



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Davenport

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

Published March 25, 2024

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

March 25, 2024

Mayor and City Council
City of Davenport
Davenport, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Davenport'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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2022-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

2022-001 The City did not have adequate internal controls for ensuring compliance with revenue diversion special test requirements.

Assistance Listing Number and Title:	20.106 Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs
Federal Grantor Name:	U.S. Department of Transportation, Federal Aviation Administration
Federal Award/Contract Number:	3-53-0095-010-2020, Contract No. DOT-FA20NM-0124 3-53-0095-011-2020, Contract No. DOT-FA20NM-0113 3-53-0095-014-2021, Contract No. DOT-FA21NM-0178
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Background

The City participates in the Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs. These programs are designed to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics. In 2022, the City's airport generated revenues of \$108,568 from fuel sales, facility leases and more.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include

understanding program requirements and monitoring the effectiveness of established controls.

Special Test: Revenue Diversion

All revenues generated by a public airport must be expended for its capital or operating costs, the local airport system, or other local facilities that are owned or operated by the owner or operator of the airport and are directly and substantially related to the actual air transportation of passengers or property. The City must track all revenues the airport generates and use them only for permitted purposes. Further, any payments from airport revenues to the sponsors, related parties, or other governmental entities must be airport-related, properly documented, and commensurate with the services or products the airport receives.

Description of Condition

Our audit found the City did not have adequate controls for ensuring compliance with revenue diversion requirements. Specifically, the City did not ensure all expenditures and payments from airport revenues were airport-related, properly documented, and commensurate with the services or products the airport received.

We consider these deficiencies in internal controls to be a significant deficiency.

Cause of Condition

City staff incorrectly coded some expenditures to the airport fund that were not airport-related and belonged to another fund.

Effect of Condition and Questioned Costs

Our audit found the City incorrectly coded \$6,917 of expenditures to the airport fund that were not airport related. These expenditures related to garbage excise taxes and utility payments that belonged to other funds. As a result, the City cannot demonstrate it used all airport revenues only for permitted purposes and that expenditures paid from these revenues were airport-related.

Recommendation

We recommend the City improve its controls to ensure that all revenues generated by the airport are only expended for the airport's capital or operating costs.

City's Response

The City's airport fund balance was overstated due to a coding error by the Clerk/Treasurer in 2022. Every month the city pays the Washington State Department of Revenue excise tax for its utility funds, (Water/Sewer/Garbage funds) plus any revenue generated from the sale of graves at the cemetery, and leasehold tax on the airport hangar leases. The Clerk/Treasurer uses a spreadsheet template to calculate these liabilities. He inadvertently entered the calculated remittance into the airport fund rather than the garbage fund. The resulting error caused the city to overstate the expenditures in the airport fund and understated the expenditures in the garbage fund. The amount of the remittance that was paid to the Washington State Department of Revenue and the dollar amount remitted was correct and expended to the proper corresponding funds. This was also done on three small expenditures on the city's credit card account. The expenditure amounts were paid but misassigned to the airport fund. All these expenditures were true and paid in a timely fashion. There was no misappropriation of funds. They were simply data entry mistakes to different funds numbers. No airport funds within any of our FAA grants were used to pay the Washington State Department of Revenue or other vendors.

Under my direction, the Clerk/Treasurer has amended his calculation worksheet so that it does not include any expenditure to the Airport Fund. Airport Leasehold Tax is now paid to the Special Leasehold account of the Washington Department of Revenue. The City will institute a revised financial policy for credit card use so this doesn't happen in the future. All credit card expenditures will be reviewed for accuracy in earnest.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

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

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

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

Federal Register Notices, Volume 64, Department of Transportation: Federal Aviation Administration 7696, Final FAA Policy and Procedures Concerning the Use of Airport Revenue.

Title 49 U.S. Code 46301 Civil Penalties section (a)(5) Penalty for Diversion of Aviation Revenues.

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 Davenport January 1, 2022 through December 31, 2022

Mayor and City Council
City of Davenport
Davenport, 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 Davenport, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 4, 2024.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

March 4, 2024

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 Davenport
January 1, 2022 through December 31, 2022

Mayor and City Council
City of Davenport
Davenport, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Davenport, 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. However, we identified certain deficiencies in internal control over compliance, described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-001 that we consider to be a significant deficiency.

City's Response to Findings

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

Purpose of this Report

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

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

Pat McCarthy, State Auditor

Olympia, WA

March 4, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Davenport
Davenport, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

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

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

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

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

Adverse Opinion on U.S. GAAP

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

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The 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 Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2024 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

March 4, 2024

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

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

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

		Total for All Funds (Memo Only)	001 Current Expense	103 Street	104 Vandalism Reward Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,177,742	967,785	203,106	516
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,134,077	1,054,605	-	-
320	Licenses and Permits	47,533	47,533	-	-
330	Intergovernmental Revenues	1,924,727	356,568	35,397	-
340	Charges for Goods and Services	1,520,602	156,015	630	-
350	Fines and Penalties	18,989	1,001	-	-
360	Miscellaneous Revenues	124,673	60,907	33,942	6
Total Revenues:		4,770,601	1,676,629	69,969	6
Expenditures					
510	General Government	182,897	182,897	-	-
520	Public Safety	356,899	356,899	-	-
530	Utilities	1,185,767	49,252	-	-
540	Transportation	336,116	126,318	209,798	-
550	Natural/Economic Environment	95,811	76,988	-	-
560	Social Services	1,488	1,488	-	-
570	Culture and Recreation	178,210	166,981	-	-
Total Expenditures:		2,337,188	960,823	209,798	-
Excess (Deficiency) Revenues over Expenditures:		2,433,413	715,806	(139,829)	6
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	456,000	-	230,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	10,258	7,396	1,812	-
Total Other Increases in Fund Resources:		466,258	7,396	231,812	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,213,873	278,778	3,107	-
591-593, 599	Debt Service	62,972	-	-	-
597	Transfers-Out	456,000	456,000	-	-
585	Special or Extraordinary Items	749	749	-	-
581, 582, 589	Other Uses	(1,381)	(1,381)	-	-
Total Other Decreases in Fund Resources:		2,732,213	734,146	3,107	-
Increase (Decrease) in Cash and Investments:		167,458	(10,944)	88,876	6
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	252,378	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	2,135,978	-	291,981	522
50891	Unassigned	956,841	956,841	-	-
Total Ending Cash and Investments		3,345,197	956,841	291,981	522

The accompanying notes are an integral part of this statement.

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

		110 Tourism	112 Criminal Justice	209 Park Bond Reserve	305 Street Equipment Reserve
Beginning Cash and Investments					
308	Beginning Cash and Investments	23,055	211,614	9,589	56,859
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	6,505	33,992	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	6,773	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	731	-	-	898
Total Revenues:		7,236	40,765	-	898
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	18,823	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	11,229	-	-	-
Total Expenditures:		30,052	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(22,816)	40,765	-	898
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	60,000	-	56,000	25,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		60,000	-	56,000	25,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	55,913	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	55,913	-
Increase (Decrease) in Cash and Investments:		37,184	40,765	87	25,898
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	252,378	-	-
50841	Committed	-	-	-	-
50851	Assigned	60,238	-	9,677	82,757
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		60,238	252,378	9,677	82,757

The accompanying notes are an integral part of this statement.

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

		306 Airport Capital Improvement	307 Fire Equipment Reserve	308 Cemetery Reserve	309 General Capital Improvement
Beginning Cash and Investments					
308	Beginning Cash and Investments	226,548	85,397	43,022	111,983
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	38,975
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,500,080	-	-	25,909
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,669	959	497	1,869
Total Revenues:		1,502,749	959	497	66,753
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	30	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	30	-
Excess (Deficiency) Revenues over Expenditures:		1,502,749	959	467	66,753
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	50,000	15,000	-	20,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		50,000	15,000	-	20,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,574,793	15,155	-	24,962
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,574,793	15,155	-	24,962
Increase (Decrease) in Cash and Investments:		(22,044)	804	467	61,791
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	204,505	86,201	43,489	173,775
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		204,505	86,201	43,489	173,775

The accompanying notes are an integral part of this statement.

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

		<u>401 Water</u>	<u>403 Sewer</u>	<u>405 Garbage</u>
Beginning Cash and Investments				
308	Beginning Cash and Investments	272,981	729,898	235,389
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	503,876	474,926	385,155
350	Fines and Penalties	1,468	-	16,520
360	Miscellaneous Revenues	2,822	16,265	3,108
Total Revenues:		508,166	491,191	404,783
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	420,427	365,651	350,407
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		420,427	365,651	350,407
Excess (Deficiency) Revenues over Expenditures:		87,739	125,540	54,376
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	1,050	-	-
Total Other Increases in Fund Resources:		1,050	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	126,380	190,698	-
591-593, 599	Debt Service	-	7,059	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		126,380	197,757	-
Increase (Decrease) in Cash and Investments:		(37,591)	(72,217)	54,376
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	235,389	657,680	289,764
50891	Unassigned	-	-	-
Total Ending Cash and Investments		235,389	657,680	289,764

The accompanying notes are an integral part of this statement.

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS

January 1, 2022 through December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The City of Davenport was incorporated in 1890 and operates under the laws of the state of Washington applicable to a second-class city utilizing a Mayor-Council form of government. The City of Davenport is a general-purpose local government and provides public safety, fire prevention, street improvements, cemetery services, a park system, a GA airport and general administrative services. In addition, the City owns and operates a water/sewer system. Davenport contracts for law enforcement with the Lincoln County Sheriff's office. Garbage service is contracted with Sunshine Disposal and Recycling. Billing for utility services is performed by the city finance department. The City of Davenport uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The City of Davenport 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 presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the 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.

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 4 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 30 days (240 hours) and is payable upon separation or retirement. Vacation balance is paid at 100% upon separation or retirement.

Sick leave may be accumulated up to 960 hours (120 days). Payments are recognized as expenditures when paid. Sick leave balance is paid at 50% upon separation or retirement.

F. Long-Term Debt

See Note 5 – Long-Term Debt.

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

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Council Resolution. 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 Council approval.

Fund 112, Criminal Justice Fund had an ending balance of \$252,378.37 and is reserved for Criminal Justice uses. These resources come from the state remittance and are used for special law enforcement duties. A portion of these funds can be transferred to Current Expense to assist in the payment of the law enforcement contract with Lincoln County Sheriff's office which performs these specific functions. Any left-over funds are held for startup funding if the city elects to start their own police department.

Note 2 - Budget Compliance

The city adopts annual appropriated budgets for Special Revenue, Debt Service, Capital Project, and Enterprise funds. These budgets are appropriated at the fund level ((except the general (current expense) fund, where budget is adopted at the department level)). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal calendar year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

<u>Fund/Department</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenses</u>	<u>Variance</u>
001 - Current Expense	\$ 1,848,248.00	\$ 1,705,853.15	\$ 142,394.85
Employment Reserve (003)	\$ 80,000.00	\$ 0.00	\$ 80,000.00
Park Reserve (009)	\$ 80,000.00	\$ 0.00	\$ 80,000.00
Swimming Pool Reserve (100)	\$ 2,610.00	\$ 1,210.67	\$ 1,399.33
Library (101)	\$ 43,503.00	\$ 32,877.43	\$ 10,625.57
Cemetery (102)	\$ 86,200.00	\$ 38,707.80	\$ 47,492.20
Airport (111)	\$ 148,200.00	\$ 126,320.26	\$ 21,879.74
TOTAL CURRENT EXPENSE	\$ 2,288,761.00	\$ 1,904,969.31	\$ 383,791.69
103 - Street	\$ 404,350.00	\$ 212,905.72	\$ 191,444.28
104 - Vandalism Reward Fund	\$ 500.00	\$ 0.00	\$ 500.00
110 - Tourism	\$ 70,500.00	\$ 30,051.95	\$ 40,448.05
112 - Criminal Justice	\$ 0.00	\$ 0.00	\$ 0.00
209- Park Bond Reserve	\$ 56,500.00	\$ 55,912.50	\$ 587.50
305 - Street Equipment Reserve	\$ 75,000.00	\$ 0.00	\$ 75,000.00

306 - Airport Capital Improvement	\$ 2,275,069.00	\$ 1,574,792.54	\$ 700,276.46
307 - Fire Equipment Reserve	\$ 60,000.00	\$ 15,154.78	\$ 44,845.22
308 - Cemetery Reserve	\$ 26,000.00	\$ 29.69	\$ 25,970.31
309 - General Capital Improvement	\$ 127,000.00	\$ 24,962.27	\$ 102,037.73
TOTAL MISCELLANEOUS	\$ 3,094,919.00	\$ 1,913,809.45	\$ 1,181,109.55
401 - Water	\$ 508,700.00	\$ 506,996.57	\$ 1,703.43
Water Capital Improve (409)	\$ 195,000.00	\$ 119,811.47	\$ 75,188.53
TOTAL WATER	\$ 703,700.00	\$ 626,808.04	\$ 76,891.96
403 - Sewer	\$ 515,200.00	\$ 419,086.33	\$ 96,113.67
Sewer Equipment Res (407)	\$ 80,000.00	\$ 0.00	\$ 80,000.00
Sewer Loan Reserve (408)	\$ 75,700.00	\$ 74,700.93	\$ 999.07
Sewer Capital Imp. (410)	\$ 390,000.00	\$ 124,621.19	\$ 265,378.81
TOTAL SEWER	\$ 1,060,900.00	\$ 618,408.45	\$ 442,491.55
405 - Garbage	\$ 462,000.00	\$ 350,407.05	\$ 111,592.95

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

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in person interactions.

In response to the pandemic, no city facilities were closed to the public in 2022, no city employees worked remotely, and new procedures have been put in place. While no activities were limited or temporarily curtailed, the city continues to operate all major functions and meet its public mandates. The city has remained economically stable and continues to adapt to the changing conditions.

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

Note 4 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type as of December 31, 2022 are as follows:

Type of deposit or investment	City's own deposits and investments	Total
Bank deposits	\$ 784,683	\$ 784,683
Certificates of deposit	\$ 0	\$ 0
Local Government Investment Pool	\$ 2,560,113	\$ 2,560,113
U.S. Government securities	\$ 0	\$ 0
Petty Cash	\$ 400	\$ 400
Total	\$ 3,345,196	\$ 3,345,196

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

Investments in the State Local Government Investment Pool (LGIP)

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

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

Custodial Credit Risk

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

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

Note 5 – Long-Term Debt

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

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

Year	Principal	Interest	Total
2023	\$ 35,000.00	\$ 18,781.00	\$ 53,781.00
2024	\$ 40,000.00	\$ 17,250.00	\$ 57,250.00
2025	\$ 40,000.00	\$ 15,500.00	\$ 55,500.00
2026	\$ 40,000.00	\$ 13,750.00	\$ 53,750.00
2027	\$ 45,000.00	\$ 11,750.00	\$ 56,750.00
2028 - 2031	\$ 190,000.00	\$ 24,250.00	\$ 214,250.00
Total	\$ 390,000.00	\$ 101,281.00	\$ 491,281.00

Significant Debt Agreement Terms

The following financial instruments contain debt agreement terms with finance related consequences:

Debt	Clause
2010 G.O. Bond	If any Bond is not redeemed when properly presented at its maturity or call date, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Debt Service Fund and Bond has been called for payment by giving notice of that call to its Registered Owner

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans; Public Employees Retirement System PERS 1 pension plan, Public Employees Retirement System PERS 2 pension plan.

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 Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

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

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

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$ 18,789	0.003059%	\$ 85,174
PERS 2/3	\$ 32,141	0.004001%	\$ (148,388)
VFFRPF	\$ 750	.39%	\$ 111,486.27

Note 7 - Property Tax

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

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

The City's regular levy for the year 2022 was \$ 2.43623 per \$1,000 on an assessed valuation of \$168,690,945 for a total regular levy of \$294,262.21.

Note 8 – Risk Management

The City of Davenport is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2022, membership includes 195 members in the program.

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

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

Property insurance is subject to a per occurrence SIR of \$500,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$500,000 SIR, in addition to the deductible. Crime insurance is subject to a per occurrence SIR of \$25,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

451 Diamond Drive | Ephrata, WA 98823
office (509) 754.2027 | toll-free 800.407.2027 | fax (509) 754.3406 | www.ciaw.us
Program Administrator: Clear Risk Solutions

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW. Cyber liability insurance is subject to a per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR.

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2022, were \$2,747,183.56. A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The City self-insures for unemployment compensation and worker's compensation.

City of Davenport
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	Sports Complex GO Bond	12/1/2031	425,000	-	35,000	390,000
Total General Obligation Debt/Liabilities:			425,000	-	35,000	390,000
Revenue and Other (non G.O.) Debt/Liabilities						
263.84	DOE - Sewer Screen	9/17/2026	59,092	-	59,092	-
263.84	DOE - Wastewater Rehab Loan	10/1/2024	137,319	-	137,319	-
264.30	Net Pension Liabilities		41,119	44,055	-	85,174
259.12	Compensated Absences		89,964	3,772	-	93,736
Total Revenue and Other (non G.O.) Debt/Liabilities:			327,494	47,827	196,411	178,910
Total Liabilities:			752,494	47,827	231,411	568,910

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

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	35,679	35,679	-	8
	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	1	1	-	8
	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	77,308	77,308	-	8
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	1,133,763	1,133,763	-	8
	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	253,329	253,329	-	8
	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	1,500,080	1,500,080	-	
Total ALN 20.106:				-	1,500,080	1,500,080	-	

Highway Planning and Construction Cluster

The accompanying notes are an integral part of this schedule.

City of Davenport
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		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	LA-10133	24,962	-	24,962	-	8
		Total Highway Planning and Construction Cluster:				24,962	-	24,962
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	347,111	347,111	-	8
		Total Federal Awards Expended:				24,962	1,847,191	1,872,153

City of Davenport - 0508

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 Davenport's financial statements. The city uses the cash basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate:

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

The city did not use a different indirect cost rate percentage for any of the other federal grants.

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'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.



DAVENPORT WASHINGTON

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

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

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

Finding ref number: 2022-001	Finding caption: The City's internal controls were not adequate to ensure compliance with the revenue diversion special test requirements.
Name, address, and telephone of City contact person: Steve Goemmel, City Administrator City of Davenport P. O. Box 26 411 Morgan Street Davenport, WA 99122	
Corrective action the auditee plans to take in response to the finding: <i>The City's airport fund balance was overstated due to a coding error by the Clerk/Treasurer in 2022. Every month the city pays the Washington State Department of Revenue excise tax for its utility funds, (Water/Sewer/Garbage funds) plus any revenue generated from the sale of graves at the cemetery, and leasehold tax on the airport hangar leases. The Clerk/Treasurer uses a spreadsheet template to calculate these liabilities. He inadvertently entered the calculated remittance into the airport fund rather than the garbage fund. The resulting error caused the city to overstate the expenditures in the airport fund and understated the expenditures in the garbage fund. The amount of the remittance that was paid to the</i>	

Washington State Department of Revenue and the dollar amount remitted was correct and expended to the proper corresponding funds. This was also done on three small expenditures on the city's credit card account. The expenditure amounts were paid but misassigned to the airport fund. All these expenditures were true and paid in a timely fashion. There was no misappropriation of funds. They were simply data entry mistakes to different funds numbers. No airport funds within any of our FAA grants were used to pay the Washington State Department of Revenue or other vendors.

Under my direction, the Clerk/Treasurer has amended his calculation worksheet so that it does not include any expenditure to the Airport Fund. Airport Leasehold Tax is now paid to the Special Leasehold account of the Washington Department of Revenue. The City will institute a revised financial policy for credit card use so this doesn't happen in the future. All credit card expenditures will be reviewed for accuracy in earnest.

Anticipated date to complete the corrective action: June 1, 2024

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