



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of DuPont

For the period January 1, 2019 through December 31, 2020

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

March 3, 2022

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of DuPont January 1, 2020 through December 31, 2020

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 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 its major federal program.

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.019	COVID-19 – Coronavirus Relief Fund

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

See Finding 2020-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of DuPont January 1, 2020 through December 31, 2020

2020-001 The City lacked adequate internal controls for ensuring the Schedule of Expenditures of Federal Awards was accurate and complete.

Background

State and federal agencies, the City Council, and the public rely on information included in financial statements to make decisions. City management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. These controls should ensure the City properly reports financial events. Our audit found a material weakness in the City's internal controls over financial reporting that resulted in errors in its financial statements. *Government Auditing Standards* requires auditors to communicate material weaknesses as a finding.

Description of Condition

The City prepared a Schedule of Expenditures of Federal Awards (SEFA) to document the federal grant funding it spent during the year. The federal government requires award recipients to complete a SEFA, and the State Auditor's Office uses it to determine which federal programs require additional audit procedures. 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.

We consider this deficiency in internal controls over accounting and financial reporting to be a material weakness.

Cause of Condition

Due to turnover in a key position responsible for managing the federal program that was omitted from the SEFA, City staff misidentified the associated expenditures as state grant expenditures during the year-end financial reporting process. Additionally, the City lacked procedures for reviewing the SEFA to ensure it included all federal program expenditures.

Effect of Condition

The City's SEFA for fiscal year 2020 omitted expenditures related to the Highway Planning and Construction federal program (CFDA No. 20.205). As a result, the City understated its SEFA by \$349,166. Had this program been included, the total federal expenditures would have exceeded the \$750,000 threshold that triggers a federal Single Audit of the City's compliance with federal requirements.

The City subsequently corrected this error, and our Office performed the required Single Audit.

Further, an incorrect SEFA can lead to audit delays beyond the federal reporting deadline, cause additional audit costs, and potentially jeopardize future federal funding.

Recommendation

We recommend the City establish and follow effective internal controls over preparing financial statements, including controls for ensuring the SEFA reports all federal programs and expenditures in accordance with current requirements.

City's Response

The City of DuPont appreciates the opportunity to respond to the Washington State Auditor's Office's conclusion. We would like to thank the audit staff for the open communication throughout the two year audit. The City is committed to establishing and following effective internal controls for preparing and reviewing its financial statements.

The City has incorporated a grant checklist to assist in the preparation of the Schedule 15 and 16 so that no future misidentification occurs.

The City of DuPont understands the importance of having effective internal controls in place for preparation of the annual financial statements. The City additionally understands the significance of financial statement review and for planning adequate time to ensure and guarantee the accuracy of the financial statements.

Auditor's Remarks

We appreciate the steps the City has taken to resolve this issue and will review the corrective action taken during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

The *Budgeting, Accounting and Reporting System* (BARS) manual, 3.1.3, Internal Control, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

The *Budgeting, Accounting and Reporting System* (BARS) manual, 4.14.5, Expenditures of Federal Awards (Schedule 16), requires governments that expend over \$750,000 or more in federal grant awards in a year, must arrange a federal single audit in accordance with the Uniform Guidance, 2 CFR 200, Subpart F-Audit Requirements.

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

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 502 – Basis for determining Federal awards expended.

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, 2019 through December 31, 2020

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 25, 2022.

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

As discussed in Note 9 to the 2019 financial statements, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

As discussed in Note 12 to the 2020 financial statements and Note 11 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2020-001 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

February 25, 2022

INDEPENDENT AUDITOR'S REPORT

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

City of DuPont January 1, 2020 through December 31, 2020

Mayor and City Council
City of DuPont
DuPont, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of DuPont, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

February 25, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of DuPont **January 1, 2019 through December 31, 2020**

Mayor and City Council
City of DuPont
DuPont, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of DuPont, for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 18.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of DuPont, and its changes in cash and investments, for the years ended December 31, 2020 and 2019, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of DuPont, as of December 31, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matters of Emphasis

As discussed in Note 9 to the 2019 financial statements, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

As discussed in Note 12 to the 2020 financial statements and Note 11 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

February 25, 2022

FINANCIAL SECTION

City of DuPont January 1, 2019 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Fund Resources and Uses Arising from Cash Transactions – 2019
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to Financial Statements – 2020
Notes to Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Liabilities – 2019
Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	103 Hotel/Motel Tax Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	21,655,169	1,948,773	195,696	288,970
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	8,019,265	6,861,051	-	174,297
320	Licenses and Permits	859,434	857,859	1,575	-
330	Intergovernmental Revenues	1,300,191	703,636	544,927	-
340	Charges for Goods and Services	5,299,707	771,066	59,858	-
350	Fines and Penalties	48,908	40,932	-	-
360	Miscellaneous Revenues	251,807	111,720	445	641
Total Revenues:		15,779,312	9,346,264	606,805	174,938
Expenditures					
510	General Government	1,864,389	1,864,389	-	-
520	Public Safety	4,758,438	4,758,438	-	-
530	Utilities	3,464,085	-	-	-
540	Transportation	559,297	142,984	415,838	-
550	Natural/Economic Environment	842,325	842,325	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	497,233	410,817	-	86,416
Total Expenditures:		11,985,767	8,018,953	415,838	86,416
Excess (Deficiency) Revenues over Expenditures:		3,793,545	1,327,311	190,967	88,522
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,384,927	108,667	325,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	140,868	88,650	-	-
Total Other Increases in Fund Resources:		1,525,795	197,317	325,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,475,679	35,282	401,660	-
591-593, 599	Debt Service	1,693,783	-	-	-
597	Transfers-Out	1,384,927	615,144	-	108,667
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	77,717	24,756	-	-
Total Other Decreases in Fund Resources:		5,632,106	675,182	401,660	108,667
Increase (Decrease) in Cash and Investments:		(312,766)	849,446	114,307	(20,145)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	17,971,454	836,729	310,003	268,825
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	3,370,949	1,961,490	-	-
Total Ending Cash and Investments		21,342,403	2,798,219	310,003	268,825

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

		104 Public Safety Mitigation Fund	160 Drug Enforcement Fund	202 UTGO Fund	301 Capital
Beginning Cash and Investments					
308	Beginning Cash and Investments	53,366	9,789	-	10,619,862
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	983,917
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	5,645	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	181	47	1	91,916
Total Revenues:		5,826	47	1	1,075,833
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:		5,826	47	1	1,075,833
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	889,370	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	18,236
Total Other Increases in Fund Resources:		-	-	889,370	18,236
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	789,637
591-593, 599	Debt Service	-	-	889,371	49,933
597	Transfers-Out	55,557	-	-	605,559
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	18,236
Total Other Decreases in Fund Resources:		55,557	-	889,371	1,463,365
Increase (Decrease) in Cash and Investments:		(49,731)	47	-	(369,296)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	3,635	9,836	-	10,250,566
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		3,635	9,836	-	10,250,566

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

		401 Water	403 Storm Water Management	501 ER&R Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	4,185,758	3,130,047	1,222,908
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	51,628	-
340	Charges for Goods and Services	2,641,716	1,459,275	362,147
350	Fines and Penalties	7,976	-	-
360	Miscellaneous Revenues	13,070	7,826	25,960
Total Revenues:		2,662,762	1,518,729	388,107
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	1,994,492	1,469,593	-
540	Transportation	-	-	475
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,994,492	1,469,593	475
Excess (Deficiency) Revenues over Expenditures:		668,270	49,136	387,632
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	33,982	-	-
Total Other Increases in Fund Resources:		95,872	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	1,048,019	-	201,081
591-593, 599	Debt Service	629,317	125,162	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	34,725	-	-
Total Other Decreases in Fund Resources:		1,712,061	125,162	201,081
Increase (Decrease) in Cash and Investments:		(947,919)	(76,026)	186,551
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	3,237,839	3,054,021	-
50841	Committed	-	-	-
50851	Assigned	-	-	-
50891	Unassigned	-	-	1,409,459
Total Ending Cash and Investments		3,237,839	3,054,021	1,409,459

City of DuPont
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	103 Hotel/Motel Tax Fund
Beginning Cash and Investments					
30810	Reserved	2,165,841	570,767	-	255,204
30880	Unreserved	10,377,539	1,491,064	101,505	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	7,636,345	6,769,461	-	279,419
320	Licenses and Permits	800,414	798,614	1,800	-
330	Intergovernmental Revenues	643,052	250,345	259,438	-
340	Charges for Goods and Services	5,777,187	867,177	80,412	-
350	Fines and Penalties	80,526	56,533	-	-
360	Miscellaneous Revenues	658,279	192,816	16	2,901
Total Revenues:		15,595,803	8,934,946	341,666	282,320
Expenditures					
510	General Government	1,987,876	1,987,876	-	-
520	Public Safety	4,654,446	4,654,446	-	-
530	Utilities	3,668,498	-	-	-
540	Transportation	713,573	189,617	520,479	-
550	Natural and Economic Environment	984,949	984,949	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	814,489	669,611	-	144,878
Total Expenditures:		12,823,831	8,486,499	520,479	144,878
Excess (Deficiency) Revenues over Expenditures:		2,771,972	448,447	(178,813)	137,442
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	9,995,302	-	-	-
397	Transfers-In	1,438,047	208,676	340,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	11,519	9,860	-	-
381, 382, 395, 398	Other Resources	111,488	66,094	-	-
Total Other Increases in Fund Resources:		11,556,356	284,630	340,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,160,344	26,618	66,996	-
591-593, 599	Debt Service	1,534,781	-	-	-
597	Transfers-Out	1,438,047	798,256	-	103,676
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	19,025	1,302	-	-
581, 582	Other Uses	64,342	19,959	-	-
Total Other Decreases in Fund Resources:		5,216,539	846,135	66,996	103,676
Increase (Decrease) in Cash and Investments:		9,111,789	(113,058)	94,191	33,766
Ending Cash and Investments					
5081000	Reserved	11,444,160	472,173	-	288,970
5088000	Unreserved	10,211,009	1,476,600	195,696	-
Total Ending Cash and Investments		21,655,169	1,948,773	195,696	288,970

City of DuPont
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		104 Public Safety Mitigation Fund	160 Drug Enforcement Fund	202 UTGO Fund	301 Capital
Beginning Cash and Investments					
30810	Reserved	71,224	9,645	-	1,259,001
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	587,465
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	42,400
340	Charges for Goods and Services	36,694	-	-	150,000
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,005	144	-	226,179
Total Revenues:		37,699	144	-	1,006,044
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		37,699	144	-	1,006,044
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	9,995,302
397	Transfers-In	-	-	889,371	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	889,371	9,995,302
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	1,001,238
591-593, 599	Debt Service	-	-	889,371	158,689
597	Transfers-Out	55,557	-	-	480,558
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		55,557	-	889,371	1,640,485
Increase (Decrease) in Cash and Investments:		(17,858)	144	-	9,360,861
Ending Cash and Investments					
5081000	Reserved	53,366	9,789	-	10,619,862
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		53,366	9,789	-	10,619,862

City of DuPont
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		401 Water	403 Storm Water Management	501 ER&R Fund
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	4,035,347	3,009,431	1,740,192
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	90,869	-
340	Charges for Goods and Services	2,669,176	1,577,305	396,423
350	Fines and Penalties	23,993	-	-
360	Miscellaneous Revenues	59,001	35,289	140,928
Total Revenues:		2,752,170	1,703,463	537,351
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	2,183,719	1,484,779	-
540	Transportation	-	-	3,477
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		2,183,719	1,484,779	3,477
Excess (Deficiency) Revenues over Expenditures:		568,451	218,684	533,874
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	900	759	-
381, 382, 395, 398	Other Resources	45,394	-	-
Total Other Increases in Fund Resources:		46,294	759	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	14,334	-	1,051,158
591-593, 599	Debt Service	397,829	88,892	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	7,788	9,935	-
581, 582	Other Uses	44,383	-	-
Total Other Decreases in Fund Resources:		464,334	98,827	1,051,158
Increase (Decrease) in Cash and Investments:		150,411	120,616	(517,284)
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	4,185,758	3,130,047	1,222,908
Total Ending Cash and Investments		4,185,758	3,130,047	1,222,908

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, 2020

		<u>Custodial</u>
308	Beginning Cash and Investments	72,975
388 & 588	Net Adjustments	-
310-390	Additions	101,377
510-590	Deductions	<u>55,106</u>
	Net Increase (Decrease) in Cash and Investments:	46,271
508	Ending Cash and Investments	119,246

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, 2019

		Custodial
308	Beginning Cash and Investments	58,253
388 & 588	Net Adjustments	-
310-390	Additions	95,471
510-590	Deductions	80,749
	Net Increase (Decrease) in Cash and Investments:	14,722
508	Ending Cash and Investments	72,975

The accompanying notes are an integral part of this statement.

City of DuPont
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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 be 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	\$385,009
General Fund	Contingency Reserve	88,349
Hotel/Motel Tax	Tourism	268,825
Public Safety Mitigation	Public Safety Debt Service	3,636
Drug Enforcement	Drug Enforcement	9,835
Capital Projects	Capital Projects	9,899,216
Transportation Benefit District	Transportation Improvement	<u>119,245</u>
	Total	<u>\$10,774,115</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	\$ 969,919	\$ 828,781	\$ 141,138
Support Services	\$ 765,272	\$ 620,945	\$ 144,327
Police Department	\$ 2,595,436	\$ 2,278,072	\$ 317,364
Fire Department	\$ 2,441,762	\$ 2,496,772	\$ (55,010)
Community Development	\$ 1,115,662	\$ 811,063	\$ 304,599
Public Works	\$ 1,168,715	\$ 785,019	\$ 383,696
Non-Departmental	\$ 1,337,298	\$ 838,203	\$ 499,095
Total General Fund (budget basis)	\$ 10,394,064	\$ 8,658,854	\$ 1,735,210
Non-budgeted refunding		\$ 35,282	
Total General Fund		\$ 8,694,136	
Street Fund	\$ 1,297,353	\$ 817,498	\$ 479,855
Hotel/Motel Tax Fund	\$ 316,754	\$ 195,082	\$ 121,672
Public Safety Mitigation Fund	\$ 55,558	\$ 55,557	\$ 1
Glacier NW Settlement Fund	\$ -	\$ -	\$ -
Drug Enforcement Fund	\$ -	\$ -	\$ -
GO Bond Debt Service Fund	\$ 889,822	\$ 889,371	\$ 451
Capital Projects Fund	\$ 7,324,828	\$ 1,814,715	\$ 5,510,113
Water Utility Fund	\$ 3,206,406	\$ 3,077,237	\$ 129,169
Non-budgeted refunding		\$ 629,317	
Total Water Utility Fund		\$ 3,706,554	
Stormwater Utility Fund	\$ 1,775,608	\$ 1,469,593	\$ 306,015
Non-budgeted refunding		\$ 125,162	
Total Stormwater Utility Fund		\$ 1,594,755	
Equipment Rental/Repl. Fund	\$ 250,854	\$ 201,556	\$ 49,298
Transportation Benefit Dist.	\$ 94,800	\$ 55,106	\$ 39,694
Total All Funds	\$ 25,606,048	\$ 17,234,569	\$ 8,371,479
Non-budgeted refunding		\$ 789,761	
Less transfers to managerial funds		\$ -	
Total per financial statements		\$ 18,024,329	

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 together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2020, 103 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by 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 Lexington Insurance Company and CHUBB in 2020, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, Lexington provides excess insurance up to \$50

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

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

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 2020 was \$1.10885532 per \$1,000 on an assessed valuation of \$1,786,146,155 for a total regular levy of \$1,980,577.82. The City's EMS tax levy rate was \$0.48196438 per \$1,000 on total assessed valuation for a total of \$860,858.84. 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, 2020 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	\$4,192,922	\$78,552	\$4,271,474
Deposits in Transit	-\$384,370	0	-\$384,370
Petty Cash	\$1,000	0	\$1,000
Other reconciling items	\$192	0	\$192
Local Government Investment Pool	\$9,715,890	\$40,694	\$9,756,584
Local Government Investment Pool- Revenue Bond	\$7,816,768	\$0	\$7,816,768
Totals	\$21,342,403	\$119,246	\$21,461,649

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 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, 2020.

The debt service requirements, including interest, to amortize general obligations bonds and revenue bonds debt outstanding as of December 31, 2020, are as follows:

Year Ended	General Obligation Bonds		
December 31	Principal	Interest	Total
2021	545,000	565,700	1,110,700
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
2026-2030	3,535,000	2,003,000	5,538,000
2031-2035	4,610,000	1,214,000	5,824,000
2036-2038	3,230,000	261,800	3,491,800
Total	\$14,290,000	\$6,106,500	\$20,396,500

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			
	2021	180,000.00	357,600.00
	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
	2026-2030	1,175,000.00	1,515,500.00
	2031-2035	1,440,000.00	1,255,400.00
	2036-2040	1,755,000.00	943,200.00
	2041-2045	2,135,000.00	562,800.00
	2046-2048	1,500,000.00	121,600.00
	Total	8,975,000.00	6,124,650.00

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

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. 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, 2020 (the measurement date of the plans), the City’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	0.018221%	\$643,300
PERS 2/3	0.023613%	\$301,997
LEOFF 1	0.008893%	\$(167,945)
LEOFF 2	0.060753%	\$(1,239,273)

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 2020, the City of DuPont did not contribute any funds into this account. The total OPEB Liability was \$887,934 at December 31, 2020.

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, 2020, the plan had **no** members. As of December 31, 2019, the City total OPEB liability was \$0, as calculated using the alternative measurement method. For the year ended December 31, 2020, 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 2020, the City received \$101,246 from the collection of \$20.00 vehicle license fees and \$132 in interest income. \$55,106 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. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

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

City of DuPont
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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 be 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, *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. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of the following:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Revenue Stabilization	\$383,998
General Fund	Contingency Reserve	88,175
Hotel/Motel Tax	Tourism	288,970
Public Safety Mitigation	Public Safety Debt Service	53,367
Drug Enforcement	Drug Enforcement	9,788
Capital Projects	Capital Projects	10,619,862
Transportation Benefit District	Transportation Improvement	<u>72,974</u>
	Total	<u>\$11,517,134</u>

Note 2- Budget Compliance

In 2018, the City adopted the first biennial budget for fiscal years 2019-2020 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	\$ 867,447	\$ 839,265	\$ 28,182
Support Services	\$ 449,407	\$ 457,705	\$ (8,298)
Police Department	\$ 2,453,639	\$ 2,274,990	\$ 178,649
Fire Department	\$ 2,263,619	\$ 2,385,915	\$ (122,296)
Community Development	\$ 980,707	\$ 965,361	\$ 15,346
Public Works	\$ 1,163,640	\$ 1,165,028	\$ (1,388)
Non-Departmental & Reserve Fund	\$ 1,561,796	\$ 1,217,884	\$ 343,912
Total General Fund (budget basis)	\$ 9,740,255	\$ 9,306,147	\$ 434,108
<i>Non-budgeted refunding</i>		\$ 26,487	
<i>Total General Fund</i>		\$ 9,332,634	
Street Fund	\$ 740,228	\$ 587,475	\$ 152,753
Hotel/Motel Tax Fund	\$ 272,889	\$ 248,554	\$ 24,335
Public Safety Mitigation Fund	\$ 55,558	\$ 55,557	\$ 1
Glacier NW Settlement Fund	\$ -	\$ -	\$ -
Drug Enforcement Fund	\$ -	\$ -	\$ -
GO Bond Debt Service Fund	\$ 889,371	\$ 889,371	\$ -
Capital Projects Fund	\$ 4,108,549	\$ 1,640,485	\$ 2,468,064
Water Utility Fund	\$ 2,592,167	\$ 2,250,223	\$ 341,944
<i>Non-budgeted refunding</i>		\$ 397,830	
<i>Total Water Utility Fund</i>		\$ 2,648,053	
Stormwater Utility Fund	\$ 1,735,172	\$ 1,494,714	\$ 240,458
<i>Non-budgeted refunding</i>		\$ 88,892	
<i>Total Stormwater Utility Fund</i>		\$ 1,583,606	
Equipment Rental/Repl. Fund	\$ 1,113,589	\$ 1,054,635	\$ 58,954
Transportation Benefit Dist.	\$ 94,200	\$ 80,749	\$ 13,451
Total All Funds	\$ 21,341,978	\$ 17,607,910	\$ 3,734,068
<i>Non-budgeted refunding</i>		\$ 513,209	
<i>Less transfers to managerial funds</i>		\$ -	
Total per financial statements		\$ 18,121,119	

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 together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2019, 100 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2019; AWC RMSA carried a retention of \$200,000 and

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

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

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 2019 was \$1.12381984 per \$1,000 on an assessed valuation of \$1,554,410,017 for a total regular levy of \$1,746,876.82. The City's EMS tax levy rate was \$0.48967717 per \$1,000 on total assessed valuation for a total of \$761,159.10. 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. Deposits and investments by type at December 31, 2019 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	\$3,051,514	\$32,413	\$3,083,927
Deposits in Transit	-\$758,706	0	-758,706
Petty Cash	\$1,000	0	\$1,000
Other reconciling items	\$193	0	\$193
Local Government Investment Pool	\$9,654,154	\$40,562	\$9,694,716
Local Government Investment Pool- Revenue Bond	\$9,707,014	\$0	\$9,707,014
Totals	\$21,655,169	\$72,975	\$21,728,144

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 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 – Debt Service Requirements

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, 2019.

The debt service requirements, including interest, to amortize general obligations bonds and revenue bonds debt outstanding as of December 31, 2019, are as follows:

Year Ended	General Obligation Bonds		
December 31	Principal	Interest	Total
2020	530,000	581,150	1,111,150
2021	545,000	565,700	1,110,700
2022	555,000	549,800	1,104,800
2023	580,000	527,600	1,107,600
2024	605,000	504,400	1,109,400
2025-2029	3,400,000	2,139,000	5,539,000
2030-2034	4,375,000	1,389,000	5,764,000
2035-2038	4,230,000	431,000	4,661,000
Total	<u>\$14,820,000</u>	<u>\$6,687,650</u>	<u>\$21,507,650</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.

The City received its first draw on a construction Public Works Trust Fund loan during 2000 for \$1,306,771. The final draw of \$91,360.66 was received in 2005. As a result of the City transferring its sewer utility to Pierce County in July of 2008, this loan was split between Pierce County and the City. The City's portion was recorded as a new loan effective October 2008. This loan requires annual principal payments of \$31,445 and 1% interest on the outstanding balance. The outstanding balance on this loan was \$0 as of December 31, 2019. This loan was paid in full in 2019.

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			
2020	\$ 170,000	\$ 362,700	
2021	180,000	357,600	
2022	185,000	352,200	
2023	195,000	346,650	
2024	200,000	338,850	
2025-2029	1,130,000	1,562,950	
2030-2034	1,385,000	1,310,800	
2035-2039	1,685,000	1,010,600	
2040-2044	2,055,000	645,000	
2045-2048	1,960,000	200,000	
Total	\$ 9,145,000	\$ 6,487,350	

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.

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As of December 31, 2019, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

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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 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, 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, 2019 (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	0.019128%	\$735,540
PERS 2/3	0.024712%	\$240,038
LEOFF 1	0.008793%	\$(173,803)
LEOFF 2	0.059014%	\$(1,367,173)

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

During the year ended 2019, the City of DuPont adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS Manual. <https://sao.wa.gov/bars-annual-filing/bars-cash-manual> This requirement resulted in the addition of post-employment benefit liability reported on the Schedule of Liabilities.

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 2019, the City of DuPont did not contribute any funds into this account. The total OPEB Liability was \$894,136 at December 31, 2019.

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, 2019, the plan had **no** members. As of December 31, 2019, the City total OPEB liability was \$0, as calculated using the alternative measurement method. For the year ended December 31, 2019, 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 2019, the City received \$94,834 from the collection of \$20.00 vehicle license fees and \$637 in interest income. \$80,749 was expended during the year on transportation projects.

Note 11 – Subsequent events

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The length of time these measures will be in place, and the full extent of the financial impact on the City of DuPont is unknown.

In 2020, the City entered into a Capital Lease for Police GETAC Laptop Computers with VAR Technology Finance in the amount of \$58,260 plus fees. No payments were made on this lease in 2019, the first lease payment is due with successful delivery of the laptops in July 2020.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2015 GO Refunding Bonds	12/1/2038	8,800,000	-	45,000	8,755,000
251.11	2016 GO Refunding Bonds	12/1/2030	6,020,000	-	485,000	5,535,000
Total General Obligation Debt/Liabilities:			14,820,000	-	530,000	14,290,000
Revenue and Other (non G.O.) Debt/Liabilities						
263.52	2018 Lease Purchase Agrmnt FD	7/15/2028	262,112	-	24,749	237,363
264.30	Pension Liabilities		975,577	-	30,281	945,296
259.12	Compensated Absences		474,507	786,516	692,936	568,087
252.11	Stormwater and Utility Revenue Bond	12/1/2048	9,145,000	-	170,000	8,975,000
264.40	Firefighters Incentive		894,136	-	6,202	887,934
Total Revenue and Other (non G.O.) Debt/Liabilities:			11,751,332	786,516	924,168	11,613,680
Assessment Debt/Liabilities (with commitments)						
253.11	Utility Local Improvement District-Historic Sites	2/1/2021	73,051	-	46,054	26,997
Total Assessment Debt/Liabilities (with commitments):			73,051	-	46,054	26,997
Total Liabilities:			26,644,383	786,516	1,500,222	25,930,677

City of DuPont
Schedule of Liabilities
For the Year Ended December 31, 2019

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2015 GO Refunding Bonds	12/1/2038	8,845,000	-	45,000	8,800,000
251.11	2016 GO Refunding Bonds	12/1/2030	6,490,000	-	470,000	6,020,000
Total General Obligation Debt/Liabilities:			15,335,000	-	515,000	14,820,000
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	Stormwater and Utility Revenue Bond	12/1/2048	-	9,145,000	-	9,145,000
259.12	Compensated Absences		363,157	651,514	540,164	474,507
263.88	2008 Public Works Trust Fund	6/1/2019	31,444	-	31,444	-
264.30	Pension Liabilities		1,116,495	-	140,918	975,577
263.52	2018 Lease Purchase Agreement	7/15/2028	288,599	-	26,487	262,112
264.40	Firefighters Incentive		-	894,136	-	894,136
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,799,695	10,690,650	739,013	11,751,332
Assessment Debt/Liabilities (with commitments)						
253.11	Utility Local Improvement District-Historic Sites	2/1/2021	119,105	-	46,054	73,051
Total Assessment Debt/Liabilities (with commitments):			119,105	-	46,054	73,051
Total Liabilities:			17,253,800	10,690,650	1,300,067	26,644,383

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	LA 9525/STPUL -2859 (001)	349,166	-	349,166	-	3
Total Highway Planning and Construction Cluster:				349,166	-	349,166	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541-C-162	424,122	-	424,122	-	3
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	HHS- 84951875968	-	3,947	3,947	-	3
Total Federal Awards Expended:				773,288	3,947	777,235	-	

City of DuPont

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020

Note 1 – Basis of Accounting

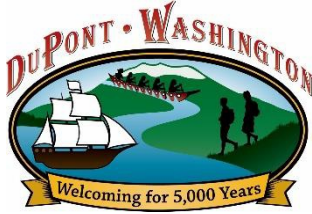
This Schedule is prepared on the same basis of accounting as the City of DuPont's financial statements. The City of DuPont's Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of DuPont
January 1, 2019 through December 31, 2020

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

Finding ref number: 2020-001	Finding caption: The City lacked adequate internal controls for ensuring the Schedule of Expenditures of Federal Awards was accurate and complete.
Name, address, and telephone of City contact person: Carma Oaksmith, Finance Director, 1700 Civic Drive, Dupont, WA 98327	
Corrective action the auditee plans to take in response to the finding: <i>The City of DuPont appreciates the opportunity to respond to the Washington State Auditor's Office's conclusion. We would like to thank the audit staff for the open communication throughout the two year audit. The City is committed to establishing and following effective internal controls for preparing and reviewing its financial statements.</i> <i>The City has incorporated a grant checklist to assist in the preparation of the Schedule 15 and 16 so that no future misidentification occurs.</i> <i>The City of DuPont understands the importance of having effective internal controls in place for preparation of the annual financial statements. The City additionally understands the significance of financial statement review and for planning adequate time to ensure and guarantee the accuracy of the financial statements.</i>	
Anticipated date to complete the corrective action: <i>Completed. The Schedule 15 and 16 were corrected when the SAO Audit Staff notified The City of this error.</i>	

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

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

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

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