of assertion and that, if asserted, would have at least a reasonable possibility of an unfavorable outcome):

1. Claims/Litigation

a. Corri Lewis v. City of Pacific, Pierce County Case No. 19-2-12757-6. City employee Corri Lewis filed a lawsuit on December 16, 2019, against the City under the Washington Public Records Act (PRA), asserting that the City wrongfully withheld records in response to a request and seeking penalties and attorney's fees. The City denied the claims asserted. The City's insurer retained

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

attorney Jeff Meyers, of Law, Lyman, Daniel, Kamerrer, Bogdanovich, P.S., to represent the City in this action. The Court granted Plaintiffs' motion to compel production of the records, and found the City was liable for penalties and costs under RCW 42.56.550. The City and the Plaintiff settled out of court for an amount less than \$50,000, and the case was voluntarily dismissed by the Plaintiff in March 2020.

b. Kim Stephens v. City of Pacific, King County Superior Court Cause No. 19-2-14501-3 KNT. On June 4, 2019, the City received a lawsuit instituted by Kim Stephens, the spouse of a former employee, asserting that the City wrongfully withheld records in response to a request made by Ms. Stephens under the PRA in 2018, and seeking penalties and attorney's fees. The City denied the claims asserted. The City and the Plaintiff settled out of court for an amount less than \$50,000, and the case was voluntarily dismissed by the Plaintiff in September 2019.

c. Jed Slagter v. City of Pacific, King County Superior Court Cause No. 21-2-07402-9 KNT. In December 2021, the City received a lawsuit instituted by former employee Jed Slagter, asserting that the City wrongfully withheld records in response to a request made by Mr. Slagter under the PRA in 2020. The City and Plaintiff settled out of court for an amount less than \$100,000 on these claims and the case was voluntarily dismissed by the Plaintiff in February 2022.

d. Resolved Employment Dispute In 2021, the City received a lawsuit instituted by a former employee, seeking appellate review of a Civil Service Commission decision in favor of the City's termination of the employee's employment. Concurrently, the City received tort claim form and an EEOC charge asserting the termination was for biased/discriminatory reasons. The City denied the claims asserted. The City and claimant settled out of court for an amount less than \$300,000 on these claims, and the case and EEOC charge were voluntarily dismissed in early 2022.

2. Assessments

None.

3. Unasserted Claims or Assessments

None.

Other than stated above, this office is unaware of any pending claims or litigation against the City where the claimant/plaintiff seeks money damages. This office does not have knowledge of any direct and/or indirect liabilities against the City of Pacific. Further, it is difficult to predict what events in the City's normal course of business might lead to unasserted claims that are probable of assertion. In the event an unasserted claim does arise, the City has insurance coverage, and it is likely that the coverage would include such claim.

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

The information set forth in this letter is accurate to our good faith, knowledge, information and belief as of the date of this letter. This law firm specifically disclaims any undertaking to advise you of any changes which may hereafter be brought to our attention. Further, we specifically do not respond to, incorporate or advise you regarding the FASB Statement No. 5 or the terms defined therein in our response.

This letter is provided solely for your assistance in connection with your examination of the financial statements of the City. This letter may not be quoted or otherwise referred to in any financial statements of the City without our prior written consent. This letter may not be relied upon, nor copies delivered to, any person or entity without our prior written approval. Our response to the City's request does not constitute a waiver of the attorney/client privilege or the attorney work product doctrine with respect to any of our files involving the City.

We trust the foregoing sufficiently responds to your request for information regarding litigation, assessments and claims relating to the City. Please call if you have any questions or require further information.

Very truly yours,

Charlotte A. Archer

cc: Laurie Cassell, City Clerk

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pacific was incorporated on 1909 and operates under the laws of the state of Washington applicable to a Code City. The City of Pacific is a general purpose local government and provides Water, Sewer, Law Enforcement, Stormwater Facilities, Community Development and Senior and Youth Services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see note to the financial statements).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined 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:

General Fund – includes:	Funds 001, 097, 098, 099, 500, 800
Special Revenue Funds	Funds 101, 107
Debt Service Funds	Funds 209, 210
Capital project Funds	Funds 300, 301, 305, 308, 309, 310, 333
Water Utility Funds	Funds 401, 404, 406, 411, 499
Sewer Utility Funds	Funds 402, 408, 499
Garbage Utility Fund	Fund 403
Storm Water Utility Fund	Funds 409, 410, 499
Fiduciary Funds	Funds 601, 630, 635, 640

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

FIDUCIARY FUND TYPES:

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

Investment Trust Funds

These funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust.

Custodial Funds

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

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City of Pacific 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 4 - Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to twice the employee's allowed vacation earnings per year of service and is payable upon separation or retirement. Vacation hours earned after maximum accumulation shall be forfeited.

Sick leave may be accumulated at a rate of 10 hours per month for Uniform employees and 8 hours per month for all other employees with a maximum accumulation of 960 hours. Upon retirement, employees will receive payment for unused sick leave at a rate equal to 1/3 of the sick leave accumulated. Payments are recognized as expenditures when paid.

Total cost for compensated absences as of 12/31/20: **\$480,245**

F. Long-Term Debt

See Note 3 - Debt Service Requirements.

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Council. When expenditures that meet restrictions are incurred, the City of Pacific intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of **\$3,175,330**

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
001: General Fund	\$ 106,624.40		\$ 106,624.40	
099: General Fund Cumulative Reserve		\$ 525,126.26	\$ 525,126.26	
107: Tourism	\$ 195,801.61		\$ 195,801.61	
209: LID 6 Redemption		\$ 507,883.76	\$ 507,883.76	
210: LID 6 Reserve		\$ 479,578.09	\$ 479,578.09	
300: Municipal Capital Improvements		\$ 570,765.92	\$ 570,765.92	
301: Road Capital Improvements		\$ 260,245.89	\$ 260,245.89	
305: Parks Capital Improvements		\$ 166,344.43	\$ 166,344.43	
333: Fire Capital Improvements		\$ 268,807.76	\$ 268,807.76	
404: Water & Sewer Revenue Bond Redemption Fund	\$ 94,151.77		\$ 94,151.77	
	\$ 396,577.78	\$ 2,778,752.11	\$ 3,175,329.89	

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

NOTE 2: BUDGET COMPLIANCE

The City of Pacific adopts annual appropriated budgets for the general, special revenue, capital projects and enterprise funds. These budgets are appropriated at the fund level except the general (current expense) fund, where budget is adopted at the department 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:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
GENERAL FUND				
001 - General Fund	\$ 4,935,792	\$ 4,840,546	\$ 95,246	<i>Budgeted more than was spent</i>
097 - Pacific Municipal Court	\$ 383,416	\$ 364,645	\$ 18,770	<i>Budgeted more than was spent</i>
098 - General Fund Equipment Reserve	\$ 246,839	\$ 160,188	\$ 86,651	<i>Budgeted more than was spent</i>
099 - General Fund Cumulative Reserv	\$ -	\$ -	\$ -	
800 - Payroll EE Benefit Clearing	\$ -	\$ 30,598	\$ (30,598)	
TOTAL GENERAL FUND	\$ 5,566,047	\$ 5,395,978	\$ 170,069	
101 - Street	\$ 517,643	\$ 490,655	\$ 26,988	<i>Budgeted more than was spent</i>
107 - Tourism	\$ -	\$ -	\$ -	
209 - LID 6 Redemption	\$ 506,648	\$ 506,648	\$ -	
210 - LID 6 Reserve			\$ -	
300 - Municipal Capital Improvements	\$ 462,717	\$ 397,688	\$ 65,029	<i>Budgeted more than was spent</i>
301 - Roads Capital Improvements	\$ 2,111,492	\$ 1,996,595	\$ 114,898	<i>Budgeted more than was spent</i>
305 - Parks Capital Improvement	\$ 7,953	\$ 6,487	\$ 1,466	<i>Budgeted more than was spent</i>
308 - Valentine Road Project	\$ 1,968	\$ 1,468	\$ 500	<i>Budgeted more than was spent</i>
309 - West Valley	\$ 87,160	\$ 51,699	\$ 35,461	<i>Budgeted more than was spent</i>
310 - Stewart/Thornton Ave Rd Projec	\$ 704,353	\$ 615,083	\$ 89,270	<i>Budgeted more than was spent</i>
333 - Fire Capital Improvement	\$ 1,297	\$ 297	\$ 1,000	<i>Budgeted more than was spent</i>
WATER				
401 - Water	\$ 2,046,012	\$ 1,890,796	\$ 155,216	<i>Budgeted more than was spent</i>
406 - Water Capital Improvement	\$ 902,874	\$ 989,561	\$ (86,686)	
411 - Pierce County Water Area	\$ 95,500	\$ 85,500	\$ 10,000	<i>Budgeted more than was spent</i>
499 - Utilities Equipment Reserve	\$ 255,078	\$ 155,078	\$ 100,000	<i>Budgeted more than was spent</i>
TOTAL WATER	\$ 3,299,464	\$ 3,120,934	\$ 178,530	
SEWER				
402 - Sewer	\$ 3,129,966	\$ 3,027,994	\$ 101,972	<i>Budgeted more than was spent</i>
408 - Sewer Cumulative Fund	\$ 797,494	\$ 789,632	\$ 7,862	<i>Budgeted more than was spent</i>
TOTAL SEWER	\$ 3,927,460	\$ 3,817,626	\$ 109,833	
404 - Water & Sewer Revenue Bond Redemption Fund	\$ 438,693	\$ 438,693	\$ -	
STORM				
409 - Stormwater	\$ 1,366,351	\$ 1,345,221	\$ 21,130	<i>Budgeted more than was spent</i>
410 - Stormwater Facility Fund	\$ 363,123	\$ 240,608	\$ 122,515	<i>Budgeted more than was spent</i>
TOTAL STORM	\$ 1,729,474	\$ 1,585,829	\$ 143,645	
690 - Custodial Funds				
601 - Customer Deposits	\$ 12,350	\$ 10,357	\$ 1,993	<i>Budgeted more than was spent</i>
630 - Developer Deposit	\$ 35,123	\$ 15,123	\$ 20,000	<i>Budgeted more than was spent</i>
635 - Pacific Court	\$ 117,286	\$ 103,484	\$ 13,802	<i>Budgeted more than was spent</i>
640 - Algona Court	\$ 131,815	\$ 123,241	\$ 8,574	<i>Budgeted more than was spent</i>
TOTAL CUSTODIAL FUNDS	\$ 296,575	\$ 252,205	\$ 44,370	

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

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

NOTE 3: DEBT SERVICE REQUIREMENTS

Debt Service

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

The debt service requirements for future payment requirements, including interest, are as follows:

Year	Principal	Interest	Total Debt Service
2021	\$ 886,024	\$ 235,057	\$ 1,121,081
2022	\$ 862,945	\$ 214,268	\$ 1,077,213
2023	\$ 733,761	\$ 193,878	\$ 927,639
2024	\$ 739,761	\$ 175,363	\$ 915,124
2025	\$ 745,761	\$ 156,672	\$ 902,433
2026-2030	\$ 3,831,803	\$ 496,323	\$ 4,328,125
2031-2035	\$ 1,583,521	\$ 60,777	\$ 1,644,298
Totals	\$ 9,383,574	\$ 1,532,339	\$ 10,915,913

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

NOTE 4: DEPOSITS AND INVESTMENTS

Investments are reported at original cost. Investments by type at December 31, **2020** are as follows:

Type of Deposit or Investment	(City/Town/District)'s own deposits & investments	Deposits & investments held by the (City,Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
12/31/20 Bank Balances	\$ 380,397	\$ 103,032	\$ 483,429
LGIP	\$ 1,171,632		\$ 1,171,632
CD's	\$ 33,955		\$ 33,955
Bonds	\$ 7,051,281		\$ 7,051,281
CB Investment Pool	\$ 1,110,706		\$ 1,110,706
Totals	\$ 9,747,971	\$ 103,032	\$ 9,851,003

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 of Pacific 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.

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

NOTE 5: INTERFUND LOANS

The following table displays interfund loan activity during **2020**:

From	To	Beginning Balance	Additions	Reductions	Ending Balance
406 - Water Capital Improvement Fund	308 - Valentine Road Project	700,000			700,000

NOTE 6: COVID-19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. Early in 2020, we projected a 5-15% loss in major revenue sources in the General Fund. The actual loss from those revenue sources came in at 13% (\$350K). However, we are seeing a slow recovery in the first half of 2021.

Due to State mandated safety measures (reducing staff size onsite) the City allowed certain staff members to work from home (telecommute) starting in March of 2020. The cost of the equipment (computers, monitors, printers and such) reimbursed almost fully by the use of the CARES (Corona Virus relief bill) funding.

The City of Pacific received \$308,384.64 in reimbursement from the CARES funding. The portion for telework capabilities was \$18,036.93. The most significant parts of the CARES funding reimbursed the City's small business grant program (\$111,952.89), the City's rental, and utility assistance program (\$135,000) and payroll expenses for human services staff (\$8,004.04) providing meals for elderly seniors program.

As the State begins to reopen (June 30th possible reopening date) the City will begin reopening as well. However, this is dependent on the installation of a HVAC system in City Hall, the Senior Center and the Youth Center. Currently there are no air filtration systems in either of these two buildings. The estimated date for installation is unknown at this time but projected to be sometime in late August. The Mayor and City department heads are currently working on providing a reopening plan built around that date.

Human Services has been closed since March of 2020 though the staff still provides meals and specific forms of outreach (supported by the VSHSL grant) to the community (seniors and youth primarily). The Mayor is currently considering a "soft" opening this summer primarily outdoor activities until the City is fully open this fall.

All City Council Meetings beginning on March 20th of 2020 were held virtually by the Zoom platform. As of May 2021 we are uncertain when that will change due to the suspension of the OPMA.

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

NOTE 7: PENSION PLANS

A. State Sponsored Pension Plans

Substantially all 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. Substantially all City of Pacific's full-time and qualifying employees participate in the Public Employees Retirement System (PERS) administered by the Washington State Department of Retirement System.

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.

At June 30, **2020** (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1	\$ 6,569	0.000906%	\$ 3,530,540,000	\$ 32,002	
PERS 1 UAAL	\$ 98,010	0.013523%	\$ 3,530,540,000	\$ 477,450	
PERS 2/3	\$ 161,362	0.017516%	\$ 1,278,943,000	\$ 224,018	
PSERS 2/3			\$ 531,964,000	\$ -	
LEOFF 1			\$ (1,888,509,000)		\$ -
LEOFF 2	\$ 64,241	0.032840%	\$ (2,039,854,000)		\$ (669,886)
VFFRPF			\$ (35,240,000)		
Totals				\$ 733,470	\$ (669,886)

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.

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

NOTE 8: PROPERTY TAX

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

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

The city's regular levy for the year **2020** was \$1.21419 per \$1,000 on an assessed valuation of \$798,216,756 for a total regular levy of \$969,187.

Levy Type	Per \$1000	Assessed Valuation	Amount
Regular	1.1234900	903,840,055	1,015,455

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

NOTE 9: RISK MANAGEMENT

Type of Risk	Self-insured (Y/N)
Property & Liability	N
Health & Welfare	N
Unemployment Compensation (ESD)	N
Workers Compensation (L&I)	N
Other	N

The City of Pacific 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, 2020, 100 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Great American for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2020, AWC RMSA carried a retention of \$200,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

CITY OF PACIFIC
Notes to the Financial Statements
For the year ended December 31, 2020

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.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PWTF - Stewart/Valentine Water Main PC13-961-053	6/1/2033	1,754,709	-	159,519	1,595,190
263.86	SRF Water Loan #01-65101-018 (Reservoir)	10/1/2022	135,986	-	135,986	-
252.11	Utility Service Bond	12/1/2032	2,568,000	-	201,000	2,367,000
264.30	Pension Liabilities		181,793	253,543	-	435,336
259.12	Compensated Absences		390,802	-	86,300	304,502
263.57	Copier	10/30/2022	1,495	1,494	1,993	996
263.57	Copier	7/10/2023	1,881	-	1,254	627
263.57	Copiers	3/15/2024	14,493	-	6,689	7,804
263.57	Copier	5/1/2024	4,599	-	1,971	2,628
263.57	Plotter	5/8/2024	5,676	-	2,432	3,244
263.57	Water Heater	5/15/2024	2,840	-	1,136	1,704
263.57	Postage Meter	7/26/2025	3,468	-	968	2,500
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,065,742	255,037	599,248	4,721,531
Assessment Debt/Liabilities (with commitments)						
253.63	LID's	10/1/2032	4,039,657	-	367,242	3,672,415

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
	Total Assessment Debt/Liabilities (with commitments):		4,039,657	-	367,242	3,672,415
	Total Liabilities:		9,105,399	255,037	966,490	8,393,946

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PWTF - Stewart/Valentine Water Main PC13-961-053	6/1/2033	1,914,228	-	159,519	1,754,709
263.86	SRF Water Loan #01-65101-018 (Reservoir)	10/1/2022	271,972	-	135,986	135,986
263.86	SRF Water Loan #00-65120-020 (Corrosion)	10/1/2021	18,518	-	18,518	-
263.86	Ecology Stormwater Plan	7/15/2021	9,520	-	9,520	-
252.11	Utility Service Bond	12/1/2032	2,763,000	-	195,000	2,568,000
264.30	Pension Liabilities		733,470	-	551,677	181,793
259.12	Compensated Absences		480,245	-	89,443	390,802
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,190,953	-	1,159,663	5,031,290
Assessment Debt/Liabilities (with commitments)						
253.63	LID'S	10/1/1932	4,406,899	-	367,242	4,039,657
Total Assessment Debt/Liabilities (with commitments):			4,406,899	-	367,242	4,039,657
Total Liabilities:			10,597,852	-	1,526,905	9,070,947

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PWTF - Stewart/Valentine Water Main PC13-961-053	6/1/2033	2,073,747	-	159,519	1,914,228
263.86	SRF Water Loan #01-65101-018 (Reservoir)	10/1/2022	407,958	-	135,986	271,972
263.86	SRF Water Loan #00-65120-020 (Corrosion)	10/1/2021	37,036	-	18,518	18,518
263.86	Ecology Stormwater Plan	7/15/2021	14,137	-	4,617	9,520
252.11	Utility Service Bond	12/1/2032	2,953,000	-	190,000	2,763,000
264.30	Pension Liabilities		714,448	19,022	-	733,470
259.12	Compensated Absences		402,230	78,015	-	480,245
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,602,556	97,037	508,640	6,190,953
Assessment Debt/Liabilities (with commitments)						
253.63	LID'S	10/1/1932	4,774,140	-	367,242	4,406,898
Total Assessment Debt/Liabilities (with commitments):			4,774,140	-	367,242	4,406,898
Total Liabilities:			11,376,696	97,037	875,882	10,597,851

City of Pacific
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STPUL-1017 (010)	1,512,881	-	1,512,881	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STPUL-1047 (005)	107,381	-	107,381	-	
Total Highway Planning and Construction Cluster:				1,620,262	-	1,620,262	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via State of Washington)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	885,273	-	885,273	-	
Total Federal Awards Expended:				2,505,535	-	2,505,535	-	

The accompanying notes are an integral part of this schedule.

City of Pacific

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Note 1 – Basis of Accounting

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

Note 2 – Federal Indirect Cost Rate

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



CITY OF PACIFIC
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CITY HALL (253) 929-1110
FAX (253) 939-6026

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Pacific
January 1, 2022 through December 31, 2022

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2022-001	Finding caption: The City did not have adequate internal controls and did not comply with federal suspension and debarment requirements.
Name, address, and telephone of City contact person: Beth Wright, Finance Director 100 3rd Ave SE Pacific, WA 98047 (253) 929-1117	
Corrective action the auditee plans to take in response to the finding: <i>The City appreciates the importance the Auditor applies to the need for internal controls and proper federal procurement. The City is working to add language to our standard contract and purchase order referencing compliance with federal procurement, including suspension and debarment, requirements. In addition, the City will continue to emphasize and encourage training opportunities for all staff involved in projects receiving federal participation.</i>	
Anticipated date to complete the corrective action: July 1, 2025	

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.

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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.

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