



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of DuPont

For the period January 1, 2021 through December 31, 2022

Published September 28, 2023

Report No. 1033358



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

September 28, 2023

Mayor and City Council
City of DuPont
DuPont, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of DuPont 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 no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of DuPont January 1, 2021 through December 31, 2022

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2020 through December 31, 2020	Report Ref. No.: 1029975	Finding Ref. No.: 2020-001
Finding Caption: The City lacked adequate internal controls for ensuring the Schedule of Expenditures of Federal Awards was accurate and complete.		
Background: During 2020, the City prepared a Schedule of Expenditures of Federal Awards (SEFA) to document federal grant funding spent during the year. The City omitted expenditures related to the Highway Planning and Constructions federal program (ALN. 20.205), thereby understating the SEFA by \$349,166. The City did not have an adequate process in place to ensure it reported all federal programs with expenditures incurred during the year on its SEFA.		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;"> <input checked="" type="checkbox"/> Fully Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Partially Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Not Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid </div> </div>		
Corrective Action Taken: <i>Once the error was identified, we went back through all grant revenues and expenses for the year to ensure we had the correct Assistance Listing Numbers and identified what was Federal and other. The City of DuPont has implemented the following internal controls to ensure that all grants are captured for their revenues and expenses and tracked by their ALN:</i> <i>The Finance Director prepares the SEFA by identifying all grant agreements the City has entered into and reviews a GL trial balance to identify potential federal expenditures that are for the grant agreements. As part of the transaction recording process, expenditures that are for federal programs are coded based on the project in Springbrook (GL). Once they have</i>		

identified all of the transactions for all grant agreements, they will then review billings or reimbursement requests to ensure that the revenues have been received of the associated federal expenditures. The Finance Director uses the template available on SAO's website for SEFA reporting. They enter grant expenditures and information obtained from the grant agreements (ALN, direct or pass through agency, other award number) and uploads the completed template to the SAO online portal. Once they have uploaded, they perform another review using a grant checklist to ensure they entered all information correctly, verifying that no information was missed and the upload was successful.

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 DuPont January 1, 2021 through December 31, 2022

Mayor and City Council
City of DuPont
DuPont, 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 DuPont, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 21, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "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

September 21, 2023

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 DuPont
January 1, 2022 through December 31, 2022

Mayor and City Council
City of DuPont
DuPont, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

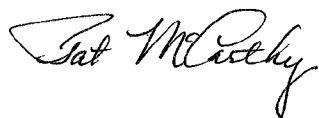
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

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.



Pat McCarthy, State Auditor

Olympia, WA

September 21, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of DuPont January 1, 2021 through December 31, 2022

Mayor and City Council
City of DuPont
DuPont, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of DuPont, as of and for the years ended December 31, 2022 and 2021, 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 DuPont, and its changes in cash and investments, for the years ended December 31, 2022 and 2021, 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 DuPont, as of December 31, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2023 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "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

September 21, 2023

FINANCIAL SECTION

City of DuPont January 1, 2021 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to Financial Statements – 2022
Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022
Schedule of Liabilities – 2021
Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	103 Hotel/Motel Tax Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	19,776,682	3,784,869	555,242	169,149
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	9,539,938	7,622,732	-	274,327
320	Licenses and Permits	428,209	426,459	1,750	-
330	Intergovernmental Revenues	5,075,241	1,712,874	3,173,305	-
340	Charges for Goods and Services	5,614,998	994,962	147,000	-
350	Fines and Penalties	163,706	128,916	-	-
360	Miscellaneous Revenues	545,446	384,289	16	3,075
Total Revenues:		21,367,538	11,270,232	3,322,071	277,402
Expenditures					
510	General Government	2,192,242	2,163,290	-	-
520	Public Safety	5,815,701	5,815,701	-	-
530	Utilities	3,173,022	-	-	-
540	Transportation	742,441	204,567	533,344	-
550	Natural/Economic Environment	1,013,399	1,013,399	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	1,056,824	880,739	-	176,085
Total Expenditures:		13,993,629	10,077,696	533,344	176,085
Excess (Deficiency) Revenues over Expenditures:		7,373,909	1,192,536	2,788,727	101,317
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,458,570	370,390	1,142,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	63,414	22,887	-	-
Total Other Increases in Fund Resources:		2,521,984	393,277	1,142,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	8,742,325	505,357	4,401,107	-
591-593, 599	Debt Service	1,675,169	32,719	-	-
597	Transfers-Out	2,458,570	1,245,382	-	121,200
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	37,249	2,599	-	-
Total Other Decreases in Fund Resources:		12,913,313	1,786,057	4,401,107	121,200
Increase (Decrease) in Cash and Investments:		(3,017,420)	(200,244)	(470,380)	(19,883)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	12,278,252	789,214	84,862	149,266
50841	Committed	-	-	-	-
50851	Assigned	1,685,599	-	-	-
50891	Unassigned	2,795,411	2,795,411	-	-
Total Ending Cash and Investments		16,759,262	3,584,625	84,862	149,266

The accompanying notes are an integral part of this statement.

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

		104 Public Safety Mitigation Fund	160 Drug Enforcement Fund	202 UTGO Fund	301 Capital
Beginning Cash and Investments					
308	Beginning Cash and Investments	12,305	9,842	-	4,438,222
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	1,642,879
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	700	1,187	-	1,874
Total Revenues:		700	1,187	-	1,644,753
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		700	1,187	-	1,644,753
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	884,290	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	884,290	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	16,616
591-593, 599	Debt Service	-	-	884,290	-
597	Transfers-Out	10,000	-	-	1,057,798
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		10,000	-	884,290	1,074,414
Increase (Decrease) in Cash and Investments:		(9,300)	1,187	-	570,339
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	3,005	11,029	-	5,008,561
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		3,005	11,029	-	5,008,561

The accompanying notes are an integral part of this statement.

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

		401 Water	403 Storm Water Management	501 ER&R Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	6,378,102	2,854,239	1,574,712
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	189,062	-
340	Charges for Goods and Services	2,568,581	1,588,261	316,194
350	Fines and Penalties	34,790	-	-
360	Miscellaneous Revenues	89,464	37,515	27,326
Total Revenues:		2,692,835	1,814,838	343,520
Expenditures				
510	General Government	-	-	28,952
520	Public Safety	-	-	-
530	Utilities	1,866,466	1,306,556	-
540	Transportation	-	-	4,530
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,866,466	1,306,556	33,482
Excess (Deficiency) Revenues over Expenditures:		826,369	508,282	310,038
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	61,890	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	37,425	3,102	-
Total Other Increases in Fund Resources:		99,315	3,102	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	3,644,284	-	174,961
591-593, 599	Debt Service	562,336	195,824	-
597	Transfers-Out	-	-	24,190
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	34,650	-	-
Total Other Decreases in Fund Resources:		4,241,270	195,824	199,151
Increase (Decrease) in Cash and Investments:		(3,315,586)	315,560	110,887
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	3,062,516	3,169,799	-
50841	Committed	-	-	-
50851	Assigned	-	-	1,685,599
50891	Unassigned	-	-	-
Total Ending Cash and Investments		3,062,516	3,169,799	1,685,599

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	103 Hotel/Motel Tax Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	21,342,403	2,798,219	310,003	268,825
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	10,274,370	8,039,684	-	220,854
320	Licenses and Permits	541,146	539,996	1,150	-
330	Intergovernmental Revenues	1,950,684	1,735,765	198,363	-
340	Charges for Goods and Services	5,401,152	585,452	67,827	-
350	Fines and Penalties	35,642	29,082	-	-
360	Miscellaneous Revenues	517,288	203,913	278,663	125
Total Revenues:		18,720,282	11,133,892	546,003	220,979
Expenditures					
510	General Government	2,181,771	2,130,949	-	-
520	Public Safety	5,562,617	5,562,617	-	-
530	Utilities	3,365,257	-	-	-
540	Transportation	705,499	191,280	500,841	-
550	Natural/Economic Environment	748,307	748,307	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	972,098	759,193	-	212,905
Total Expenditures:		13,535,549	9,392,346	500,841	212,905
Excess (Deficiency) Revenues over Expenditures:		5,184,733	1,741,546	45,162	8,074
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	8,849,547	218,976	465,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	134,282	25,938	-	-
Total Other Increases in Fund Resources:		8,983,829	244,914	465,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	5,163,715	102,282	264,923	-
591-593, 599	Debt Service	1,676,731	-	-	-
597	Transfers-Out	8,849,547	894,357	-	107,750
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	44,290	3,171	-	-
Total Other Decreases in Fund Resources:		15,734,283	999,810	264,923	107,750
Increase (Decrease) in Cash and Investments:		(1,565,721)	986,650	245,239	(99,676)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	15,269,318	852,217	555,242	169,149
50841	Committed	-	-	-	-
50851	Assigned	1,574,712	-	-	-
50891	Unassigned	2,932,652	2,932,652	-	-
Total Ending Cash and Investments		19,776,682	3,784,869	555,242	169,149

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

		104 Public Safety Mitigation Fund	160 Drug Enforcement Fund	202 UTGO Fund	301 Capital
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,635	9,836	-	10,250,566
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	2,013,832
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	28,641	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	29	6	-	10,048
Total Revenues:		28,670	6	-	2,023,880
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		28,670	6	-	2,023,880
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	888,560	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	884
Total Other Increases in Fund Resources:		-	-	888,560	884
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	2,463
591-593, 599	Debt Service	-	-	888,560	28,431
597	Transfers-Out	20,000	-	-	7,806,214
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		20,000	-	888,560	7,837,108
Increase (Decrease) in Cash and Investments:		8,670	6	-	(5,812,344)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	12,305	9,842	-	4,438,222
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		12,305	9,842	-	4,438,222

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

		401 Water	403 Storm Water Management	501 ER&R Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	3,237,839	3,054,021	1,409,459
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	16,556	-
340	Charges for Goods and Services	2,731,548	1,678,198	309,486
350	Fines and Penalties	6,560	-	-
360	Miscellaneous Revenues	4,150	1,524	18,830
Total Revenues:		2,742,258	1,696,278	328,316
Expenditures				
510	General Government	-	-	50,822
520	Public Safety	-	-	-
530	Utilities	2,021,778	1,343,479	-
540	Transportation	-	-	13,378
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		2,021,778	1,343,479	64,200
Excess (Deficiency) Revenues over Expenditures:		720,480	352,799	264,116
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	7,277,011	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	45,861	-	61,599
Total Other Increases in Fund Resources:		7,322,872	-	61,599
Other Decreases in Fund Resources				
594-595	Capital Expenditures	4,298,606	356,205	139,236
591-593, 599	Debt Service	563,364	196,376	-
597	Transfers-Out	-	-	21,226
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	41,119	-	-
Total Other Decreases in Fund Resources:		4,903,089	552,581	160,462
Increase (Decrease) in Cash and Investments:		3,140,263	(199,782)	165,253
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	6,378,102	2,854,239	-
50841	Committed	-	-	-
50851	Assigned	-	-	1,574,712
50891	Unassigned	-	-	-
Total Ending Cash and Investments		6,378,102	2,854,239	1,574,712

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	149,797
388 & 588	Net Adjustments	-
310-390	Additions	102,538
510-590	Deductions	150,725
	Net Increase (Decrease) in Cash and Investments:	(48,187)
508	Ending Cash and Investments	101,610

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	119,246
388 & 588	Net Adjustments	-
310-390	Additions	100,847
510-590	Deductions	70,296
	Net Increase (Decrease) in Cash and Investments:	30,551
508	Ending Cash and Investments	149,797

The accompanying notes are an integral part of this statement.

City of DuPont
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The City of DuPont was incorporated on April 12, 1951, and operates under the laws of the State of Washington applicable to a code city with a mayor/council form of government. The City is a general purpose government with its fiscal year ending December 31. The City provides a broad range of general government services including law enforcement, fire protection, public works, water, and storm utilities.

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 are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or 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 government in a trustee capacity or as an agent on behalf of others.

Agency Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 5, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours for all employees of the City and twenty-four hour shift employees that are members of the DuPont Firefighters Local #3829 which may accumulate vacation leave up to 384 hours and is payable upon separation or retirement.

Sick leave can be accumulated up to 1,680 hours for twenty-four hour shift employees of the DuPont Firefighters Local #3829 and up to 1,280 hours for all other employees. Upon separation members of the DuPont Employees' Association, the DuPont Police Local #165 and the DuPont Firefighters Local #3829 will receive a percentage of unused sick leave, up to 100% of the cap using this scale:

Years of Service	Buy Back Maximum
0-5 Years	\$0
5-10 Years	\$5,000
10-15 Years	\$10,000
15+ Years	\$15,000

F. Long term Debt

See Note 6-Long Term Debt (Formerly Debt Service Requirements)

G. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consist of utility and rental deposits received and paid back, retainage paid, state surcharge collected and remitted to the state, and system development charges received. In addition to these, the largest amount reported is related to refunding debt proceeds paid to escrow.

H. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of the following:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Revenue Stabilization	\$455,054
General Fund	Contingency Reserve	114,213
Hotel/Motel Tax	Tourism	149,266
Public Safety Mitigation	Public Safety Debt Service	3,005
Drug Enforcement	Drug Enforcement	6,747
Capital Projects	Capital Projects	5,008,561
Transportation Benefit District	Transportation Improvement	<u>101,610</u>
	Total	<u><u>\$5,838,456</u></u>

Note 2- Budget Compliance

In 2019, the City adopted the first biennial budget for fiscal years 2021-2022 and will continue to adopt biennial budgets going forward. These budgets are appropriated at the fund level except the general fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year end.

Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting with the exception of debt refunding and managerial fund transfers. Amounts paid directly to escrow and not passed through the City are not appropriated. Amounts transferred to managerial funds such as reserves are recorded as expenditures and appropriated although they are eliminated from the financial statements.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated	Actual Expenditures	Variance
General Fund:			
Governance	\$ 1,062,104	\$ 1,000,292	\$ 61,811
Support Services	\$ 480,472	\$ 492,212	\$ (11,740)
Police Department	\$ 2,991,903	\$ 2,902,916	\$ 88,987
Fire Department	\$ 2,748,054	\$ 3,081,628	\$ (333,574)
Community Development	\$ 1,502,610	\$ 964,250	\$ 538,360
Public Works	\$ 2,266,572	\$ 1,863,502	\$ 403,070
Non-Departmental	\$ 1,719,333	\$ 1,298,670	\$ 420,663
Total General Fund (budget basis)	\$ 12,771,049	\$ 11,603,471	\$ 1,167,577
Non-budgeted refunding		\$ 35,282	
Total General Fund		\$ 11,638,753	
Street Fund	\$ 5,999,087	\$ 4,934,451	\$ 1,064,636
Hotel/Motel Tax Fund	\$ 313,500	\$ 297,285	\$ 16,215
Public Safety Mitigation Fund	\$ 10,000	\$ 10,000	\$ -
Glacier NW Settlement Fund	\$ 225,000	\$ 225,000	\$ -
Drug Enforcement Fund	\$ -	\$ -	\$ -
GO Bond Debt Service Fund	\$ 886,080	\$ 884,290	\$ 1,790
Capital Projects Fund	\$ 1,424,798	\$ 1,074,414	\$ 350,384
Water Utility Fund	\$ 10,366,344	\$ 5,545,400	\$ 4,820,944
Non-budgeted refunding		\$ 562,336	
Total Water Utility Fund		\$ 6,107,736	
Stormwater Utility Fund	\$ 2,015,082	\$ 1,306,556	\$ 708,526
Non-budgeted refunding		\$ 195,824	
Total Stormwater Utility Fund		\$ 1,502,380	
Equipment Rental/Repl. Fund	\$ 233,618	\$ 232,633	\$ 985
Transportation Benefit Dist.	\$ 196,046	\$ 150,725	\$ 45,321
Total All Funds	\$ 34,440,605	\$ 26,264,226	\$ 8,176,379
Non-budgeted refunding		\$ 793,442	
Less transfers to managerial funds		\$ -	
Total per financial statements		27,057,667.42	

The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of DuPont's legislative body.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Note 3- Risk Management

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

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2022, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company

provides excess insurance up to \$50 million, and CHUBB provides limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

Note 4 - Property Tax

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1st on property value listed as of the prior May 31st. Assessed values are established by the county assessor at 100 percent of fair market value. A physical revaluation of all property is required every six years.

Taxes are due in two equal installments on April 30th and October 31st. Collections are distributed after the end of the month to the appropriate district by the county treasurer.

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 of DuPont's regular tax levy rate for the year 2022 was \$.89545196 per \$1,000 on an assessed valuation of \$2,213,541,968 for a total regular levy of \$1,982,120.50. The City's EMS tax levy rate was \$0.39013351 per \$1,000 on total assessed valuation for a total of \$863,576.90. The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following three reasons:

- a. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
- b. Initiative 747 limits the growth of regular property taxes to one percent per year or the rate of inflation, whichever is lower, after adjustments for new construction. If the assessed valuation increases by more than this legal limit due to revaluation, the levy rate will be decreased.
- c. The City may voluntarily levy taxes below the legal limit.

Special levies approved by the voters are not subject to the above limitations.

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.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) and/or the Washington State Finance Commission. All investments are insured, registered or held by the City or its agent in the government's name.

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

Type of Deposit or Investment	City of DuPont own Deposits & Investments	Deposits & Investments held by the City for the DuPont Transportation Benefit District	Total
Bank Deposits	\$5,914,598	\$60,259	\$5,974,857
Deposits in Transit	-\$732,307	0	-\$732,307
Petty Cash	\$1,000	0	\$1,000
Other reconciling items	-\$84	0	-\$84
Local Government Investment Pool	\$11,240,258	\$41,350	\$11,281,608
Local Government Investment Pool- Revenue Bond	\$335,798	\$0	\$335,798
Totals	\$16,759,263	\$101,609	\$16,860,872

Investments in the State Local Government Investment Pool (LGIP)

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

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of DuPont 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 Deposit Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the City of DuPont or its agent in the City of DuPont's name.

Note 6 – Long Term Debt

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of DuPont and summarizes the City's debt transactions for the year ended December 31, 2022.

The debt service requirements, including interest, to amortize general obligations bonds and revenue bonds debt outstanding as of December 31, 2022, are as follows:

Year Ended	General Obligation Bonds		
December 31	Principal	Interest	Total
2023	580,000	527,600	1,107,600
2024	605,000	504,400	1,109,400
2025	630,000	480,200	1,110,200
2026	655,000	455,000	1,110,000
2027	680,000	428,800	1,108,800
2028-2032	3,935,000	1,712,400	5,647,400
2033-2037	4,985,000	837,800	5,822,800
2038	1,120,000	44,800	1,164,800
Total	<u>\$13,190,000</u>	<u>\$4,991,000</u>	<u>\$18,181,000</u>

There are a number of other limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Debt Refunding

The City issued Certificates of Participation (COPs) on April 7, 2009, for its Civic Center Project in the amount of \$18,005,000. In April 2015, DuPont City Council passed a Bond Ordinance authorizing the refinancing of the Civic Center debt. On June 4, 2015 the first portion of the bonds were issued, redeeming \$8,240,000 of the \$15,960,000 outstanding certificates of participation and

issuing \$9,240,000 in LTGO bonds at a significantly lower interest rate. This refunding was undertaken to reduce total debt service payments over the next 23 years by \$2,570,098. On March 23, 2016 the remaining certificates of participation were redeemed issuing \$7,480,000 in general obligation bonds. Although the principal amount of the debt has increased, the overall estimated savings to the City over the life of the debt for the second issuance is \$1,116,249 with a net percentage savings of 15%.

Revenue Bonds are bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. On March 12, 2019, the City passed Ordinance Number 19-1058, authorizing the issuance of up to \$10,000,000 in a Stormwater and Utility Revenue Bond. The City then issued a thirty-year Stormwater and Utility Revenue Bond on April 10, 2019, for its Public Works Building, Hoffman Hill Reservoir Corrosion Protection and Automatic Meter Reading Projects in the amount of \$9,949,491.

Annual debt service requirements to maturity for the revenue bonds are as follows:

		Revenue Bonds	
Year Ending		Principal	Interest
December 31			
	2023	195,000.00	346,650.00
	2024	200,000.00	338,850.00
	2025	210,000.00	330,850.00
	2026	215,000.00	322,450.00
	2027	225,000.00	313,850.00
	2028-2032	1,275,000.00	1,415,000.00
	2033-2037	1,560,000.00	1,137,800.00
	2038-2042	1,900,000.00	800,000.00
	2043-2047	2,310,000.00	388,600.00
	2048	520,000.00	20,800.00
	Total	8,610,000.00	5,414,850.00

Note 7 – Health and 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, 2022, 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, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser Plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and

make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

Note 8 - Pension Plans

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

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

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

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

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

At June 30, 2022 (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:

	Allocation %	Liability (Asset)
PERS 1 UAAL	0.017249%	\$480,275
PERS 2/3	0.022415%	(\$831,323)
LEOFF 1	0.010015%	(\$287,292)
LEOFF 2	0.072343%	(\$1,966,064)

LEOFF Plan 1

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.

LEOFF Plan 2

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

Note 9 – Other Post-Employment Benefits

The City will administer the DuPont Firefighters Local #3829's post-employment retirement incentive, a defined benefit plan. Eligible employees may receive an "early retirement incentive," in the form of a monthly contribution or stipend to assist with qualified retirement health care expenses. To qualify for the incentive, an "eligible employee" is in good standing with the department, has completed a minimum 10 years' service with the DuPont Fire Department, and retiring at or after age 53 through age 60. Employees may apply for the incentive at the time of early retirement. Stipend will be at a rate equivalent to the monthly premium of the City's lowest cost medical plan offered, deposited in a lump sum annually, to a qualified retiree health reimbursement arrangement (RHRA) or equivalent qualified plan up to the age of 65. At this time, there have been no employee's utilizing this plan. In 2021, the City of DuPont did not contribute any funds into this account. The total OPEB Liability was \$717,327 at December 31, 2022.

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by the RCW. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2022, the plan had **no** members. As of December 31, 2022, the City total OPEB liability was \$0, as calculated using the alternative measurement method. For the year ended December 31, 2022, the City paid \$0 in benefits.

Note 10 – Transportation Benefit District

The DuPont Transportation Benefit District was established on January 8, 2013, and operates under the laws of the State of Washington applicable to a special purpose district. The District is a special purpose government with its fiscal year ending December 31. The District provides for the preservation and maintenance of the City of DuPont's transportation infrastructure to protect the City's long-term investments in that infrastructure. Also to reduce the risk of transportation

facility failures and improve safety. During 2022, the City received \$101,907 from the collection of \$20.00 vehicle license fees and \$631 in interest income. \$150,725 was expended during the year on transportation projects.

Note 11- Leases (Lessees)

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

The City leases 4 copiers from Xerox/QBSI for \$549 per month under 5-year lease agreements that cannot be cancelled. The City leases 2 copiers from Xerox/QBSI for \$295 per month under 5-year lease agreements that cannot be cancelled. The City leases 1 postage machine from Pitney Bowes for \$65 per month under a 5-year lease agreement that cannot be cancelled. The City leases 11 computers from Var Technologies/LEAF for \$1,618 per month under 5-year lease agreements that cannot be cancelled. The City leases 1 computer from Var Technologies/LEAF for \$224 per month under an additional 5-year lease agreement that cannot be cancelled.

The total amount paid for leases in the current reporting period was \$31,539. The future lease payments for each of the five subsequent years are shown below.

Year Ended December 31	Lease Payments
2023	\$ 21,148.44
2024	\$ 10,901.64
2025	\$ 5,960.64
2026	\$ 3,733.41
2027	\$ 1,475.00
Total	\$ 43,219.13

Note 12 – Going Concern

The financial statements have been prepared on a going concern basis, which assumes the City of DuPont will be able to realize its assets and settle its liabilities in the normal course of business for the foreseeable future.

City of DuPont
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

The City of DuPont was incorporated on April 12, 1951, and operates under the laws of the State of Washington applicable to a code city with a mayor/council form of government. The City is a general purpose government with its fiscal year ending December 31. The City provides a broad range of general government services including law enforcement, fire protection, public works, water, and storm utilities.

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 are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or 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 government in a trustee capacity or as an agent on behalf of others.

Agency Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 5, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours for all employees of the City and twenty-four hour shift employees that are members of the DuPont Firefighters Local #3829 which may accumulate vacation leave up to 384 hours and is payable upon separation or retirement.

Sick leave can be accumulated up to 1,680 hours for twenty-four hour shift employees of the DuPont Firefighters Local #3829 and up to 1,280 hours for all other employees. Upon separation members of the DuPont Employees' Association, the DuPont Police Local #165 and the DuPont Firefighters Local #3829 will receive a percentage of unused sick leave, up to 100% of the cap using this scale:

Years of Service	Buy Back Maximum
0-5 Years	\$0
5-10 Years	\$5,000
10-15 Years	\$10,000
15+ Years	\$15,000

F. Long term Debt

See Note 6-Long Term Debt (Formerly Debt Service Requirements)

G. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consist of utility and rental deposits received and paid back, retainage paid, state surcharge collected and remitted to the state, and system development charges received. In addition to these, the largest amount reported is related to refunding debt proceeds paid to escrow.

H. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of the following:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Revenue Stabilization	\$450,206
General Fund	Contingency Reserve	113,382
Hotel/Motel Tax	Tourism	169,149
Public Safety Mitigation	Public Safety Debt Service	12,305
Drug Enforcement	Drug Enforcement	9,842
Capital Projects	Capital Projects	4,438,222
Transportation Benefit District	Transportation Improvement	<u>149,797</u>
	Total	<u>\$5,342,903</u>

Note 2- Budget Compliance

In 2019, the City adopted the first biennial budget for fiscal years 2021-2022 and will continue to adopt biennial budgets going forward. These budgets are appropriated at the fund level except the general fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual or biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting with the exception of debt refunding and managerial fund transfers. Amounts paid directly to escrow and not passed through the City are not appropriated. Amounts transferred to managerial funds such as reserves are recorded as expenditures and appropriated although they are eliminated from the financial statements.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated	Actual Expenditures	Variance
General Fund:			
Governance	\$ 970,427	\$ 984,378	\$ (13,951)
Support Services	\$ 426,541	\$ 485,393	\$ (58,852)
Police Department	\$ 2,869,392	\$ 2,770,713	\$ 98,679
Fire Department	\$ 2,455,845	\$ 2,849,102	\$ (393,257)
Community Development	\$ 928,974	\$ 699,985	\$ 228,989
Public Works	\$ 1,676,048	\$ 1,415,008	\$ 261,040
Non-Departmental	\$ 1,281,764	\$ 1,242,295	\$ 39,469
Total General Fund (budget basis)	\$ 10,608,991	\$ 10,446,874	\$ 162,117
Non-budgeted refunding		\$ 35,282	
Total General Fund		\$ 10,482,156	
Street Fund	\$ 4,581,754	\$ 765,763	\$ 3,815,991
Hotel/Motel Tax Fund	\$ 365,000	\$ 320,655	\$ 44,345
Public Safety Mitigation Fund	\$ 20,000	\$ 20,000	\$ -
Glacier NW Settlement Fund	\$ -	\$ -	\$ -
Drug Enforcement Fund	\$ -	\$ -	\$ -
GO Bond Debt Service Fund	\$ 888,560	\$ 888,560	\$ -
Capital Projects Fund	\$ 631,590	\$ 621,986	\$ 9,604
Water Utility Fund	\$ 9,973,447	\$ 6,361,503	\$ 3,611,944
Non-budgeted refunding		\$ 563,364	
Total Water Utility Fund		\$ 6,924,867	
Stormwater Utility Fund	\$ 2,295,262	\$ 1,699,684	\$ 595,578
Non-budgeted refunding		\$ 196,376	
Total Stormwater Utility Fund		\$ 1,896,060	
Equipment Rental/Repl. Fund	\$ 248,198	\$ 224,663	\$ 23,535
Transportation Benefit Dist.	\$ 97,028	\$ 70,296	\$ 26,732
Total All Funds	\$ 29,709,831	\$ 21,419,986	\$ 8,289,845
Non-budgeted refunding		\$ 795,022	
Less transfers to managerial funds		\$ (90,000)	
Total per financial statements		\$ 22,125,007	

The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of DuPont's legislative body.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Note 3- Risk Management

The City of DuPont is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2021, 105 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2021, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company

provides excess insurance up to \$50 million, and CHUBB provides limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

Note 4 - Property Tax

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1st on property value listed as of the prior May 31st. Assessed values are established by the county assessor at 100 percent of fair market value. A physical revaluation of all property is required every six years.

Taxes are due in two equal installments on April 30th and October 31st. Collections are distributed after the end of the month to the appropriate district by the county treasurer.

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 of DuPont's regular tax levy rate for the year 2021 was \$1.00228441 per \$1,000 on an assessed valuation of \$1,966,531,226 for a total regular levy of \$1,971,023.60. The City's EMS tax levy rate was \$0.43667877 per \$1,000 on total assessed valuation for a total of \$858,742.44. The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following three reasons:

- a. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
- b. Initiative 747 limits the growth of regular property taxes to one percent per year or the rate of inflation, whichever is lower, after adjustments for new construction. If the assessed valuation increases by more than this legal limit due to revaluation, the levy rate will be decreased.
- c. The City may voluntarily levy taxes below the legal limit.

Special levies approved by the voters are not subject to the above limitations.

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.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) and/or the Washington State Finance Commission. All investments are insured, registered or held by the City or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	City of DuPont own Deposits & Investments	Deposits & Investments held by the City for the DuPont Transportation Benefit District	Total
Bank Deposits	\$6,266,627	\$109,076	\$6,375,704
Deposits in Transit	-\$1,319,441	0	-\$1,319,441
Petty Cash	\$1,000	0	\$1,000
Other reconciling items	-\$9	0	-\$9
Local Government Investment Pool	\$11,045,718	\$40,721	\$11,095,438
Local Government Investment Pool- Revenue Bond	\$3,773,786	\$0	\$3,773,786
Totals	\$19,776,680	\$149,797	\$19,926,477

Investments in the State Local Government Investment Pool (LGIP)

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

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of DuPont 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 Deposit Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the City of DuPont or its agent in the City of DuPont's name.

Note 6 – Long Term Debt

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of DuPont and summarizes the City's debt transactions for the year ended December 31, 2021.

The debt service requirements, including interest, to amortize general obligations bonds and revenue bonds debt outstanding as of December 31, 2021, are as follows:

Year Ended	General Obligation Bonds		
December 31	Principal	Interest	Total
2022	555,000	549,800	1,104,800
2023	580,000	527,600	1,107,600
2024	605,000	504,400	1,109,400
2025	630,000	480,200	1,110,200
2026	655,000	455,000	1,110,000
2027-2031	3,730,000	1,861,600	5,591,600
2032-2036	4,795,000	1,029,600	5,824,600
2037-2038	2,195,000	132,600	2,327,600
Total	<u>\$13,745,000</u>	<u>\$5,540,800</u>	<u>\$19,285,800</u>

There are a number of other limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Debt Refunding

The City issued Certificates of Participation (COPs) on April 7, 2009, for its Civic Center Project in the amount of \$18,005,000. In April 2015, DuPont City Council passed a Bond Ordinance authorizing the refinancing of the Civic Center debt. On June 4, 2015 the first portion of the bonds were issued, redeeming \$8,240,000 of the \$15,960,000 outstanding certificates of participation and

issuing \$9,240,000 in LTGO bonds at a significantly lower interest rate. This refunding was undertaken to reduce total debt service payments over the next 23 years by \$2,570,098. On March 23, 2016 the remaining certificates of participation were redeemed issuing \$7,480,000 in general obligation bonds. Although the principal amount of the debt has increased, the overall estimated savings to the City over the life of the debt for the second issuance is \$1,116,249 with a net percentage savings of 15%.

Revenue Bonds are bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. On March 12, 2019, the City passed Ordinance Number 19-1058, authorizing the issuance of up to \$10,000,000 in a Stormwater and Utility Revenue Bonds. The City then issued a thirty-year Stormwater and Utility Revenue Bond on April 10, 2019, for its Public Works Building, Hoffman Hill Reservoir Corrosion Protection and Automatic Meter Reading Projects in the amount of \$9,949,491.

Annual debt service requirements to maturity for the revenue bonds are as follows:

		Revenue Bonds	
Year Ending		Principal	Interest
December 31			
	2022	185,000.00	352,200.00
	2023	195,000.00	346,650.00
	2024	200,000.00	338,850.00
	2025	210,000.00	330,850.00
	2026	215,000.00	322,450.00
	2027-2031	1,225,000.00	1,466,250.00
	2032-2036	1,500,000.00	1,197,800.00
	2037-2041	1,825,000.00	873,000.00
	2042-2046	2,220,000.00	477,400.00
	2047-2048	1,020,000.00	61,600.00
	Total	8,795,000.00	5,767,050.00

Note 7 – Health and 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, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. 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 this report. 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 8 - Pension Plans

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

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

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

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

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

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

	Allocation %	Liability (Asset)
PERS 1 UAAL	0.018583%	\$226,942
PERS 2/3	0.023899%	(\$2,380,725)
LEOFF 1	0.009108%	(\$312,000)
LEOFF 2	0.067138%	(\$3,899,653)

LEOFF Plan 1

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.

LEOFF Plan 2

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

Note 9 – Other Post-Employment Benefits

The City will administer the DuPont Firefighters Local #3829's post-employment retirement incentive, a defined benefit plan. Eligible employees may receive an "early retirement incentive," in the form of a monthly contribution or stipend to assist with qualified retirement health care expenses. To qualify for the incentive, an "eligible employee" is in good standing with the department, has completed a minimum 10 years' service with the DuPont Fire Department, and retiring at or after age 53 through age 60. Employees may apply for the incentive at the time of early retirement. Stipend will be at a rate equivalent to the monthly premium of the City's lowest cost medical plan offered, deposited in a lump sum annually, to a qualified retiree health reimbursement arrangement (RHRA) or equivalent qualified plan up to the age of 65. At this time, there have been no employee's utilizing this plan. In 2021, the City of DuPont did not contribute any funds into this account. The total OPEB Liability was \$807,308 at December 31, 2021.

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by the RCW. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had **no** members. As of December 31, 2021, the City total OPEB liability was \$0, as calculated using the alternative measurement method. For the year ended December 31, 2021, the City paid \$0 in benefits.

Note 10 – Transportation Benefit District

The DuPont Transportation Benefit District was established on January 8, 2013, and operates under the laws of the State of Washington applicable to a special purpose district. The District is a special purpose government with its fiscal year ending December 31. The District provides for the preservation and maintenance of the City of DuPont's transportation infrastructure to protect the City's long-term investments in that infrastructure and to reduce the risk of transportation facility failures and improve safety. During 2021, the City received \$100,822 from the collection of \$20.00 vehicle license fees and \$25 in interest income. \$70,296 was expended during the year on transportation projects.

Note 11 – Going Concern

The financial statements have been prepared on a going concern basis, which assumes the City of DuPont will be able to realize its assets and settle its liabilities in the normal course of business for the foreseeable future.

Note 12 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered and continued throughout 2021. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, in-person interactions, and non-essential activities.

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

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2015 GO Refunding Bonds	12/1/2038	8,710,000	-	45,000	8,665,000
251.11	2016 GO Refunding Bonds	12/1/2030	5,035,000	-	510,000	4,525,000
263.51	2018 Lease Purchase Agrmnt FD	7/15/2028	211,619	-	26,778	184,841
Total General Obligation Debt/Liabilities:			13,956,619	-	581,778	13,374,841
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	Stormwater and Utility Revenue Bond	12/1/2048	8,795,000	-	185,000	8,610,000
259.12	Compensated Absences		563,623	818,894	780,447	602,070
264.30	Pension liabilities		226,941	253,334	-	480,275
264.40	Firefighters Incentive		807,308	-	89,981	717,327
263.57	2019 Lease Agreement Copies	12/19/2025	21,411	-	6,588	14,823
263.57	2022 Lease Agreement Copiers	12/19/2025	-	17,700	2,065	15,635
263.57	Lease Agreement Postage Machine	3/7/2026	3,288	-	774	2,514
263.57	Lease agreement Getac Computers	6/17/2023	28,321	-	19,420	8,901
263.57	Lease agreement Getac Computer	7/18/2023	4,038	-	2,692	1,346
Total Revenue and Other (non G.O.) Debt/Liabilities:			10,449,930	1,089,928	1,086,967	10,452,891
Total Liabilities:			24,406,549	1,089,928	1,668,745	23,827,732

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2016 GO Refunding Bonds	12/1/2030	5,535,000	-	500,000	5,035,000
251.11	2015 GO Refunding Bonds	12/1/2038	8,755,000	-	45,000	8,710,000
Total General Obligation Debt/Liabilities:			14,290,000	-	545,000	13,745,000
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	Stormwater and Utility Revenue Bond	12/1/2048	8,975,000	-	180,000	8,795,000
259.12	Compensated Absences		568,087	586,419	590,883	563,623
263.52	2018 Lease Purchase Agrmnt FD	7/15/2028	237,363	-	25,744	211,619
264.30	Pension liabilities		945,296	-	718,355	226,941
264.40	Firefighters Incentive		887,934	-	80,626	807,308
Total Revenue and Other (non G.O.) Debt/Liabilities:			11,613,680	586,419	1,595,608	10,604,491
Assessment Debt/Liabilities (with commitments)						
253.11	Utility Local Improvement District-Historic Sites	2/1/2021	26,997	-	26,997	-
Total Assessment Debt/Liabilities (with commitments):			26,997	-	26,997	-
Total Liabilities:			25,930,677	586,419	2,167,605	24,349,491

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

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
COMMUNITY ORIENTED POLICING SERVICE, JUSTICE, DEPARTMENT OF	Public Safety Partnership and Community Policing Grants	16.710		-	96,875	96,875	-	3
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA 9842/STPUL -2859	3,757,025	-	3,757,025	-	3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA 10089/STPUL- 2859 (002)	69,462	-	69,462	-	3
Total Highway Planning and Construction Cluster:				3,826,487	-	3,826,487	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Department of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	WA0330	1,053,593	-	1,053,593	-	3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044		-	74,400	74,400	-	3
Total Federal Awards Expended:				4,880,080	171,275	5,051,355	-	

The accompanying notes are an integral part of this schedule.

City of DuPont

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

Note 1 – Basis of Accounting

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

Note 2 – Federal De Minimis Indirect Cost Rate

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

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of DuPont's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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