



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Chehalis

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

*Published May 5, 2022*

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

May 5, 2022

Mayor and City Council  
City of Chehalis  
Chehalis, Washington

**Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### City of Chehalis January 1, 2020 through December 31, 2020

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Chehalis 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 its major federal program.

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

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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 2020-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### City of Chehalis January 1, 2020 through December 31, 2020

#### 2020-001 The City's internal controls were inadequate for ensuring compliance with federal procurement requirements.

<b>CFDA Number and Title:</b>	20.205 Highway Planning and Construction Grant
<b>Federal Grantor Name:</b>	Federal Highway Administration, Department of Transportation
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Washington State Department of Transportation (WSDOT)
<b>Pass-through Award/Contract Number:</b>	STPUS-5659(003)
<b>Questioned Cost Amount:</b>	\$0

#### *Description of Condition*

The City spent \$436,904 in Highway Planning and Construction grant funds during fiscal year 2020. The objective of the Highway Planning and Construction program is to assist states in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing, rehabilitating, and preserving the National Highway System (NHS), including interstate highways, and other state-aid highways.

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

When using federal funds to pay for architectural and engineering services (A&E), governments must apply the more restrictive of federal requirements, state law or local policies. For A&E, the City must go through a competitive negotiation process, which includes considering the most qualified firm. Once the City selects the most qualified firm, it negotiates a price for the services. This type of procurement does not have a dollar threshold, so governments must use this process for all A&E agreements.

During the audit period, the City procured an A&E contract for \$66,000. The City did not keep documentation supporting the process it used to conduct technical evaluations of the proposals it received and how it awarded the contract.

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

The issue was not reported as a finding in the prior audit.

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

The City asserts that it conducted a thorough selection process to select the A&E agreement, which included working with the Washington State Department of Transportation to obtain approval for the selection process.

However, the City experienced turnover in positions responsible for overseeing the contract selection process, and it did not keep documentation showing that it performed technical evaluations or how it awarded the contract.

### ***Effect of Condition***

Without adequate internal controls over procurement requirements and documentation showing the occurrence of those controls, the City cannot demonstrate that it followed federal procurement requirements. More specifically, without keeping documentation that shows the selection process, the City cannot demonstrate it selected the most qualified firm.

However, since the purchases were allowable under the federal program, we are not questioning costs.

### ***Recommendation***

We recommend the City strengthen its internal controls to ensure it complies with applicable procurement requirements for purchases of goods and services and keeps documentation showing the contract selection process.

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

*The City experienced multiple staff turnover in positions overseeing the architectural and engineering (A&E) contract process and overseeing the federal project. All staff who were involved in the project are no longer with the City which caused an additional challenge with locating written documentation for technical evaluation and process performed for selecting an A&E contract.*

*There were several documentations that suggest that the City conducted an appropriate competitive process in selecting an A&E consultant contract. The documents include but are not limited to: Affidavit of Publication – Notice to Consultants for Kresky Avenue Resurfacing, three RFQs received, draft evaluation/scoring matrix setting forth evaluation criteria and scoring system, City of Chehalis Council Agenda report referenced that an evaluation was performed and requested the City Council’s review and approval of the Engineering Services Agreement with an A&E consultant firm, and email correspondences between the City Staff and WSDOT Local Program staff relating to consultant selection.*

*The City’s project was administered under the supervision of the Washington State Department of Transportation Southwest Region Local Program Office (Local Programs) with a signed Letter of Understanding for Federal Aid Project Administration (LOU). Per the LOU, the City must obtain an approval from the Local Program Engineer (LPE) in the solicitation and selection of a consulting engineering firm for Preliminary Engineering as well as Right of Way and Construction Engineering services. In addition, the City must obtain the approval from LPE of the Consultant Engineering Agreement and Supplements (LAG chapter 31). The City reached out to Local Programs for a written documentation approving the consultant firm selection; however, Local Program staff was unable to locate a written documentation on the final approval for selection of the A&E consultant firm other than email correspondence related to selection of a consultant. WSDOT Local Program staff that assisted with the research believes that the City staff and the Local Program staff discussed various consultant agreement items over the phone.*

*The City plans to strengthen internal controls to ensure to maintain documentation required by federal requirements including the A&E contract selection process for future projects.*

### ***Auditor’s Remarks***

We appreciate the City’s commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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 200, Uniform Guidance, Section 318, General procurement standards, allows governments to foster great economy and efficiency by entering into state and local agreements for procurement or use of common or shared goods and services, provided governments maintain documentation demonstrating competition requirements are met.

Title 2 CFR Part 200, Uniform Guidance, Section 319 – Competition, establishes all procurement transactions are to be conducted in a manner providing full and open competition.

Title 2 CFR Part 200, Uniform Guidance, Section 320 – Methods of procurement to be followed, describes each allowable procurement method.

## 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 Chehalis January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Chehalis  
Chehalis, 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 Chehalis, as of and for the year ended December 31, 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 28, 2022.

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.

As discussed in Note 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## 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 the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

April 28, 2022

# 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 Chehalis**  
**January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Chehalis  
Chehalis, Washington

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the compliance of the City of Chehalis, with the types of compliance requirements described 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, 2020. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### **Opinion on Each Major Federal Program**

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, 2020.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, 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 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

### **City's Response to Findings**

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

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001 that we consider to be a material weakness.

### **City's Response to Findings**

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the 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, appearing to read "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 28, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **City of Chehalis** **January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Chehalis  
Chehalis, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the City of Chehalis, for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 19.

### **Management's Responsibility 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 *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1, the City of Chehalis has prepared these financial statements to meet the financial reporting requirements of state law using 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 financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Chehalis, and its changes in cash and investments, for the year ended December 31, 2020, on the basis of accounting described in Note 1.

### **Basis for 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. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### **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 Chehalis, as of December 31, 2020, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

### **Matters of Emphasis**

As discussed in Note 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The 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 Schedule of Liabilities is 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 taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022 on our consideration of the City's internal control over financial reporting and on our 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

April 28, 2022

## **FINANCIAL SECTION**

### **City of Chehalis January 1, 2020 through December 31, 2020**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2020  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020  
Notes to Financial Statements – 2020

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

Schedule of Liabilities – 2020  
Schedule of Expenditures of Federal Awards – 2020  
Notes to the Schedule of Expenditures of Federal Awards – 2020

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>102 Arterial Street</b>	<b>103 Transportation Benefit District</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	22,382,348	1,984,078	121,703	2,166,644
388 / 588	Net Adjustments	6,000	246,631	-	-
<b>Revenues</b>					
310	Taxes	10,528,817	8,879,802	-	1,196,187
320	Licenses and Permits	224,052	224,052	-	-
330	Intergovernmental Revenues	2,015,141	681,918	139,069	435,906
340	Charges for Goods and Services	10,040,413	176,139	-	-
350	Fines and Penalties	142,082	117,562	-	-
360	Miscellaneous Revenues	1,745,928	140,788	728	13,567
Total Revenues:		24,696,433	10,220,261	139,797	1,645,660
<b>Expenditures</b>					
510	General Government	2,414,938	2,414,938	-	-
520	Public Safety	5,433,055	5,433,055	-	-
530	Utilities	5,685,794	-	-	-
540	Transportation	1,880,258	417,186	162,972	-
550	Natural/Economic Environment	738,387	458,754	-	-
560	Social Services	12,660	12,660	-	-
570	Culture and Recreation	417,256	417,256	-	-
Total Expenditures:		16,582,348	9,153,849	162,972	-
Excess (Deficiency) Revenues over Expenditures:		8,114,085	1,066,412	(23,175)	1,645,660
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	1,733,468	9,468	-	-
397	Transfers-In	350,767	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	251,726	26,678	-	-
Total Other Increases in Fund Resources:		2,335,961	36,146	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	5,498,236	321,698	-	707,143
591-593, 599	Debt Service	2,594,267	142,952	-	-
597	Transfers-Out	350,767	32,233	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	273,603	15,751	-	-
Total Other Decreases in Fund Resources:		8,716,873	512,634	-	707,143
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,733,173</b>	<b>589,924</b>	<b>(23,175)</b>	<b>938,517</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	6,849,422	93,811	98,528	3,105,161
50841	Committed	1,135,940	859,050	-	-
50851	Assigned	14,479,956	211,569	-	-
50891	Unassigned	1,656,203	1,656,203	-	-
<b>Total Ending Cash and Investments</b>		<b>24,121,521</b>	<b>2,820,633</b>	<b>98,528</b>	<b>3,105,161</b>

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

		107 Tourism	195 CDBG	197 HUD Block Grant	200 G.O. Bond
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	420,501	24,454	87,927	1
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	212,388	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,193	138	497	-
Total Revenues:		214,581	138	497	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	279,633	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		279,633	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(65,052)	138	497	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	160,914
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	160,914
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	160,910
597	Transfers-Out	245,396	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		245,396	-	-	160,910
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(310,448)</b>	<b>138</b>	<b>497</b>	<b>4</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	38,490	24,592	88,424	-
50841	Committed	71,563	-	-	-
50851	Assigned	-	-	-	5
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>110,053</b>	<b>24,592</b>	<b>88,424</b>	<b>5</b>

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

		<b>301 Public Facilities Reserve</b>	<b>302 Automotive Equipment Reserve</b>	<b>305 First Quarter Percent REET</b>	<b>306 Second Quarter Percent REET</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	1,066,995	240,631	136,249	152,571
388 / 588	Net Adjustments	-	(240,631)	-	-
<b>Revenues</b>					
310	Taxes	-	-	120,220	120,220
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	475,424	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	281,083	-	888	992
Total Revenues:		756,507	-	121,108	121,212
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		756,507	-	121,108	121,212
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	1,724,000	-	-	-
397	Transfers-In	189,853	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,913,853	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	2,755,217	-	-	-
591-593, 599	Debt Service	23,665	-	-	-
597	Transfers-Out	-	-	39,982	33,156
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,778,882	-	39,982	33,156
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(108,522)</b>	<b>-</b>	<b>81,126</b>	<b>88,056</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	688,906	-	87,179	165,496
50841	Committed	-	-	130,196	75,131
50851	Assigned	269,567	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>958,473</b>	<b>-</b>	<b>217,375</b>	<b>240,627</b>

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

		<b>402 Garbage</b>	<b>404 Wastewater</b>	<b>405 Water</b>	<b>406 Storm &amp; Surface Water</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	8,002	5,374,992	7,967,916	1,460,054
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	6,370	5,480	3,097
340	Charges for Goods and Services	5,019	5,394,236	3,010,368	728,150
350	Fines and Penalties	-	14,707	7,629	2,095
360	Miscellaneous Revenues	51	65,514	56,409	8,981
Total Revenues:		5,070	5,480,827	3,079,886	742,323
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	4,754	2,966,234	2,216,500	498,306
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		4,754	2,966,234	2,216,500	498,306
Excess (Deficiency) Revenues over Expenditures:		316	2,514,593	863,386	244,017
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	209,792	-
Total Other Increases in Fund Resources:		-	-	209,792	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	641,317	674,829	4,952
591-593, 599	Debt Service	-	1,879,904	287,848	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	88,294	-
Total Other Decreases in Fund Resources:		-	2,521,221	1,050,971	4,952
<b>Increase (Decrease) in Cash and Investments:</b>		<b>316</b>	<b>(6,628)</b>	<b>22,207</b>	<b>239,065</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	1,879,904	563,700	-
50841	Committed	-	-	-	-
50851	Assigned	8,318	3,488,460	7,426,423	1,699,119
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>8,318</b>	<b>5,368,364</b>	<b>7,990,123</b>	<b>1,699,119</b>

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

		<u>407 Airport</u>
<b>Beginning Cash and Investments</b>		
308	Beginning Cash and Investments	1,169,630
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	267,877
340	Charges for Goods and Services	726,501
350	Fines and Penalties	89
360	Miscellaneous Revenues	1,174,099
Total Revenues:		<u>2,168,566</u>
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	1,300,100
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>1,300,100</u>
Excess (Deficiency) Revenues over Expenditures:		868,466
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	15,256
Total Other Increases in Fund Resources:		<u>15,256</u>
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	393,080
591-593, 599	Debt Service	98,988
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	169,558
Total Other Decreases in Fund Resources:		<u>661,626</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>222,096</b>
<b>Ending Cash and Investments</b>		
50821	Nonspendable	-
50831	Restricted	15,231
50841	Committed	-
50851	Assigned	1,376,495
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<b><u>1,391,726</u></b>



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

		<b>Total for All Funds (Memo Only)</b>	<b>Pension/OPEB Trust Fund</b>	<b>Custodial</b>
308	Beginning Cash and Investments	1,019,142	1,013,142	6,000
388 & 588	Net Adjustments	(6,000)	-	(6,000)
310-390	Additions	327,077	20,204	306,873
510-590	Deductions	316,663	9,790	306,873
	Net Increase (Decrease) in Cash and Investments:	10,414	10,414	-
508	Ending Cash and Investments	1,023,556	1,023,556	-

*The accompanying notes are an integral part of this statement.*

**CITY OF CHEHALIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020**

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

The City of Chehalis (the City) was incorporated on November 23, 1883 and operates under the laws of the State of Washington applicable to a non-charter code city with a Mayor-Council form of government. The City is a general-purpose government and provides public safety, fire prevention, parks and recreation activities, street maintenance and repairs, planning and zoning, judicial administration, water supply/treatment/distribution, sewage collection and treatment, storm & surface water collection, airport, and general administrative services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented rather than a focus on major funds.
- The *Schedule of Liabilities (Schedule 09)* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification in GAAP.

**A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

**GOVERNMENTAL FUND TYPES**

**General Fund**

This fund is the primary operating fund of the City of Chehalis. 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 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 which are restricted, committed, or assigned to expenditures for principal, interest, and related costs on general long-term debt.

### Capital Project 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 public and are supported primarily through user charges.

#### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City on a cost reimbursement basis.

### **FIDUCIARY FUND TYPES:**

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

#### Pension (and Other Post Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust. The City's Firemen's Pension Fund accumulates resources for pension benefit payments to qualified retired firefighters and qualified surviving spouses.

#### Custodial Funds

These funds are used to account assets that the City holds on behalf of others in a custodial capacity. The City has two custodial funds – Court Revenue and Other Agency.

## **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 year.

## **C. Cash and Investments**

See Note 5, Deposits and Investments.

## **D. Capital Assets**

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

## **E. Compensated Absences**

Vacation leave may be accumulated up to 544 hours and is payable upon separation, retirement, or death. Maximum vacation accrual and cash-outs vary according to different union or employment agreements.

Sick leave may be accumulated up to 720 hours. Upon separation, retirement, or death, employees receive payment for unused sick leave to a maximum of 720 hours if certain requirements are met. Maximum sick leave accruals and rules for cash-outs vary according to different union or employment agreements. Payments are recognized as expenditures when paid.

Compensatory time may be accumulated up to 360 hours and is payable upon request or separation. Maximum accrual and rules for cash-outs vary according to different union or employment agreements.

Compensated Absences liabilities are reported on Schedule of Liabilities (Schedule 09).

#### **F. Long-Term Debt**

See Note 7 – Debt Service Requirements.

#### **G. Restricted and Committed Portion of Ending Cash and Investments**

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

Restrictions and commitments of ending cash and investments as of December 31, 2020 consist of the following:

##### **Restricted Cash and Investments**

<b>Fund Name</b>	<b>Purpose</b>	<b>Authority</b>	<b>Balance 12/31/2020</b>
General	JNET Drug Funds	RCW 69.50.505	\$ 85,464
General	Parks & Facilities Donations	Donor	680
General	Felony Confiscated/Forfeiture	RCW 10.105.010	167
General	Municipal Court Trust Account Bail Deposit		7,500
<b>Total General Fund</b>			<b>93,811</b>
Arterial Street	Path and Trails	RCW 47.30	1,248
Arterial Street	Streets, Roads and Highw ays	RCW 4724.040	97,280
<b>Total Arterial Street Fund</b>			<b>98,528</b>
TBD	Transportation Improvements	RCW 82.14.0455; 36.73	3,105,161
Tourism	Tourism Promotion	RCW 67.28.1815	38,490
CDBG	CDBG eligible activity	CDBG	24,592
HUD Grant	Housing & Urban Development related activity	HUD Grant	88,424
Public Facilities Reserve	Recreation Park Project (Ballfields)	Donor	257,581
Public Facilities Reserve	Bond Proceeds (2020 LTGO)	Bond Ordinance	431,325
<b>Total Public Facilities Reserve Fund</b>			<b>688,906</b>
1st Quarter REET	Capital Projects	RCW 82.46.010	87,179
2nd Quarter REET	Capital Projects	RCW 82.46.035	165,496
Wastew ater	Debt Service	Loan Agreement	1,879,904
Water	Customer Deposits		563,700
Airport	Lease Escrow Deposit	Lease Contract	15,231
<b>Total Restricted</b>			<b>\$ 6,849,422</b>

**Committed Cash and Investments**

<b>Fund Name</b>	<b>Purpose</b>	<b>Authority</b>	<b>Balance 12/31/2020</b>
General	Substance Abuse Investigation	Ord. No. 831B	\$ 25,725
General	Compensated Absences	Ord. No. 1017-B	398,020
General	Vehicle Replacement	Ord. No. 1017-B	208,178
General	Financial system upgrade	Ord. No. 1017-B	100,000
General	Police evidence garage	Ord. No. 1017-B	65,000
General	Debt service	Ord. No. 1017-B	28,520
General	LEOFF I OPEB	Ord. No. 1017-B	33,607
<b>Total General Fund</b>			<b>859,050</b>
Tourism	Debt service	Ord. No. 1017-B	71,563
1st Quarter REET	Debt service	Ord. No. 1017-B	130,196
2nd Quarter REET	Debt service	Ord. No. 1017-B	75,131
<b>Total Committed</b>			<b>\$ 1,135,940</b>

Assignment of ending cash and investments reported in the General Fund consists of the following:

**General Fund (001) Assigned Cash and Investments**

<b>Fund Name</b>	<b>Purpose</b>	<b>Authority</b>	<b>Balance 12/31/2020</b>
General Fund	Roads repairs & maintenances	Sub-fund (003)	\$ 159,955
General Fund	Building abatement costs	Sub-fund (004)	51,614
<b>Total Assigned - General Fund</b>			<b>\$ 211,569</b>

**NOTE 2 – BUDGET COMPLIANCES**

The City of Chehalis adopts annual appropriated budgets for the general, special revenue, debt service, capital, pension trust, and enterprise 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	Fund Name	2020 Final Appropriation	2020 Actual Expenditures	Variance
City Funds:				
001	General Fund	\$ 10,322,796	\$ 9,524,346	\$ 798,450
003	Dedicated Street	201,520	85,617	115,903
004	Building Abatement	52,000	51,979	21
102	Arterial Street	166,019	162,972	3,047
103	Transportation Benefit District	2,417,881	707,143	1,710,738
107	Tourism	562,483	525,029	37,454
110	Compensated Absences Reserve Fund	-	-	-
115	LEOFF 1 OPEB Reserve Fund	223,500	139,565	83,935
195	Community Dev. Block Grant Fund	1,000	-	1,000
197	HUD Block Grant Fund	2,000	-	2,000
200	G.O. Bond	160,915	160,910	5
301	Public Facilities Reserve Fund	3,346,556	2,778,882	567,674
302	Automotive/Equipment Reserve Fund	202,083	133,707	68,376
305	First Quarter REET	39,982	39,982	-
306	Second Quarter REET	33,156	33,156	-
402	Garbage	6,610	4,754	1,856
404	Wastewater	6,122,746	5,487,455	635,291
405	Water	4,891,126	3,267,471	1,623,655
406	Storm and Surface Water	691,283	503,258	188,025
407	Airport	2,437,489	1,961,726	475,763
<b>Total City Funds (C4)</b>		<b>31,881,145</b>	<b>25,567,952</b>	<b>6,313,193</b>
Fiduciary Funds:				
611	Firemen's Pension Fund	80,270	9,790	70,480
633	Custodial Court Fund	98,780	92,180	6,600
634	Custodial Other Agency Fund	205,725	214,693	(8,968)
<b>Total Fiduciary Funds (C5)</b>		<b>384,775</b>	<b>316,663</b>	<b>68,112</b>
<b>Total All Funds</b>		<b>\$ 32,265,920</b>	<b>\$ 25,884,615</b>	<b>\$ 6,381,305</b>

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

The City maintains separate sub-funds for the General Fund for budget managerial purposes. Per the reporting standards prescribed by the Washington State *Budget, Accounting, and Reporting System* (BARS) Manual, these sub-funds are rolled into the General Fund for financial reporting purposes, which requires eliminating interfund transactions between the General Fund and its sub-funds. The following table provides summation of the General Fund and its sub-funds, net of eliminated transactions:

Fund	Fund Name	2020 Final Appropriation	2020 Actual Expenditures	Variance
001	General Fund	\$ 10,322,796	\$ 9,524,346	\$ 798,450
<b>Sub-funds:</b>				
003	Dedicated Street	201,520	85,617	115,903
004	Building Abatement	52,000	51,979	21
115	LEOFF 1 OPEB Reserve Fund	223,500	139,565	83,935
302	Automotive/Equipment	202,083	133,707	68,376
<b>Total General Fund</b>		<b>11,001,899</b>	<b>9,935,214</b>	<b>1,066,685</b>
Less: Interfund Transfers Eliminated		(258,099)	(268,731)	10,632
<b>General Fund for Financial Statements</b>		<b>\$ 10,743,800</b>	<b>\$ 9,666,483</b>	<b>\$ 1,077,317</b>

### **NOTE 3 - RELATED PARTY TRANSACTIONS**

Dr. Isaac Pope is a member of the City Council for the City of Chehalis. He is also a founding member and serves on the Board of Directors for The Chehalis Foundation. The Foundation has served as a partner with the City on several projects including the funding, in combination with state and federal grants, of the Gail and Carolyn Shaw Aquatics Center. In 2020, the Foundation donated \$86,839 to the City of Chehalis for Recreation Park renovation project and recreation program scholarships.

### **NOTE 4 - 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 (coronavirus COVID-19). In the months following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, and non-essential activities.

The City anticipated significant sales tax revenue losses in 2020. This was a significant concern as the sales tax makes up about fifty percent of the City's general fund revenues. The City administration implemented several precautionary measures including but not limited to hiring freeze and postponing one-time expenditures. The actual sales tax revenues collected in 2020 were better than anticipated and came in slightly (about 2.5%) ahead of 2019 level. However, the City incurred substantial revenue losses from other activities such as recreation program fees (about 89% reduction), hotel/motel tax (about 18% reduction), and utility late payment fees (about 70% reduction) from the previous year.

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.

### **NOTE 5 – DEPOSITS AND INVESTMENTS**

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

Investments are reported at original costs. Deposits and investments by type as of December 31, 2020 are as follows:

Type of Investments	City's Own Deposits and Investment at Cost	Deposits and Investments held by City as custodian for other local governments, individuals, or private organizations	Total
Bank Deposits	\$ 3,257,388	\$ 90,786	\$ 3,348,174
Local Government Investment Pool	18,284,186	932,770	19,216,956
US Government Agency Securities	2,575,297	-	2,575,297
<b>Total</b>	<b>\$ 24,116,871</b>	<b>\$ 1,023,556</b>	<b>\$ 25,140,427</b>

#### **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](http://www.tre.wa.gov).

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the 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. All City's deposits are 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 City's agent in the City's name.

#### **NOTE 6 – INTERFUND LOANS**

The following table provides interfund loan activities during 2020:

Borrowing Fund	Lending Fund	Balance			Balance	
		1/1/2020	New Loans	Payments	12/31/2020	
Airport Fund	Water Fund	\$ 194,528	\$ -	\$ 69,482	\$ 125,046	
<b>Totals</b>		<b>\$ 194,528</b>	<b>\$ -</b>	<b>\$ 69,482</b>	<b>\$ 125,046</b>	

The interfund loan between Water and Airport funds was made in 2018 to pay off a higher-interest bank loan and to shorten the repayment periods. In September 2018, the City's Ordinance No. 990-B authorized the interfund loan with interest rate at 2% per annum and to adjust to match the state investment pool rate if the rate rises above 2%. The Ordinance also adopted a definitive repayment schedule for the loan over a period of four years (48 monthly payments) and full repayment of the loan balance no later than September 30, 2022. The interest payment in 2020 was \$3,305.

#### **NOTE 7 – LONG-TERM DEBT**

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

#### Bonds & Loans

The City's total debt service requirements for outstanding general obligation bonds and revenue bonds and other debt (which includes State Revolving Fund loans, Distressed County loans, and bank loans) are as follows:

Year	G.O. Debt			Revenue Debt			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 451,074	\$ 85,231	\$ 536,305	\$ 2,010,240	\$ 40,581	\$ 2,050,821	\$ 2,461,314	\$ 125,812	\$ 2,587,126
2 21	426,634	74,680	501,314	2,013,312	35,312	2,048,624	2,439,946	109,992	2,549,938
2 22	369,448	65,580	435,028	2,016,434	29,993	2,046,427	2,385,882	95,573	2,481,455
2 23	367,262	56,959	424,221	1,916,604	24,697	1,941,301	2,283,866	81,656	2,365,522
2 24	345,965	49,147	395,112	1,834,376	21,458	1,855,834	2,180,341	70,605	2,250,946
2 25-2029	1,167,436	147,942	1,315,379	3,134,735	71,527	3,206,261	4,302,171	219,469	4,521,640
2 30-2034	921,027	43,728	964,754	410,622	32,780	443,402	1,331,649	76,508	1,408,157
2 35-2037	-	-	-	144,316	3,146	147,462	144,316	3,146	147,462
TOTALS	\$ 4,048,846	\$ 523,267	\$ 4,572,113	\$ 13,480,639	\$ 259,494	\$ 13,740,132	\$ 17,529,485	\$ 782,761	\$ 18,312,246

#### Capital Leases



The City of Chehalis has entered into lease agreements for financing machinery and equipment. The future minimum lease payment obligations as of December 31, 2020 are as follows:

Year	Governmental Fund	Proprietary Fund	Total Minimum Lease Payment
2021	\$ 26,736	\$ 13,028	\$ 39,764
2022	23,958	9,883	33,841
2023	3,611	6,739	10,350
2024	2,536	3,931	6,467
Total minimum lease payments	56,841	33,581	90,422
Less: amount representing interest	(5,341)	(2,965)	(8,306)
Minimum lease payments - principal	\$ 51,500	\$ 30,616	\$ 82,116

## **NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN**

### **LEOFF 1 OPEB**

The City administers a single-employer, defined benefit plan covering post-retirement healthcare and long-term care benefits in accordance with Washington Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Act (RCW 41.26.150) to its LEOFF 1 police and firefighter retirees who established membership in the LEOFF 1 plan retirement system on or before September 30, 1977. The Lewis County Law Enforcement and Firefighter Board (LEOFF Board), in conjunction with the City of Chehalis Human Resources department, administers the plan. The last employer of a retired LEOFF 1 member is responsible for the full cost of any post-retirement medical benefits.

The benefits include medical insurance premiums and premiums for a Medicare Part B coverage. Additionally, the City reimburses for all eligible out-of-pocket costs, including but not limited to, co-pays for doctor visits and medicines, as well as long-term care costs not covered by Medicare. Dental costs and dependents are not covered.

During 2020, the City paid \$139,565 in total benefits including \$93,828 in insurance premiums and \$45,737 in other out-of-pocket cost reimbursements.

These medical benefits for LEOFF 1 members are funded on a pay-as-you-go basis through the general fund and a portion of the excess fund from the Firemen's Pension Fund. The City's 2020 Budget includes property tax levy \$0.225 per \$1,000 assessed value committed to provide the OPEB plan benefits. LEOFF 1 OPEB benefits are accounted for in the LEOFF 1 OPEB Reserve Fund which is a sub-fund of the general fund.

As of December 31, 2020, the City's LEOFF 1 OPEB plan has thirteen (13) retired members and no active members.

The City's liability for post-retirement medical benefits (OPEB) was calculated utilizing the interactive GASB 75 Alternative Measurement Online Tool for LEOFF 1 provided by the Office of the State Actuary. Total OPEB liabilities for LEOFF 1 retirees as of December 31, 2020 is \$6,286,467, which is included on Schedule 09.

## **NOTE 9 – PENSION PLANS**

### **A. State Sponsored Pension Plans**

Substantially all City of Chehalis 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 benefits and defined contributions retirement plans: Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plan 1 and 2; and Public Employees' Retirement Systems (PERS) Plans 1, 2 and 3.

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  
PO Box 48380  
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://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 Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$ 187,764	0.025908%	\$ 914,692
PERS 2 & 3	\$ 311,825	0.033849%	\$ 432,909
LEOFF 1	\$ -	0.026858%	\$ (507,216) *
LEOFF 2	\$ 143,279	0.073244%	\$ (1,494,071) *

\*Pension assets are not reported on Schedule 09

#### LEOFF Plan 1

The City of Chehalis also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding the remaining liability will require new legislation. Starting July 1, 2000, employers and employees contribute zero percent. The City did not have any active LEOFF 1 Plan members in 2020.

#### LEOFF Plan 2

The City of Chehalis also participates in 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 funds the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and LEOFF Plan 2 Retirement Board. The special funding situation is not mandated by the state constitution and could be changed by statute.

### **B. Local Government Pension Plan**

The City's is the administrator of the Firemen's Pension Plan, which is a closed, single-employer, defined benefit pension plan that was established in conformance with the Revised Code of Washington (RCW) Chapters 14.16, 14.18 and 41.20. City of Chehalis Resolution No. 2-2001 created a firemen's pension board to recommend the uses of the firemen's pension fund. The plan is limited to full-time and fully compensated firefighters who were hired prior to the establishment of the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) on March 1, 1970. The plan provides supplemental pension benefits as outlined below.

Through the LEOFF Act, the State undertook to provide the bulk of police and fire pensions; however, the municipalities continue to be responsible for all or part of pension benefits for employees hired before March 1, 1970. Firefighters hired before, but not retired on March 1, 1970, received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City.

Pre-LEOFF supplemental pension payments are based upon formulas using the City's current compensation levels attached to the employee's rank at retirement. In the event the pension paid by the State falls short of what the retiree should receive based upon the formula, the City pays the difference. Should the retiree receive more from the State than would result from the application of the formula, no adjustments or paybacks are required.

Under State law, the Firemen's Pension Plan is funded from an allocation of the State of Washington fire insurance premium taxes, regular property tax levies at \$0.225 per \$1,000 assessed valuation, interest earnings, and City contributions required to meet projected future pension obligations.

The most recent actuarial review of the plan was done in October 2019 by Milliman, Inc. to determine the funding requirements as of January 1, 2019. As of that date, the actuarial present value of future benefits to be provided by the City was \$152,453, and the value of assets held by the Fund was \$1,013,143. The actuarial valuation determined that no additional contributions from the property tax levy is required.

As of December 31, 2020, membership consisted of two (2) pre-LEOFF firefighter retirees.

In 2020, the Firemen's Pension Trust Fund received a total of \$20,204 contributions including fire insurance premium tax of \$14,875 and investment interest of \$5,329.

The Firemen's Pension Plan is shown as a trust fund in the financial statement of the City. The total cash and investment balance in the Firemen's Pension Fund available to pay pension benefits as of December 31, 2020, is \$1,023,556.

#### **NOTE 10 – PROPERTY TAX**

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

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

The City's regular levy rate for the year 2020 was \$2.099995622492 per \$1,000 on an assessed valuation of \$769,615,890 for a total regular levy of \$1,616,190.

The City also has a levy for Emergency Medical Services (EMS). The City's EMS rate for the year 2020 was \$0.429043896170 per \$1,000 on an assessed valuation of \$769,615,890 for a total EMS levy of \$330,199.00.

#### **NOTE 11 – SELF-INSURANCE**

The City self-insures for an eyeglass and contact lens program and unemployment compensation benefits.

The eyeglass and contact lens program provides reimbursements for eyeglasses and contact lenses to council members and certain non-represented employees and their dependents. Total claims paid in 2020 was \$292.

As a government agency, the City has the option to pay unemployment taxes on a reimbursement basis to the State of Washington. In 2020, the City paid \$171.80 in unemployment benefit claims to the State for unemployment taxes.

#### **NOTE 12 - HEALTH & WELFARE**

The City of Chehalis 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, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

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

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

Participating employers contract to remain in the AWC 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 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 HCP. Similarly, the terminating member forfeits all rights and interest to the 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 Trust HCP are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW. The 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 13 - RISK MANAGEMENT**

The City of Chehalis is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 162 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, with \$5,000 deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance, and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy

direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

## **NOTE 14 - OTHER DISCLOSURES**

### **A. Accounting and Reporting Changes**

#### Beginning Balance

The prior year ending balances for the following funds were restated in 2020:

Fund Name	Prior Year Ending Balance, as Previously Reported 12/31/2019	Changes	Current Year Beginning Balance, as Restated, 1/1/2020
General Fund	\$ 1,984,078	\$ 246,631	\$ 2,230,709
Automotive & Equipment Reserve Fund	240,631	(240,631)	-
Custodial Court Fund	6,000	(6,000)	-
Total	\$ 2,230,709	\$ -	\$ 2,230,709

The City's Automotive and Equipment Reserve Fund was reported as a capital project fund in 2019; however, the City determined that it is more appropriate to be classified as a sub-fund of the general fund, which is required to be rolled into the general fund for financial reporting purposes. In 2020, the Automotive and Equipment Reserve Fund is rolled into the general fund and the beginning fund balances were restated accordingly. Custodial Court Fund was created during 2020 due to the State Auditor's new guidance for Court fiduciary activity. The prior year ending fund balance represents a refundable court bail deposit which is now accounted for in the City's general fund. The balance was transferred to the general fund and is reported as a prior year adjustment in 2020.

### **B. Construction Commitments**

The City has active construction projects in progress as of December 31, 2020. The City's projects and commitments with contractors are as follows:

Project Name	Contractor	Paid to Date 12/31/2020	Remaining Commitment	Funding Source
Recreation Park Ballfield Improvement	KBH Construction	\$ 2,702,220	\$ 130,931	Capital Facilities Fund
Riverside Force Main Replacement	C & R Tractor & Landscaping	759,687	262,309	Wastewater Fund
Chehalis Pump Station Replacement	Midway Underground LLC	432,014	91,632	Wastewater Fund
Temporary Fire Station Site Preparation	Barcott Construction LLC	-	223,718	Capital Facilities Fund
Total		\$ 3,893,921	\$ 708,590	

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	2011 LTGO Bond	12/1/2026	605,000	-	75,000	530,000
251.11	2019 LTGO Bond	8/1/2034	894,000	-	45,000	849,000
251.11	2020 LTGO Bond	10/1/2035	-	1,724,000	-	1,724,000
263.91	Fire Truck Loan	8/25/2022	257,340	-	93,583	163,757
263.91	Chip Spreader Loan	10/24/2024	189,579	-	36,574	153,005
263.83	DWSRFL #5 (DOH), 05-96300-008	10/1/2026	441,046	-	63,007	378,039
263.85	Distressed Counties Loan - Airport	12/1/2035	337,355	-	86,310	251,045
263.51	Copier Leases - Governmental		27,176	9,468	10,428	26,216
263.51	JD Mowers, Lease-Purchase - Governmental	2/15/2022	37,055	-	11,771	25,284
<b>Total General Obligation Debt/Liabilities:</b>			<b>2,788,551</b>	<b>1,733,468</b>	<b>421,673</b>	<b>4,100,346</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences (Governmental)		1,196,389	701,222	727,365	1,170,246
259.12	Compensated Absences (Proprietary)		254,710	249,564	257,842	246,432
263.84	SRFL #1 (DOE), L0400015	5/1/2024	722,001	-	156,262	565,739
263.84	SRFL #2 (DOE), L0400016	12/30/2023	76,039	-	18,584	57,455
263.84	SRFL #3A (DOE), L050014A	6/30/2027	12,229,673	-	1,630,623	10,599,050
263.84	SRFL #3B (DOE), L050014B	9/30/2028	355,909	-	39,545	316,364
263.84	DWSRFL # 4 (DOH), 99-65199-013	1/1/2020	48,316	-	48,316	-
263.84	SRFL - I&I Loan, EL #150003	12/31/2036	326,632	-	15,751	310,881
263.84	DWSRFL (DOH)- High Level (DM13-952-179)	10/1/2027	686,800	-	85,850	600,950
263.84	DWSRFL (DOH), Flocculation (DM13-952-180)	10/1/2037	1,090,800	-	60,600	1,030,200
264.30	Net Pension Liability		1,407,830	-	60,228	1,347,602
263.52	Mailing/Inserter Equipment Lease - Proprietary	6/25/2022	14,349	-	5,433	8,916
263.52	Public Works Plotter/Copier	8/1/2024	26,977	-	5,277	21,700
264.40	OPEB Liabilities (LEOFF1)		8,052,293	-	1,765,826	6,286,467
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>26,488,718</b>	<b>950,786</b>	<b>4,877,502</b>	<b>22,562,002</b>
<b>Total Liabilities:</b>			<b>29,277,269</b>	<b>2,684,254</b>	<b>5,299,175</b>	<b>26,662,348</b>

**City of Chehalis**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via N/A)	Bulletproof Vest Partnership Program	16.607	Police Department Bulletproof Vests	1,523	-	1,523	-
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via N/A)	Airport Improvement Program	20.106	AIP 3-53-0012- 018-2018 (DOT- FA18NM-0078)	84,068	-	84,068	-
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via N/A)	COVID 19 - Airport Improvement Program	20.106	Cares Act Grant No. 3-53-0012- 019-2020	69,000	-	69,000	-
<b>Total CFDA 20.106:</b>				<b>153,068</b>	<b>-</b>	<b>153,068</b>	<b>-</b>
<b>Highway Planning and Construction Cluster</b>							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5659 (003)	436,904	-	436,904	-
<b>Total Highway Planning and Construction Cluster:</b>				<b>436,904</b>	<b>-</b>	<b>436,904</b>	<b>-</b>
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-136	237,429	-	237,429	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Riverside Fire Authority)	Assistance to Firefighters Grant	97.044	AFG 2019 SCBA	108,997	-	108,997	3
<b>Total Federal Awards Expended:</b>				<b>937,921</b>	<b>-</b>	<b>937,921</b>	<b>122,500</b>

The accompanying notes are an integral part of this schedule.



**City of Chehalis**  
**Notes to the Schedule of Expenditures of Federal Award**  
**For the Year Ended December 31, 2020**

Note 1- Basis of Accounting

This schedule is prepared on the same basis of accounting as the City of Chehalis financial statements. The City of Chehalis uses the cash basis of accounting.

Note 2 - Federal De Minimis Indirect Cost Rate

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

Note 3 - Noncash Awards - Equipment

The amount of \$108,997 reported on the Schedule is the value of Self Contained Breathing Apparatus (SCBA) equipment received by the City of Chehalis during 2020. The value reported is the actual purchase price shown on the vendor/supplier's invoice and as provided by the pass-through agency, Riverside Fire Authority.

Note 4 - Pass-through to subrecipients

The amount reported for pass through to subrecipients represents awards made to local non-profit agencies through the Chehalis CARES Program agreement.

## CITY OF CHEHALIS

1321 S. Market Boulevard  
Chehalis, Washington 98532  
(360) 345-3231/ Fax (360) 748-6993  
[www.ci.chehalis.wa.us](http://www.ci.chehalis.wa.us)



### CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**City of Chehalis**  
**January 1, 2020 through December 31, 2020**

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).

<b>Finding ref number:</b> 2020-001	<b>Finding caption:</b> The City's internal controls were inadequate for ensuring compliance with federal procurement requirements.
<b>Name, address, and telephone of City contact person:</b> Finance Director Chun Saul 1321 S. Market Place Chehalis, WA 98532 (360) 345-3231	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The City plans to update the procurement policy to ensure that federal standards are being maintained.</i> <i>The City plans to strengthen internal controls to ensure that the City complies with applicable procurement requirements for purchases of goods and services and keeps documentation showing the contract selection process.</i> <i>The City plans to provide training opportunities to City staff on federal grant requirements and share the audit finding and recommendation to raise the awareness and to facilitate compliance with the Federal standards.</i>	
<b>Anticipated date to complete the corrective action:</b> December 31, 2022	

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