Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Sequim

For the period January 1, 2024 through December 31, 2024

Published January 15, 2026

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Office of the Washington State Auditor
Pat McCarthy

January 15, 2026

City Council
City of Sequim
Sequim, Washington

Report on Financial Statements

Please find attached our report on the City of Sequim's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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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 Sequim
January 1, 2024 through December 31, 2024

City Council
City of Sequim
Sequim, 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 Sequim, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 9, 2026.

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 audit 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.



Pat McCarthy, State Auditor

Olympia, WA

January 9, 2026

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Sequim
January 1, 2024 through December 31, 2024

City Council
City of Sequim
Sequim, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Sequim, as of and for the year ended December 31, 2024, 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 Sequim, and its changes in cash and investments, for the year ended December 31, 2024, 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 Sequim, as of December 31, 2024, or the changes in financial position or cash flows thereof for the year 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.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2024, the City adopted new accounting guidance for the presentation and disclosure of compensated absences as required by the BARS Manual. Our opinion is not modified with respect to this matter.

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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 January 9, 2026 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.



Pat McCarthy, State Auditor

Olympia, WA

January 9, 2026

FINANCIAL SECTION

City of Sequim
January 1, 2024 through December 31, 2024

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2024
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2024
Notes to Financial Statements – 2024

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2024

City of Sequim
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		Total for All Funds (Memo Only)	001 General Fund	111 Streets Restricted	112 Affordable Housing Tax
Beginning Cash and Investments					
308	Beginning Cash and Investments	32,654,214	8,322,777	3,295,314	104,526
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	11,317,556	8,510,916	1,054,700	30,774
320	Licenses and Permits	456,332	456,332	-	-
330	Intergovernmental Revenues	3,546,245	658,533	1,925,546	-
340	Charges for Goods and Services	9,868,571	678,066	51,568	-
350	Fines and Penalties	500	500	-	-
360	Miscellaneous Revenues	831,299	358,764	44,372	2,304
Total Revenues:		26,020,503	10,663,111	3,076,186	33,078
Expenditures					
510	General Government	2,739,788	2,732,653	-	-
520	Public Safety	4,721,727	4,684,617	-	-
530	Utilities	7,774,714	164,977	-	-
540	Transportation	2,119,036	1,462,584	656,452	-
550	Natural/Economic Environment	905,597	462,474	-	-
560	Social Services	273,702	180,508	-	-
570	Culture and Recreation	891,299	545,336	-	-
Total Expenditures:		19,425,863	10,233,149	656,452	-
Excess (Deficiency) Revenues over Expenditures:		6,594,640	429,962	2,419,734	33,078
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,664,200	-	-	-
397	Transfers-In	5,240,538	1,526,863	300,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	146,095	104,207	-	-
Total Other Increases in Fund Resources:		7,050,833	1,631,070	300,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	11,885,777	1,682,356	3,516,709	-
591-593, 599	Debt Service	1,644,499	89,613	-	-
597	Transfers-Out	5,240,539	730,000	260,000	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	125,222	13,418	-	-
Total Other Decreases in Fund Resources:		18,896,037	2,515,387	3,776,709	-
Increase (Decrease) in Cash and Investments:		**(5,250,564)**	**(454,355)**	**(1,056,975)**	**33,078**
Ending Cash and Investments					
50821	Nonspendable	25,000	-	-	-
50831	Restricted	7,086,661	-	2,000,448	137,604
50841	Committed	66,451	-	-	-
50851	Assigned	12,356,569	-	237,890	-
50891	Unassigned	7,868,546	7,868,546	-	-
Total Ending Cash and Investments		**27,403,227**	**7,868,546**	**2,238,338**	**137,604**

The accompanying notes are an integral part of this statement.

City of Sequim
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		115 Hotel/Motel	120 Police Restricted	121 Police Asset Seizure	140 Parks Restricted
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,217,327	642,492	25,250	2,293,343
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	604,403	443,832	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	12,193	-	529,620
340	Charges for Goods and Services	23,294	104,057	-	141,288
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	54,267	29,953	481	44,840
Total Revenues:		681,964	590,035	481	715,748
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	37,110	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	443,123	-	-	-
560	Social Services	-	93,194	-	-
570	Culture and Recreation	26,219	-	-	271,760
Total Expenditures:		469,342	130,304	-	271,760
Excess (Deficiency) Revenues over Expenditures:		212,622	459,731	481	443,988
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	955,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	955,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	2,558,323
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	534,291	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	534,291	-	2,558,323
Increase (Decrease) in Cash and Investments:		**212,622**	**(74,560)**	**481**	**(1,159,335)**
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,429,947	487,742	25,731	1,031,099
50841	Committed	-	66,451	-	-
50851	Assigned	-	13,738	-	102,907
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		**1,429,947**	**567,931**	**25,731**	**1,134,006**

The accompanying notes are an integral part of this statement.

City of Sequim
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		150 REET 2 1/4%	160 Arts and Culture	180 ARPA	206 Debt Service
Beginning Cash and Investments					
308	Beginning Cash and Investments	363,894	70,240	1,465,657	19,170
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	336,425	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	7,046	1,628	19,725	1,456
Total Revenues:		343,471	1,628	19,725	1,456
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	40,985	-	-
Total Expenditures:		-	40,985	-	-
Excess (Deficiency) Revenues over Expenditures:		343,471	(39,357)	19,725	1,456
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	55,000	-	625,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	55,000	-	625,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	445,763	-
591-593, 599	Debt Service	-	-	110,943	618,550
597	Transfers-Out	475,000	-	928,676	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		475,000	-	1,485,382	618,550
Increase (Decrease) in Cash and Investments:		**(131,529)**	**15,643**	**(1,465,657)**	**7,906**
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	232,365	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	85,884	-	27,076
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		**232,365**	**85,884**	**-**	**27,076**

The accompanying notes are an integral part of this statement.

City of Sequim
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		306 Capital Facilities	350 REET 1 1/4%	401 Water	402 Sewer
Beginning Cash and Investments					
308	Beginning Cash and Investments	712,161	616,513	4,471,637	8,713,301
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	336,506	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	8,045	412,308
340	Charges for Goods and Services	-	-	3,200,754	5,669,544
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	20,231	11,204	72,336	161,994
Total Revenues:		20,231	347,710	3,281,135	6,243,846
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	2,650,674	4,959,063
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	2,650,674	4,959,063
Excess (Deficiency) Revenues over Expenditures:		20,231	347,710	630,461	1,284,783
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	875,694	788,506
397	Transfers-In	1,778,675	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	40,456	-	25,795	(24,363)
Total Other Increases in Fund Resources:		1,819,131	-	901,489	764,143
Other Decreases in Fund Resources					
594-595	Capital Expenditures	342,687	-	1,630,285	1,709,654
591-593, 599	Debt Service	-	-	201,587	623,806
597	Transfers-Out	-	680,000	730,572	902,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	3,087	-	79,080	29,637
Total Other Decreases in Fund Resources:		345,774	680,000	2,641,524	3,265,097
Increase (Decrease) in Cash and Investments:		**1,493,588**	**(332,290)**	**(1,109,574)**	**(1,216,171)**
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,216,518	284,223	114,950	114,951
50841	Committed	-	-	-	-
50851	Assigned	989,232	-	3,247,109	7,381,641
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		**2,205,750**	**284,223**	**3,362,059**	**7,496,592**

The accompanying notes are an integral part of this statement.

City of Sequim
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		500 Unemployment Compensation	701 Haller Park Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	278,227	42,385
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	698
Total Revenues:		-	698
Expenditures			
510	General Government	7,135	-
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	6,999
Total Expenditures:		7,135	6,999
Excess (Deficiency) Revenues over Expenditures:		(7,135)	(6,301)
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	-
Increase (Decrease) in Cash and Investments:		**(7,135)**	**(6,301)**
Ending Cash and Investments			
50821	Nonspendable	-	25,000
50831	Restricted	-	11,083
50841	Committed	-	-
50851	Assigned	271,092	-
50891	Unassigned	-	-
Total Ending Cash and Investments		**271,092**	**36,083**

The accompanying notes are an integral part of this statement.

City of Sequim
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	16,193	-	16,193
388 & 588	Net Adjustments	-	-	-
310-390	Additions	55,969	7,670	48,299
510-590	Deductions	47,338	-	47,338
	Net Increase (Decrease) in Cash and Investments:	8,631	7,670	961
508	Ending Cash and Investments	24,824	7,670	17,154

The accompanying notes are an integral part of this statement.

CITY OF SEQUIM

NOTES TO FINANCIAL STATEMENTS
2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Sequim was incorporated in 1913 and operates under the laws of the state of Washington applicable to a Non-charter Code City with a Council-Manager form of government. The City is a general purpose government and provides public safety, water supply, water treatment and distribution, sewage collection and tertiary class-A treatment/ reclamation, street maintenance, comprehensive planning/zoning, building permitting/inspection, parks and administrative services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- 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 classification that are different from the ending net position classifications in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the City. 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

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

Capital Projects Funds

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

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City 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 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 the twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

It is the City's policy to invest all temporary cash surpluses. The interest earned on these investments is pro-rated to the various funds. For more information, see Note 3 – Deposits and Investments.

D. Capital Assets

Capital assets are assets with an individual cost of more than $7,500 and an estimated useful life in excess of two years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation time accumulates depending on time worked and seniority. Accruals vary depending upon whether or not the employee is represented by a bargaining unit. Employees represented by a union will accrue vacation at the following rates:

Nonuniformed		**Uniformed**	
Years of Service	**Accrual**	**Years of Service**	**Accrual**
Year 1	1 week		
Year 2-4	2 weeks	Year 1-4	2 weeks
Year 5-9	3 weeks	Year 5-9	3 weeks
Year 10-14	4 weeks	Year 10-14	4 weeks
Year 15+	5 weeks	Year 15+	5 weeks

Effective January 1, 2018, non-represented employees accrue vacation at the following rates:

Level	**Years of Service**	**Admin Support (non-exempt)**	**Manager 1-3 (exempt)**	**Director (exempt)**
Level 1	Year 1	2 weeks	3 weeks	4 weeks
Level 2	Year 2-5	3 weeks	4 weeks	5 weeks
Level 3	Year 6-10	4 weeks	4.5 weeks	5.5 weeks
Level 4	Year 11+	5 weeks	5.5 weeks	6 weeks

The City payroll system accrues time off for every employee (except seasonal employees). For non-exempt positions, this consists of accrued vacation, annual holiday floater, comp-time and/or overtime earned. For exempt positions, it consists of accrued vacation and an annual holiday floater. Salaried employees are not eligible to earn comp-time.

All employees may accrue vacation up to a maximum of 360 hours. Any vacation over the maximum on January 1 each year will be lost unless the City Manager elects to buy back the vacation leave time. For non-uniformed union employees the maximum total accrued hours in the PTO bank is three hundred fifty two (352) hours if hired before January 1, 2015

and two hundred fifty two (252) hours if hired on or after that date. For uniformed union employees, the maximums are three hundred sixty (360) if hired before January 1, 2013 and three hundred (300), on or after that date. Upon separation or retirement, employees do receive payment for unused vacation at a rate of 100%.

A full-time employee typically accrues sick time at a rate of 8 hours per month, and at least one (1) hour for every 40 hours worked. Non-uniformed represented employees may accrue sick leave up to 1,440 hours. Upon separation or retirement these non-uniformed represented employees hired prior to December 31, 2014 receive payment for unused sick leave at a rate of 50%. Non-uniformed represented employees hired after that date, are paid 25% of accrued sick leave upon separation. Uniformed represented staff, hired prior to December 31, 2013, are paid 50% of a maximum of 1,440 hours of accrued sick leave. Uniformed represented staff hired after that date are paid 50% of a maximum of 750 hours. All employees may accrue up to any amount. Upon separation, some non-represented employees are eligible for 100% of “grandfathered” sick-leave (balances and reasons for eligibility varies among this group). Effective January 1, 2023, accrued sick leave became eligible for payout at employment separation for non-represented staff at 25%.

Compensated absences as of December 31, 2024 totaled $884,742, which decreased from the prior year by $91,307. During the year ended 2024, the City adopted guidance for the presentation and disclosure of compensated absence liabilities, as required by the BARS manual. This requirement resulted in no changes to the liability calculation.

F. Risk Management

The City 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. As of December 31, 2024, WCIA has a total of 168 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 deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer, and $16 million in limits above the self-insured layer is provided by reinsurance. Total limits are $20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to $1 million and subject to member deductibles, sublimits, and a $5 million pool aggregate. Premises pollution liability provides Members with a $2 million incident limit

and $10 million pool aggregate subject to a $100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to $1,000,000, 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.

G. Subscription Based Information Technology Arrangements (SBITA)

All SBITAs are reported as liabilities as seen in Note 8 – SBITA.

H. 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 partied or due to internal commitments established by the City Council through ordinance. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resource first.

Restrictions and commitments of Ending Cash and Investments consist of the following: The City's ending fund balance of $27,428,051 contains $7,086,661 in restricted and $66,451 in committed funds. Our restricted fund balances include: Streets Restricted (111) where funds are committed through impact fee and settlement agreements, SEPA mitigation for specific transportation improvements or taxes reserved for specific transportation improvements, Hotel/Motel (115) where tax revenue is restricted by legislation to tourism activities, Police Restricted (120) where donation money is committed by policy to specific programs like K-9 replacement, and car seats, Police Asset Seizure where funds are restricted by legislation, REET 1 and REET 2 (150/350) by legislation to specific capital projects identified in the City's Capital Improvement plan, Parks Restricted

(140) by impact fees, donations and REET balances, and Water & Sewer Debt Service (401/402) by revenue bond covenants that stipulate reserve requirements equal to the amount of the annual payment.

See below for details:

	Restricted/Committed
Streets Restricted (111)	
SEPA Mitigation and Latecomer Funds	$142,676
Impact Fees	511,209
Transportation Benefit District Taxes	1,182,241
Real Estate Excise Taxes	61,205
Settlements/Cash Performance Bonds	103,117
	2,000,448
Affordable Housing Tax (112)	137,604
Hotel/Motel Lodging Tax (115)	1,429,947
Police Restricted (120 and 121)	
Police Asset Seizure	25,731
Tribal Contribution for MAT Clinic	92,256
Public Safety Tax	395,486
Donations and Grants	66,451
	579,924
Parks Restricted (140)	
Impact Fees	594,661
REET	436,438
	1,031,099
REET 1 (150) and REET 2 (350)	516,588
Capital Facilities (REET and Federal Awards)	1,216,518
Water (401) Revenue Bond required reserve	114,950
Sewer (402) Revenue Bond required reserve	114,950
Haller Park Trust Fund (701)	11,083
Total Restricted and Committed Funds	$7,153,112

Ending fund balance also includes $25,000 in non-spendable funds and $24,824 in fiduciary funds.

NOTE 2 – BUDGET COMPLIANCE

The City adopts annual appropriated budgets for all funds 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 annual appropriated and actual expenditures (before eliminating entries prepared for reporting purposes on statements C-4 & C-5 and schedule 01) for the legally adopted budgets were as follows:

Fund	Final Annual Appropriation	Actual Expenditures	Variance/ Balance
001 General Fund (includes 101 Streets, 107 Storm Water, 117 Project Storm Water and 164 Equipment Reserve, Rainy Day 199)	17,968,728	16,626,919	1,341,809
111 Streets Restricted	6,144,748	4,433,161	1,711,587
115 Lodging Tax	593,944	469,344	124,600
120 Criminal Justice	736,156	664,596	71,560
121 Police Asset Seizure	15,000	-	15,000
140 Parks Restricted	2,995,303	2,830,083	165,220
150/350 Real Estate Excise Tax	1,195,000	1,155,000	40,000
160 Gifting and Donations	57,483	40,984	16,499
180 American Rescue Plan Act	1,503,300	1,485,381	17,919
206 LTGO Debt Service	660,096	618,550	41,546
306 Capital Facilities	2,420,000	345,774	2,074,226
401 Water	10,374,153	6,842,203	3,531,950
402 Sewer	10,380,929	9,324,159	1,056,770
500 Unemployment	40,000	7,135	32,865
621 Police Expendable Trust	20,000		20,000
630 Flexible Spending Accounts	45,000	44,405	595
635 Agency	70,000	2,932	67,068
701 Haller Fund	17,000	6,999	10,001
Totals	**55,236,840**	**44,897,625**	**10,339,215**

The General Fund (001), Street-Unrestricted (101), Storm Water Operations (107), Project Storm Water (117), Equipment Reserve Fund (164) and the Rainy Day (199) fund budgets were approved as separate funds but are shown consolidated to be consistent with other schedules. The water and sewer unrestricted and restricted fund budgets were also approved separately but are “rolled-up” to their respective enterprise fund to be consistent with other schedules, as well. REET1 activities are classified as Capital Fund activities in the financial statements although they were combined in Fund 150 REET for budget purposes.

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments, however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City’s legislative body. In 2024, the City Council approved the following significant amendments to the budget:

- The Salary and Wage schedule for 2024 was updated to add 1 full-time equivalent for an Assistant Parks and Programming Manager and related expenditures were added to the General Fund.
- General Fund expenditures increased by $319,000 for a revised janitorial contract, development related professional services, the annual WCIA insurance assessment and unanticipated software subscriptions.
- A new managerial fund 113 Development Reserves was created with a $125,000 transfer out of the General Fund and on-call engineering expenditures of $250,000 was added for on-call development review services.
- Streets Restricted expenditures increased by $2,775,000 for the North Sequim Avenue Improvement projects, using $1,927,000 in beginning fund balance and grant revenues as a funding source.
- Equipment Reserve expenditures increased by $941,000 for equipment purchases made and budgeted in prior years, using beginning fund balance as a funding source.
- Additional transfers out from the Water and Sewer Operations Funds were added to increase contributions to Capital Projects and debt. Other increases included expenditures for the annual WCIA insurance assessment and Water Reclamation Facility improvements.

NOTE 3 – DEPOSITS & INVESTMENTS

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

Type of Investment	City's Own Deposits and Investments	Deposits and Investments held by the City for Others	Total
Bank Deposits	6,214,111	23,954	6,238,066
Local Government Investment Pool	2,513,783	103	2,513,886
US Government Issues	14,628,726	600	14,629,326
Corporate/Municipal/Local Issues	3,522,218	145	3,522,363
Other	524,389	22	524,411
Totals	**27,403,227**	**24,824**	**27,428,051**

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, and online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City's deposits are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the City or its agent in the government's name.

NOTE 4 – PROPERTY TAXES

The 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 Calendar	
January 1	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax bills are mailed
April 30	First of two equal installments payments are due
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due

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 for the year 2024 was $0.946096 per $1,000 based on a 2023 assessed valuation of $1,928,481,949 for a total regular levy of $1,824,528. (In 2024, the City Council voted to approve the allowable 1% increase in property taxes for 2025.)

NOTE 5 – LONG TERM LIABILITIES

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes debt transactions for the year ending December 31, 2024. The following table summarizes the debt service requirements for general obligation bonds, revenue bonds and other liabilities, including interest:

Year	Principal	Interest	Total
2025	670,846	429,563	1,100,408
2026	686,557	411,636	1,098,193
2027	707,283	390,703	1,097,986
2028	670,244	368,961	1,039,205
2029	690,995	346,987	1,037,983
2030-2034	3,791,708	1,368,418	5,160,125
2035-2039	2,939,936	729,802	3,669,738
2040-2044	1,728,795	140,534	1,869,329
Total	**11,886,365**	**4,186,603**	**16,072,969**

*As of December 31, 2024, there was $884,742 in outstanding compensated absences that represent an unfunded liability with no scheduled payments, as this is based on attrition. Therefore, total debt payments above do not include such future obligations for compensated absences.

** As of December 31, 2024, the City had General Obligation Debt of $7,360,000 and Revenue Debt of $1,845,000, shared by both the water and sewer utilities, to fund the civic center building completed in 2015. Maturities occur in 2042 and 2034, respectively.

*** As of December 31, 2024, the City had $2,681,365 in outstanding water and sewer related loan obligations, with interest rates ranging from 1% to 1.8%, and maturities ranging from 2027 to 2043.

NOTE 6 – STATE SPONSORED PENSION PLANS

Substantially all of the City's full-time and qualifying part-time employees participate in one of the statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employees' Retirement Systems (PERS) and Law Enforcement Officers' and Fire Fighter's 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 (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statement and required supplementary information for each plan. The DRS ACFR may be obtaining by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

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

At June 30, 2024 (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:

	Employer Contribution	Allocation %	Liability (Asset)
PERS 1	168,472	.028143%	500,056
PERS 2/3	358,856	.036459%	(1,201,898)
LEOFF 1		.001187%	(33,757)
LEOFF 2	111,686	.045589%	(853,766)

The City participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

The City 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 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.

During 2007, the City employees in the Non-uniformed bargaining unit chose to participate in the Western Conference of Teamsters Pension Plan. This plan is fully funded by employee contributions. More information is available at the Plan's web site at www.wctpension.org.

NOTE 7 – INTERLOCAL AGREEMENTS

The City has several inter-local agreements with nearby cities, Clallam County, the local fire district, the local school district, Clallam County Transit, and other government agencies.

During 2024, the following inter-local agreements were signed or in effect:

Parties	Services
Arizona State University	Materials Agreement
Association of Washington Cities	Employee Benefit Trust Healthcare Program
City of Port Angeles	Police Department – Mutual Assist Agreement, Purchasing, Solid Waste Disposal, City Attorney Services, Firing Range Use
City of Port Angeles, Olympic Medical Center, Clallam Transit and Clallam County	Resource Conservation Management
City of Portland	RAPID Users Participation Agreement
City of Seattle	Cooperative Purchasing Agreement, WSRN – GPS Network
Clallam County	Management Control Agreement – IT Services, Surface Water Flow, Monitoring, Carlsborg Wastewater Disposal and Treatment, Criminal Justice Services, Building Code Services as needed, SERP and Design Standards in USA, Elections – Ballot Collection and Voter Registration, Comp Solid Waste Management Plan, STP Funds, Public Utilities Franchise, Septage Treatment, Clean Water District MOA, Prisoner Confinement, Sex Offender

	Address and Residency Program, Electronic Home Monitoring Program, Road Work Agreement, Use of Mower, OPSCAN Network Services, Stonegarden Grant Program, Critical Incident Stress Management
Clallam County and Jefferson County	Multi-Agency Investigative Response Team
Clallam Conservation District	Low Impact Development Project
Clallam County, City of Forks and Port Angeles	Multi-Agency Reciprocal Maintenance Agreement, Distribution of SHB 2060 Funds
Clallam County, et al	Kenmore Air Grant
Clallam County PUD #1	Water Service Area Agreement – Highlands, Street Light Agreement, Power Line Extension Agreement, Temporary Wholesale Water Supply Agreement, Conservation Agreement – Lighting Systems Upgrades, Solar Interconnection Agreement, Electric Vehicle Charging Station
Clallam County Sheriff	Use of Sequim Police Department and Training Lab Use
Clallam County Sheriff and Fire District #3	Fire Investigation Task Force
Clallam Transit	Commercial Lease Agreement, Maintenance and Install Bus Stops, Parking Easement
Clallam/Jefferson Public Defenders	Indigent Case Defense
Federal Communications Commission	Radio Station Authorization
Fire District #3	Fire Inspections, Fire and Emergency Medical Protection, Burning Permit Process, Confined Space Equipment, Interlocal Emergency Management Services and Operations, Fire Safety Services
Houston-Galveston Area Council	Cooperative Purchasing Agreement
Jamestown S'Klallam Tribe	Letter of Agreement re Roadway System, Wastewater Disposal and Sanitary Sewer Maintenance, Social Services Navigator
Jamestown Excavation	Installation of Water Meters
Multi-Agency	Hazard Mitigation and Climate Planning
King County	Cooperative Purchasing Agreement
Kitsap County	Emergency Vehicle Operations Course Training
Olympic Peninsula Narcotics Enforcement Team (OPNET)	Distribution Agreement, Criminal Investigations and Prosecutions
PENCOM – City of Port Angeles	Dispatch and Computer Records Services

Port Angeles School District #1121	Remodel of Guy Cole Center
Sequim School District	PRoTECT Coalition, Green house Lease, School Resource Officer
Washington State Auditor	Interagency Data Sharing Agreement
US Department of Defense/State of Washington	State Plan of Operations re Surplus Property
Washington State Public Works Board	Construction Loan Agreement – Aerobic Digesters, Grant for 5th & McCurdy Booster Pump Station, Grant for Sunnyside Water Main Replacement
Washington State Department of Commerce	Energy and Water Efficiency Program, Growth Management Act Update Grant, Agreement and loan for McCurdy Booster Pump Station, CARES Act Funding, Solar Panel Grant, Electric Vehicle Charging Grant, Comprehensive Plan Update Grants
Washington State Department of Ecology	Aerobic Digester Aeration and Headworks Improvements Grant, Water Reclamation & Distribution Expansion Grant, Stormwater Stewardship Grant, Water and Sewer Infrastructure Grants
Washington State Department of Enterprise Services	Guy Cole Interagency Agreement, State Purchasing Contract, Surplus Program
Washington State Department of Health	Feasibility Study Grant – Deytona Water System
Washington State Department of Licensing	Master Business Licensing Services, Interagency Disclosure Driver and Plate Search
Washington State Department of Natural Resources	Urban and Community Forestry Program
Washington State Department of Revenue	Sales and Use Tax Agreement
Washington State Department of Transportation	Adopt-A-Hwy, Maintenance and Ops of Signal Systems, 5th & Hendrickson Signal Maintenance, Overhead Reciprocating Agreement, LOU for Local Agency Guidelines, Trail Lease – ODT, STP Funds W Sequim Bay Road, W Fir Street Rehab Grant, Turnback Agreement, Non-Discrimination Agreement, Guard Rail Repair
Washington State Public Works Board	Grant for 5th & McCurdy Booster Pump Station Improvements, Grant for Sunnyside Water Main Replacement
Washington State Transportation Improvement Board	Expanded Preservation Project, Arterial Preservation Project, North Sequim Avenue Fuel Tax Grant

Washington State Department of Natural Resources	Aquatic Lands Outfall Easement and Insurance
Washington State General Services Administration	Intergovernmental Purchasing Agreement
Washington State Patrol	Live-Scan Fingerprint ID System, 24 Hour Hit Confirmation, Use of ASPEN Software, Academy Facility Use, SECTOR Service Level Agreement
Washington State Department of Corrections	Shared Office Space
Washington State University	Small Business Development Center Program
Washington Traffic Safety Commission	Drug Recognition Experts MOU, Target Zero Task Force
Washington Cities Insurance Authority	Insurance and Risk Management Services

Details of these and all prior active agreements can be found on the City's web-site, www.sequimwa.gov.

NOTE 8 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The following SBITA contracts were in effect in 2024:

A. ClearGov – Digital Budget Book: The City makes annual subscription payments of $7,750 for use of Digital Budget Book software. Two payments on this SBITA were made in 2024. This SBITA contract expires on December 31, 2025.
B. Body Worn and Police Vehicle Cameras: The City makes annual subscription payments of $40,473 for this supporting software. No payments on the SBITA were made in 2024. This SBITA expires October 31, 2026.
C. Questica Budget Software: The City makes annual subscription payments of $16,200 for budget compilation software. This SBITA expired on September 30, 2024.
D. Thomson Reuters – Westlaw Research Tool: The City makes monthly subscription payments of $466 and $489, according to a prearranged schedule. This subscription expired on April 5, 2024.
E. Tyler Technologies SaaS for Financial Software: The City makes annual subscription payments of $103,193 for financial software that includes general ledger, payroll, utility billing, permitting and bank reconciliation. This SBITA expires on November 30, 2025.
F. Microsoft 365 / Exchange: The City makes annual subscription payments of $80,395 for access to a suite of Microsoft products, including Word, Teams meetings, Powerpoint, Excel and other programs. This licensing arrangement expires on February 28, 2026.

The total amount paid for SBITAs in 2024 was $200,557. As of December 31, 2024, the future SBITA payments are as follows:

Year	Total
2025	120,868
2026	120,868

NOTE 9 - OTHER DISCLOSURES

A. Health & Welfare

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

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

As of December 31, 2024, 268 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 2024, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an

Individual Stop Loss (ISL) of $2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

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

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

B. Subsequent Events

On December 8, 2025, the City Council approved a resolution accepting an award of $661,550 in a standard loan and $1,918,648 in a forgivable loan from the Department of Ecology to aid in the financing of a sewer collection system upgrade in the Flaura's Acres neighborhood. The interest rate is 0.7% for a 20-year term with early pay-off options. The agreement was executed on December 16, 2025. However, no funds have been expended for the related project as of the time of issuance of this audit report and as such no loan proceeds have been receipted into the City.

C. Other Disclosures

Interfund Charges:
The City provides support services to operating units (funds and departments) through the

following services: City Council, City Administration (City Manager, Clerk, Attorney, and Communications), Administrative Services (Finance, Human Resources, and Information Technology), Public Works Administration, Engineering, Facilities and non-departmental (City-wide expenses). These services are paid by the General Fund and charged back to the departments and programs directly benefiting from them. It is a process guided by an Allocation Policy and complex methodology that describes how the City allocates costs reasonably and equitably, according to actual benefit. This service level differs from month to month and year to year based upon the benefit they receive.

This plan identifies the following "allocation bases" that determine how costs are distributed from these Services. They include the following: Council Agenda items, Fund Activity (expenses net of interfund charges, transfers and debt), Number of Employees, Equipment, Square Footage and Insurance Claims. These "bases" or factors are updated frequently so the charges to each department/fund vary with those factors on a (relatively) real-time basis. As such, these charges to departments/funds resulted in $2,470,026 in overhead allocations recorded and reported as a reimbursement against the expense.

Also, in 2021, the City changed its practice with respect to collecting revenues for services related to engineering, human resources, finance and city attorney. A portion of these departments are expensed directly to the departments utilizing these services. A total of $1,023,975 was expensed directly to other funds (and netted against the general Fund expense line items). Finally, $570,086 of the 2024 $948,655 insurance assessment was charged directly to funds based upon their history of insurance claims.

Boards and Committees:
The City Manager and the Council have established numerous Citizens Boards and Committees to obtain public involvement. The council committees include the Civil Service Commission, the Planning Commission, the Arts Commission, the Citizens Park Advisory Board and the Lodging Tax Advisory Committee where membership can change annually. Other committees and task forces are created on a short-term and long-term basis to address current local issues. Members of Council and/or City Management staff have been attending the various meetings.

Public Transportation Tax, effective April 1, 2010:
Ballot measures were proposed and approved in November 2009 to authorize a sales and use tax of two-tenths of one percent (0.2%) to be collected within the Sequim Transportation Benefit District (TBD), effective April 1, 2010. Collection of these revenues directly from the State started in 2010 and expire in 2020. An inter-local agreement obligated the TBD to transfer sales and use tax to the City to offset the City's expenses in performing capital projects and maintaining City streets. In 2017, the TBD was absorbed by the City. These revenues are now collected in the City's Streets Restricted Fund. Total collected in 2024 was $1,054,700. Ballot measures were proposed and approved in 2018 to continue the tax through 2030.

Public Safety Tax, effective January 1, 2013:
In August 2012, the citizens of Sequim voted to authorize a .1% Public Safety Tax, effective January 1, 2013. Receipts for this new tax began in March 2013. The City completed

construction of a new Civic Center in 2015 which houses the Police Station and City Hall. This tax provides funding for the debt service related to the new Police Station, and more recently public safety efforts related to emergency management. Total collected in 2024 was $443,832.

Self-Insured for Unemployment Benefits:
The City has elected to be self-insured for unemployment benefits. A reserve (fund 500) has been established to cover potential future liability.

Additional Water and Sewer Revenue Bond Disclosures:

Parity bond debt service coverage ratio for 2022, 2023 and 2024:

		2022			2023			2024		
		Water	**Sewer**	**Total**	**Water**	**Sewer**	**Total**	**Water**	**Sewer**	**Total**
Operational Summary										
Total Op Revenues		2,637,310	4,736,155	7,373,465	2,876,134	5,220,735	8,096,868	2,962,135	5,323,189	8,285,324
Total Ops Expenses	1	2,008,698	4,468,175	6,476,873	1,994,419	4,469,633	6,464,052	2,334,892	4,636,728	6,971,620
Net Revenues		628,612	267,980	896,592	881,715	751,102	1,632,816	627,242	686,462	1,313,704
Non-Operation Revenues										
Connection Charges and Interest		662,578	613,367	1,275,945	297,467	322,982	620,449	299,631	469,449	769,080
Available for Parity Bond Debt		**1,291,189**	**881,347**	**2,172,537**	**1,179,182**	**1,074,084**	**2,253,266**	**926,873**	**1,155,911**	**2,082,784**
Parity Bond Debt Service	2	115,000	115,000	230,000	115,000	115,000	230,000	115,000	115,000	230,000
Parity Bond Debt Service Coverage		**11.23**	**7.66**	**9.45**	**10.25**	**9.34**	**9.80**	**8.06**	**10.05**	**9.06**
Available for other purposes		1,176,189	766,347	1,942,537	1,064,182	959,084	2,023,266	811,873	1,040,911	1,852,784

1 – Excludes “Other Non-Operating Expenses” such as transfers
2 – Approximate based upon annual debt service over the life of revenue bond

Number of Utility Customers as of December 31, 2022, 2023 and 2024

MCAG # 0235

WATER	2022 Customers	2023 Customers	2024 Customers
Single Family Residential	2436	2494	2531
Multifamily Residential	51	49	51
Commercial	344	339	350
Hotel/Motel and RV	11	10	12
Public Authority	27	29	33
Irrigation	143	151	148
Total Connections	**3,012**	**3,072**	**3,125**
	1%	2%	2%

Sewer	2022 Customers	2023 Customers	2024 Customers
Single Family Residential	2,889	2,931	2,985
Multifamily Residential	50	48	49
Commercial	333	330	326
Hotel/Motel and RV	11	11	14
Public Authority	30	30	46
Total Connections	**3,313**	**3,350**	**3,420**
	2%	1%	2%

2024 Water Rates [1]

	Single-Family Residential		Multi-Family Residential		Commercial and Public Authority/Irrigation		Hotel/Motel and RV Park	
	Base	Consumption	Base	Consumption	Base[2]	Consumption	Base[3]	Consumption
2024	$28.97	$0.010079	$27.51	$0.010079	$231.76	$0.010079	$21.71	$0.010079

(1) Rates shown are monthly rates. All consumption charges shown are per cubic foot (cf.) of water consumed. Consumption charges shown apply only to the first 600 cf. consumed per month. Usage exceeding 600 cf. per month (and under 1,600 cf.) is charged at $0.029458/cf. and usage exceeding 1,600 cf. is charged at $0.037224/cf. Minimum rates for water service to customers located outside the City limits are 50% higher than the specified class base rate and consumption fee charged per unit inside the City limits unless addressed under separate contract.

(2) Base rates applicable to 2-inch meters. For 2024, base rates for other meter sizes were $43.47 for ¾-inch meters, $72.41 for 1-inch meters, $144.84 for 1.5-inch meters and $434.40 for 3-inch meters.

(3) Hotel/motel rates apply per unit or pad. Hotel/motel rates are also applicable to transient RV sites with water hookups.

2024 Sewer Rates

	2024	
	Inside City Limits	Outside City Limits[1]
Single-Family Residential (connected to City water system)[2]	$62.99	94.49
Single-Family Residential (sewer only)	66.51	99.77
Multifamily Residential (per unit)	59.84	89.76
Commercial and Public Authority[3]	100.05	150.08
Hotel/Motel and RV[3]	47.27	70.91

(1) Out-of-City charges are 1.5 times the in-City base rate and usage fee, unless addressed under contract.

(2) Based on an average winter water usage of 600 cf. per month or less.

(3) Includes the first 600 cf. of usage per month of usage per month. Each additional cf. is charged at $0.065861/cf.

City of Sequim
Schedule of Liabilities
For the Year Ended December 31, 2024

ID. No.	Debt ID Title	Description	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Non-voted General obligation bonds	City Hall/Police Station LTGO	7,640,000	-	280,000	7,360,000
		Total General Obligation Debt/Liabilities:	**7,640,000**	**-**	**280,000**	**7,360,000**
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	Public Works Trust Fund (PWTF) Loans	PWTF Aerobic Digester Loan - 094	231,111	-	57,778	173,333
252.11	Non-voted Revenue bonds	Water Revenue Bond 2014	997,500	-	75,000	922,500
252.11	Non-voted Revenue bonds	Sewer Revenue Bond 1014	997,500	-	75,000	922,500
263.84	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	DWSFR - 5th & McCurdy Water Pump Station	483,224	-	40,269	442,955
263.84	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	DWSRF - Sunnyside Water Main 036	432,745	-	36,062	396,683
263.84	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	DOE-DWSRF - Doe Run Lift Station 00162	40,463	-	1,904	38,559
263.84	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	DOE-DWSRF - Sunnyside Sewer Main 00177	352,593	-	20,512	332,081
263.84	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	DOE Water Quality Loan - W Fir Street Sewer 00129	380,248	-	19,311	360,937
263.84	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	DOC Silberhorn Deep Well 127	61,123	875,694	-	936,817
259.12	Compensated Absences	Compensated Absences	976,049	-	91,307	884,742
264.30	Pension Liabilities	Pension Liabilities	660,212	-	160,156	500,056

City of Sequim
Schedule of Liabilities
For the Year Ended December 31, 2024

ID. No.	Debt ID Title	Description	Beginning Balance	Additions	Reductions	Ending Balance
263.57	Leases, SBITA, and PPPs	ClearGov - Digital Budget Book	15,500	-	15,500	-
263.57	Leases, SBITA, and PPPs	Body Worn/PD Vehicle Cameras and Subscription	138,708	23,184	-	161,892
263.57	Leases, SBITA, and PPPs	Thomas Reuters - Weslaw Research Tool	1,469	-	1,469	-
263.57	Leases, SBITA, and PPPs	Tyler Technologies - Saas for Financial Software	90,457	12,736	103,193	-
263.57	Leases, SBITA, and PPPs	Microsoft 365 / Exchange	-	241,186	80,395	160,791
263.84	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	DOE W Sequim Bay Sewer 00112	-	788,506	394,253	394,253
		Total Revenue and Other (non G.O.) Debt/Liabilities:	**5,858,902**	**1,941,306**	**1,172,109**	**6,628,099**
		Total Liabilities:	**13,498,902**	**1,941,306**	**1,452,109**	**13,988,099**

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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