



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Republic

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

Published May 31, 2022

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

May 31, 2022

Mayor and City Council
City of Republic
Republic, Washington

Report on Financial Statements

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

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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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 Republic January 1, 2019 through December 31, 2020

Mayor and City Council
City of Republic
Republic, 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 Republic, 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 May 17, 2022.

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our 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.

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

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

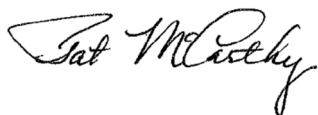
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

May 17, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Mayor and City Council
City of Republic
Republic, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Republic, 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 9.

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 Republic 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 Republic, 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 Republic, 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.

Matter of Emphasis

As discussed in Note 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Our opinions are 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 Schedules of Liabilities are 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 May 17, 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

May 17, 2022

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Liabilities – 2019

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

		Total for All Funds (Memo Only)	001 Current Expense	101 Capital Grants	104 Special Investigation Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,694,932	97,244	106,811	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	607,600	477,931	-	-
320	Licenses and Permits	8,588	8,588	-	-
330	Intergovernmental Revenues	677,247	120,609	101,970	-
340	Charges for Goods and Services	891,856	93	-	-
350	Fines and Penalties	14,754	14,754	-	-
360	Miscellaneous Revenues	21,497	16,538	-	-
Total Revenues:		2,221,542	638,513	101,970	-
Expenditures					
510	General Government	141,315	141,315	-	-
520	Public Safety	193,999	194,284	-	(285)
530	Utilities	624,184	-	-	-
540	Transportation	294,130	-	-	-
550	Natural/Economic Environment	4,722	4,722	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	72,055	52,656	-	-
Total Expenditures:		1,330,405	392,977	-	(285)
Excess (Deficiency) Revenues over Expenditures:		891,137	245,536	101,970	285
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	34,569	4,291	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	115,681	32,333	-	-
Total Other Increases in Fund Resources:		150,250	36,624	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	361,546	-	102,050	-
591-593, 599	Debt Service	139,282	-	-	-
597	Transfers-Out	34,569	26,862	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	117,134	33,513	-	-
Total Other Decreases in Fund Resources:		652,531	60,375	102,050	-
Increase (Decrease) in Cash and Investments:		388,856	221,785	(80)	285
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	225,894	-	-	285
50841	Committed	-	-	-	-
50851	Assigned	1,598,925	-	106,731	-
50891	Unassigned	258,972	319,030	-	-
Total Ending Cash and Investments		2,083,791	319,030	106,731	285

The accompanying notes are an integral part of this statement.

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

		105 Stadium Hotel & Motel	107 Streets	108 Street & Sidewalk Construction	109 Criminal Justice
Beginning Cash and Investments					
308	Beginning Cash and Investments	106,960	51,125	5,489	5,432
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	21,543	79,338	-	9,579
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	327,866	123,458	2,396
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	360	164	-	21
Total Revenues:		21,903	407,368	123,458	11,996
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	294,130	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	19,399	-	-	-
Total Expenditures:		19,399	294,130	-	-
Excess (Deficiency) Revenues over Expenditures:		2,504	113,238	123,458	11,996
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	26,862	3,416	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	9,697	-	-
Total Other Increases in Fund Resources:		-	36,559	3,416	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	107,054	132,362	-
591-593, 599	Debt Service	-	-	-	9,886
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	9,848	-	-
Total Other Decreases in Fund Resources:		-	116,902	132,362	9,886
Increase (Decrease) in Cash and Investments:		2,504	32,895	(5,488)	2,110
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	109,464	-	-	7,542
50841	Committed	-	-	-	-
50851	Assigned	-	84,020	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		109,464	84,020	-	7,542

The accompanying notes are an integral part of this statement.

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

		300 Capital Improvements	401 Water & Sewer Fund	412 Garbage
Beginning Cash and Investments				
308	Beginning Cash and Investments	29,596	1,369,026	(76,751)
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	17,960	-	1,249
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	948	-	-
340	Charges for Goods and Services	-	626,789	264,974
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	99	4,297	18
Total Revenues:		19,007	631,086	266,241
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	404,839	219,345
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		-	404,839	219,345
Excess (Deficiency) Revenues over Expenditures:		19,007	226,247	46,896
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	73,651	-
Total Other Increases in Fund Resources:		-	73,651	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	20,080	-	-
591-593, 599	Debt Service	-	129,396	-
597	Transfers-Out	3,416	4,291	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	43,568	30,205
Total Other Decreases in Fund Resources:		23,496	177,255	30,205
Increase (Decrease) in Cash and Investments:		(4,489)	122,643	16,691
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	108,603	-
50841	Committed	-	-	-
50851	Assigned	25,107	1,383,067	-
50891	Unassigned	-	-	(60,058)
Total Ending Cash and Investments		25,107	1,491,670	(60,058)

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 Current Expense	101 Capital Grants	105 Stadium Hotel & Motel
Beginning Cash and Investments					
30810	Reserved	205,791	-	-	89,190
30880	Unreserved	1,147,482	86,474	106,811	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	531,137	405,021	-	27,974
320	Licenses and Permits	9,449	9,449	-	-
330	Intergovernmental Revenues	462,906	69,440	-	-
340	Charges for Goods and Services	939,954	5,194	-	-
350	Fines and Penalties	12,598	12,598	-	-
360	Miscellaneous Revenues	41,386	18,894	-	1,642
Total Revenues:		1,997,430	520,596	-	29,616
Expenditures					
510	General Government	165,412	165,072	-	-
520	Public Safety	295,584	290,603	-	-
530	Utilities	520,134	-	-	-
540	Transportation	144,675	-	-	-
550	Natural and Economic Environment	4,746	4,746	-	-
560	Social Services	78	78	-	-
570	Culture and Recreation	60,373	48,527	-	11,846
Total Expenditures:		1,191,002	509,026	-	11,846
Excess (Deficiency) Revenues over Expenditures:		806,428	11,570	-	17,770
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	10,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	504	504	-	-
381, 382, 395, 398	Other Resources	108,292	29,880	-	-
Total Other Increases in Fund Resources:		118,796	30,384	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	348,540	-	-	-
591-593, 599	Debt Service	124,117	-	-	-
597	Transfers-Out	10,000	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	695	695	-	-
581, 582	Other Uses	108,217	30,488	-	-
Total Other Decreases in Fund Resources:		591,569	31,183	-	-
Increase (Decrease) in Cash and Investments:		333,655	10,771	-	17,770
Ending Cash and Investments					
5081000	Reserved	220,995	-	-	106,960
5088000	Unreserved	1,465,930	97,244	106,811	-
Total Ending Cash and Investments		1,686,925	97,244	106,811	106,960

The accompanying notes are an integral part of this statement.

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

		107 Streets	108 Street & Sidewalk Construction	109 Criminal Justice	300 Capital Improvements
Beginning Cash and Investments					
30810	Reserved	-	-	7,998	-
30880	Unreserved	39,930	31,713	-	27,983
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	77,539	-	9,823	10,623
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	103,279	286,981	2,361	563
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	597	-	117	428
Total Revenues:		181,415	286,981	12,301	11,614
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	4,981	-
530	Utilities	-	-	-	-
540	Transportation	144,675	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		144,675	-	4,981	-
Excess (Deficiency) Revenues over Expenditures:		36,740	286,981	7,320	11,614
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	10,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	9,085	-	-	-
Total Other Increases in Fund Resources:		9,085	10,000	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	25,336	323,204	-	-
591-593, 599	Debt Service	-	-	9,886	-
597	Transfers-Out	-	-	-	10,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	9,293	-	-	-
Total Other Decreases in Fund Resources:		34,629	323,204	9,886	10,000
Increase (Decrease) in Cash and Investments:		11,196	(26,223)	(2,566)	1,614
Ending Cash and Investments					
5081000	Reserved	-	-	5,432	-
5088000	Unreserved	51,125	5,489	-	29,596
Total Ending Cash and Investments		51,125	5,489	5,432	29,596

The accompanying notes are an integral part of this statement.

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

		401 Water & Sewer Fund	412 Garbage
Beginning Cash and Investments			
30810	Reserved	108,603	-
30880	Unreserved	945,526	(90,955)
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	157
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	282
340	Charges for Goods and Services	657,715	277,045
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	17,433	2,275
Total Revenues:		675,148	279,759
Expenditures			
510	General Government	340	-
520	Public Safety	-	-
530	Utilities	284,125	236,009
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		284,465	236,009
Excess (Deficiency) Revenues over Expenditures:		390,683	43,750
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	69,327	-
Total Other Increases in Fund Resources:		69,327	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	114,231	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	38,890	29,546
Total Other Decreases in Fund Resources:		153,121	29,546
Increase (Decrease) in Cash and Investments:		306,889	14,204
Ending Cash and Investments			
5081000	Reserved	108,603	-
5088000	Unreserved	1,252,416	(76,751)
Total Ending Cash and Investments		1,361,019	(76,751)

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	7,306
388 & 588	Net Adjustments	-
310-390	Additions	1,300
510-590	Deductions	600
	Net Increase (Decrease) in Cash and Investments:	700
508	Ending Cash and Investments	8,006

The accompanying notes are an integral part of this statement.

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

The City of Republic was incorporated on May 22, 1900 and operates under the laws of the state of Washington applicable to a City. The city is a general purpose local government and provides Water, Sewer, Public Works and Police Services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

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.

FIDUCIARY FUND TYPES:

Custodial 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 6 (page 6)- *Deposits and Investments*.

D. Capital Assets

The City does not have a capitalization policy.

E. Compensated Absences

Vacation leave may be accumulated at no cap but only a maximum of 160 hours is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

The Value of compensated absences is \$14,269.73

F. Long-Term Debt

See Note 8- *Long-term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

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

Fund Name	Portion of Ending	Portion of	Combined	Reason for Restriction or Commitment
	Balance Restricted	Ending Balance Comittedd		
104 - Special Investrigation Fund	285		285	RCW 69.50.505
105 - Stadium Hotel & Motel	109,464		109,464	RCW 67.28.080
109 & 110 Criminal Justice	7,542		7,542	RCW 82.14
407 - Debt Service Reserve	108,603		108,603	USDA Covenants
<i>Totals</i>	225.894	0	225.894	

Note 2 - Budget Compliance

The city adopts ANNUAL appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
Total 001 - Current Expense	485508.23	453349.19	32159.04	City Hall staff reduced hours because of Covid emergency. Our 1 Police Officer also had reduced hours because he asked for it.
101 - Capital Grants	102050.38	102050.38		
104 - Special Investigation Fund		-285	285	
105 - Stadium Hotel & Motel	25987.3	19398.99	6588.31	Council awarded \$25,987 in Hotel/Motel grants but only \$19,399 was asked for in reimbursement.
107 - Streets	433188.17	411032.36	22155.81	Was unable to pay closeout costs on School project due to state lab having reduced hours because of COVID. Without the lab the rock samples were unable to be finalized for project closeout.
108 - Street & Sidewalk Construction	132361.96	132361.96		
109 - Criminal Justice				
Criminal Justice	13000	9886.44	3113.56	
Criminal Justice Reserve	900		900	
Total 109 - Criminal Justice	13900	9886.44	4013.56	No training was requested by the Police Chief for the entire year.
112 - Parks & Recreation Fund				
300 - Capital Improvements	23495.47	23495.47		
311 - Capital Reserve Police				
401 - Water & Sewer Fund				
Water & Sewer Fund	416000	411957.33	4042.67	
Water Sewer Construction Fund				
Debt Service	106127	106127		
Debt Service Reserve				
Reserve Lagoon Fund	16018.61	16018.61		
Reserve Water & Sewer	41642.64	41642.64		
Total 401 - Water & Sewer Fund	579788.25	575745.58	4042.67	
404 - Consumer Deposits	6500	6346.06	153.94	
412 - Garbage				
Garbage	262108.16	249549.7	12558.46	
Garbage Reserve				
Total 412 - Garbage	262108.16	249549.7	12558.46	New Contract with Sunrise Disposal which reduced garbage pickup days from 2 days a week to 1 day saving the City an estimated 12,000 a year.

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

The City passed Ordinance 2020-05 during the 2020 year to increase the budget. Revenues & Expenditures were underestimated in the original ordinance and needed to be amended. The following are the bigger adjustments needed.

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

- Fund 001 needed an increase in revenues because of the COVID-19 CARES assistance and a new public safety tax that that was underestimated during last years budgeting.
- Fund 101 needed an increase in both areas for a Dept. of Ecology Grant.
- Fund 300 needed an increase in both areas. For revenues an increase in property sales caused the REET tax to increase. For expenses a road project on Adams St. suddenly became very cost effective in the middle of the year so council approved cost for it which increased expenses for the year.
- Fund 401 needed an increase in both areas. An increase in Water and Sewer sales caused revenues to go higher than budgeted. Purchasing a new truck for water and sewer caused the expenses to go past predictions. The City also opted to pay off a loan that was in its last years as well.
- Fund 404 needed an increase in expenses. An internal audit was conducted by the City Clerks and it was determined that there was some previous consumer deposits that have sat unused in that account for years. The ones that were able to be located were refunded to their account or a check was sent. The remaining that was unable to be tracked down was moved to fund 001 per an email between the City Clerk and their local Audit office. The only money remaining in this fund is active consumer deposits.
- Fund 408 needed an increase in expenses for a loan that the City paid off early.
- Fund 409 needed an increase in expenses to rebuild one of its pump houses.

Note 3 – Component Unit(s), Joint Ventures, and Related Parties

The Joint City of Republic-Ferry County Housing Authority was created via Ordinance 1990-7 in October 1990 to address the shortage of safe or sanitary dwellings, apartments, mobile home parks or other living accommodations available for senior citizens. The Joint City of Republic-Ferry County Housing Authority shall have five commissioners, two residing in the city, and three residing in the unincorporated part of Ferry County, making a total of five commissioners.

In 2003, Ordinance 2003-07 was passed creating the Republic Public Development Authority; authorizing a charter and bylaws therefore; establishing a board of Directors to govern the affairs of the authority. The City established the PD to undertake, assist with and otherwise facilitate the acquisition, construction, development, equipping, leasing, operation and maintenance of public benefit projects. The PRDA's cash balance on December 31, 2020 was \$53,029.12. Currently they have no outstanding liabilities and they continue to look for something to invest in to help the local economy.

See Debt Guarantees below for information on the Housing Authority.

Note 4 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of 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

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Some of the effects of COVID-19 on the City include reducing City Hall staff personnel to part time to help reduce possible contact between employees. City Hall has shut its door for most of the year and has accepted payments via online payments, mail or the front door drop box. Public Works crews were told to drive individual trucks whenever possible to limit contact. With the mandated no utility shut offs the City has several accounts that are very past due that they still have no recourse to try and reclaim that money.

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

Note 5 – Financial Condition

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

These planned actions are expected to enable the government to continue operating and meeting its obligations as they come due.

In regards to the condition causing the financial condition for the City from the last audit the City acknowledges the deficits in the garbage fund and has been actively working towards reducing that negative balance as well as the debt it has to the Water/Sewer Fund. The City has renegotiated its contract with its Garbage service to have the entire city's waste picked up in one day rather than two days; this has saved approximately \$5,000 a year. In mid-2021 the City renegotiated its contract again to backhaul its garbage west instead of using the County's transfer station. By doing this the Garbage contractor is saving money by paying less for dump fees and that savings is being passed onto the City; this is estimated to save approximately \$30,000 a year. Current estimates have the garbage fund out of the negative by mid-2022 and then from that point forward any extra monies that the garbage fund has will be used to pay down the W/S interfund loan sooner. The City has also adopted Resolution 2020-02 which amended that interfund loan to include a yearly interest rate as the old Resolution did not include one.

Note 6 – Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2020 are as follows:

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

Type of Deposit or Investment	(City/Town/District)'s own deposits & investments	Deposits & Investments held by the (City/Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
LGIP	233,896		233,896
CDFCU	25		25
Washington Federal Checking	547,864	2,950	550,814
Washington Federal Drug Seizure Account	3,309		3,309
Washinton Federal Public Fund Savings	1,295,746		1,295,746
<i>Totals</i>	2,080,840	2,950	2,083,790

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

Investments in the State Local Government Investment Pool (LGIP)

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

Note 7 - Interfund Loans

The following table displays interfund loan activity during 2020:

Borrowing Fund	Lending Fund	Beginning Balance	Additions via lent Monies	New Loans (Interest)	Payments	Ending Balance
1	401		31814.71	493.13	32,307.84	-
107	401		9697.39	150.31	9,847.70	-
412	401	175307.95		2,717.27	30,204.71	147,820.51

On December 17th, 2019 Ordinance 2019-07 was passed. This Ordinance authorized an interfund loan from Fund 401 to Fund 001 and Fund 107 not to exceed \$43,000 to pay 2020 insurance premiums at an interest rate of 1.55%.

Regarding the interfund loan from 401 to 412 that was established in 2014 it has had some difficulties as noted in each audit since. In 2018 resolution 2018-03 was established which finally applied interest to the loan but it was only for a duration of 1 year. At the guidance from the state auditor Resolution 2020-02 was passed that established a remaining amount on the loan as well as an interest that would be applied annually. Current projections have this loan being paid off mid-2026. The City has had conversations

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

with its garbage hauler about savings options and there might be a backhauling option available to the City that would save an estimated \$40,000 a year for fund 412. This savings could be used to pay this loan off earlier.

Note 8 – Long-Term Debt

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

The debt service requirements for general obligation bonds, revenue bonds and including both principal and interest are as follows:

Year	Principal	Interest	Total Debt Service
2021	61,809	70,762	132,571
2022	64,248	68,323	132,571
2023	66,408	66,163	132,571
2024	61,159	63,999	125,158
2025	52,427	61,980	114,407
2026-2030	251,484	279,151	530,635
2031-2035	311,120	219,515	530,635
2036-2040	384,900	145,735	530,635
2041-2045	432,729	55,386	488,115
Totals	1,686,285	1,031,012	2,717,297

Variances will appear on submitted schedule 9 due to correcting principal amount to reflect annual reports received from USDA for Bonds and to correct principal balance on vehicle loans.

Debt Guarantees

In 1991, the City guaranteed the debt of the Joint City of Republic-Ferry County Housing Authority, a legally separate entity. In the event that the Joint City of Republic-Ferry County Housing Authority is unable to make a payment, City will be required to make a portion of that payment. The Joint City of Republic-Ferry County Housing Authority has outstanding liabilities of \$1,002,949. The City will be liable for 2/5ths of the outstanding liabilities if the Joint City of Republic-Ferry County Housing Authority defaults on those liabilities. The approximate fair market value of the available assets may be estimated around \$1.6 million as of December 2017. The Joint City of Republic-Ferry County Housing Authority cash balance as of December 31, 2020 was \$183,763; these assets could be potentially used to offset liabilities.

Note 9 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

(DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2/3 and LEOFF 2.

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 of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	8,157.17	0.001126%	3,530,540,000	39,737	
PERS 2/3	13434.93	0.001458%	1,278,943,000	18,652	
LEOFF 2	4832.44	0.002470%	(2,039,854,000)		(50,391)
		<i>Totals</i>		\$ 58,389	\$ (50,391)

LEOFF Plan 2

The city also 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 10 - Property Tax

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

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

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

The city's regular levy for the year 2020 was \$3.1110843764 per \$1,000 on an assessed valuation of for a total regular levy of \$157,692.78.

The city's levy for our contract with Fery County Fire District #13 for fire protection within the city limits for the year 2020 was \$0.77496132 per \$1,000 on an assessed valuation of \$46,036,300 for a total fire levy of \$35,676.35.

The city's EMS levy for the year 2020 was \$0.4699999745 for a total EMS levy of \$23,823.08.

Note 11 – Risk Management

The City of Republic is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2020, there are 193 members in the program.

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

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$2,147,814.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member that is part of a \$25,000 self-insured retention. The CIAW is responsible for the \$15,000 balance.

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2020

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

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

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2020, were \$2,651,954.

Note 12 – Other Disclosures

The City has contracted with the Ferry County Sheriff's office for the 2021 and 2022 years for police services as there is substantial savings that the City can receive by doing so, current estimates are about \$50-60k a year. At the end of the 2022 year the City will evaluate if its policing services are being met, if they are they will approach the county to lengthen the current contract. If services are not being met the City will use the saved money to hire 1-2 city officers to reestablish its police force.

In 2021 the year dissolved the PDA via Ordinance 2021-03 in August. This final determination came about as a result of the lack of projects being undertaken by the PDA and the lack of interest from the local populace to fill vacant seats for many years.

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2019

Note 1 - Summary of Significant Accounting Policies

The City of Republic was incorporated on May 22, 1900 and operates under the laws of the state of Washington applicable to a City. The city is a general purpose local government and provides Water, Sewer, Public Works and Police Services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2019

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.

FIDUCIARY FUND TYPES:

Custodial 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 6 - Deposits and Investments.

D. Capital Assets

The City does not have a capitalization policy.

E. Compensated Absences

Vacation leave may be accumulated at no cap but only a maximum of 160 hours is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

The value of accumulated Vacation is \$15,236.91

F. Long-Term Debt

See Note 5 - Debt Service Requirements.

G. 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 City

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2019

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:

Fund Name	Amount Reserved	Reason for Restriction
105 - Stadium Hotel & Motel	\$106,960	RCW 67.28.080
109 & 110 - Criminal Justice	\$5,432	RCW 82.14
407 - Debt Service Reserve	\$108,603	USDA Bond Covenants

Note 2 – Budget Compliance

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense	605307.88	540211.32	65096.56
104 - Special Investigation Fund			
105 - Stadium Hotel & Motel	18800	11846.17	6953.83
107 - Streets	232500	179303.58	53196.42
108 - Street & Sidewalk Construction	392700	323204.42	69495.58
109 - Criminal Justice			
Criminal Justice	15000	14461.79	538.21
Criminal Justice Reserve	900	405.9	494.1
Total 109 - Criminal Justice	15900	14867.69	1032.31
300 - Capital Improvements	10000	10000	
311 - Capital Reserve Police			
401 - Water & Sewer Fund			
Water & Sewer Fund	365342.25	328305.68	37036.57
Debt Service	106127	106127	
Reserve Lagoon Fund	3401.63	3151.63	250
Reserve Water & Sewer			
Total 401 - Water & Sewer Fund	474870.88	437584.31	37286.57
412 - Garbage			
Garbage	266500	265554.08	945.92
Garbage Reserve			
Total 412 - Garbage	266500	265554.08	945.92
634 - Consumer Deposits	600	600	

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2019

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

The City passed Ordinance 2019-08 during the 2019 year to increase the budget. Expenditures were underestimated in the original ordinance and needed to be amended. Funds 107, 109, 300, 404 and 412 all needed to be increased.

Note 3 – Component Units, Joint Ventures and Related Parties

The Joint City of Republic-Ferry County Housing Authority was created via Ordinance 1990-7 in October 1990 to address the shortage of safe or sanitary dwellings, apartments, mobile home parks or other living accommodations available for senior citizens. The Joint City of Republic-Ferry County Housing Authority shall have five commissioners, two residing in the city, and three residing in the unincorporated part of Ferry County, making a total of five commissioners.

In 2003, Ordinance 2003-07 was passed creating the Republic Public Development Authority; authorizing a charter and bylaws therefore; establishing a board of Directors to govern the affairs of the authority. The City established the PD to undertake, assist with and otherwise facilitate the acquisition, construction, development, equipping, leasing, operation and maintenance of public benefit projects

See below for Debt Guarantees for both entities.

Note 4 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of 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.

Some of the effects of COVID-19 on the City include reducing City Hall staff personnel to part time in 2020 to help reduce possible contact between employees. City Hall has shut its door for most of the 2020 year and has accepted payments via online payments, mail or the front door drop box. Public Works crews were told to drive individual trucks whenever possible to limit contact. With the mandated no utility shut offs the City has several accounts that are very past due that they still have no recourse to try and reclaim that money.

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

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2019

Note 5 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2019.

The debt service requirements for general obligation bonds, revenue bonds and including both principal and interest are as follows:

Year	Principal	Interest	Total Debt Service
2020	51,762	72,275	124,036
2021	51,328	70,154	121,482
2022	50,822	68,106	118,928
2023	52,821	66,029	118,850
2024	47,410	63,949	111,359
2025-2029	243,610	289,707	533,318
2030-2034	298,247	232,388	530,635
2035-2039	368,862	161,773	530,635
2040-2044	456,324	74,158	530,483
2045-2049	81,052	2,971	84,023
2050-2054			-
2055-2059			-
<i>Totals</i>	<i>\$1,702,239</i>	<i>\$1,101,510</i>	<i>\$2,803,749</i>

Variances will appear on submitted Schedule 9 due to correcting debt principal amount to reflect annual reports received from USDA for Bonds and to correct principal balance on vehicle loans.

Debt Guarantees

In 1991, the City guaranteed the debt of the Joint City of Republic-Ferry County Housing Authority, a legally separate entity. In the event that the Joint City of Republic-Ferry County Housing Authority is unable to make a payment, City will be required to make a portion of that payment. The Joint City of Republic-Ferry County Housing Authority has outstanding liabilities of \$1,027,576. The City will be liable for 2/5ths of the outstanding liabilities if the Joint City of Republic-Ferry County Housing Authority defaults on those liabilities. The approximate fair market value of the available assets may be estimated around \$1.6 million as of December 2017. The Joint City of Republic-Ferry County Housing Authority cash balance as of December 31, 2019 was \$198,957; these assets could be potentially used to offset liabilities.

In 2008, City guaranteed the debt of the Republic Public Development Authority, a legally separate entity. In the event that the Republic Public Development Authority is unable to make a payment, City will be required to make that payment. The RPDA's cash balance as of December 31, 2019 was \$58,265.40. Currently they have no outstanding liabilities and they continue to look for something to invest in to help the local economy.

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2019

Note 6 – Deposits and Investments

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. 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, 2019 are as follows:

Type of Investment	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	Total
LGIP	232,414		232,414
CDFCU	25		25
Washington Federal Checking	494,900		494,900
Washington Federal Drug Seizure Account	3,309		3,309
Washington Federal Public Fund Savings	1,016,618		1,016,618
<i>Totals</i>	\$1,747,267	\$ -	\$1,747,267

Note 7 - Interfund Loans

The following table displays interfund loan activity during 2019:

From	To	Beginning Balance	Additions via lent Monies	Additions via interest	Reductions	Ending Balance
401	1	0.00	29,805.34	682.54	30,487.88	0.00
401	107	0.00	9,084.92	208.04	9,292.96	0.00
401	412	204,853.68			29,545.73	175,307.95

On December 17, 2018 Ordinance 2018-16 was passed. This was an Ordinance authorizing an interfund loan from fund 401 to funds 001 and 107 no to exceed \$41,000 to pay 2019 Insurance premiums. This is a procedure that the City plans to enact every year to save on financing costs.

Regarding the interfund loan from fund 401 to 412 that was established in 2014 it has had some difficulties as noted in each audit since. In 2018 resolution 2018-13 was established which finally applied interest to the loan but it was only for a duration of 1 year. At the guidance from the state auditor Resolution 2020-02 was passed that established a remaining amount on the loan as well as an interest that would be applied annually beginning at the start of 2020. 2019 did not have any interest applied.

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2019

Note 8 - Other Disclosures

Significant Commitments or Obligations

Interlocal Agreements

1. Interlocal Cooperation Agreement with Ferry County EMS District No. 1/Republic
2. Interlocal Cooperation Agreement with Ferry County Public Works Department and City of Republic regarding the cooperative use of facilities, equipment, materials and personnel.
3. Agreement between City of Republic and Ferry County Fire District #13 for fire protection within City limits. See Note 10 – Property Tax
4. Interlocal Agreement between City of Republic and Ferry County for District Court, Defense Services, Prosecutor Services, Evidence Maintenance, Records Maintenance, Radio Communications and Correctional Services. City is obligated to make quarterly payments to Ferry County for services rendered; 2018 payments totaled \$64,000.

A. Interlocal Agreement has now expired and City and Ferry County have to renegotiate costs in 2020. Costs are going to increase significantly for City as Ferry County is going to be adding Indigent Defense to the contract and increasing costs for all areas of contract.

Other Concerns

1. Fund 412 Garbage – continues to have a negative balance although the start of 2019 the balance was -94,802.69 compared to the end of 2019 the balance was -81,927.50. A positive difference in the amount of \$12,875.19. City Council is desirous of getting this fund out of its negative status and is in active talks with their garbage hauler to see if any changes can be made.

Note 9 – Pension Plans

A. State Sponsored Pension Plans

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2/3 and LEOFF 2.

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.

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2019

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:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1 UAAL	8,272.43	3,845,355,000	0.00115369%	44,363	
PERS 2/3	12,175.15	971,340,000	0.00149071%	14,480	
LEOFF 2	6,963.72	(2,316,693,000)	0.00377700%		(87,501)
			<i>Totals</i>	\$ 58,843	\$ (87,501)

LEOFF Plan 2

The city also 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 10 - Property Tax

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

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

The city's regular levy for the year 2019 was \$3.09539919 per \$1,000 on an assessed valuation for a total regular levy of \$154,489.31.

The city's levy for our contract with Ferry County Fire District #13 for fire protection within the city limits for the year 2019 was \$.77847899 per \$1,000 on an assessed valuation of \$44,968,300 for a total fire levy of \$35,006.88

The city's EMS levy for the year 2019 was .46999997 for a total EMS levy of \$23,457.39.

Note 11 – Risk Management

The City of Republic is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2019, there are 191 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and

City of Republic
Notes to the Financial Statements
For the year ended December 31, 2019

Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,910,871.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

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

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2019, were \$2,687,104.78.

**City of Republic
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						
263.91	2015 Police Tahoe	3/1/2024	37,686	-	9,015	28,671
	Total General Obligation Debt/Liabilities:		37,686	-	9,015	28,671
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated absences		15,237	-	967	14,270
264.30	Pension Liability		58,843	-	454	58,389
263.82	USDA Loan-Sewer	1/1/2043	315,743	-	7,737	308,006
263.82	USDA Loan-Water	1/1/2044	1,273,889	-	29,135	1,244,754
263.82	USDA Loan-Backhoe	6/6/2021	7,126	-	7,126	-
263.82	Dept. of Comm PWTF	7/1/2025	15,628	-	15,628	-
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,686,466	-	61,047	1,625,419
	Total Liabilities:		1,724,152	-	70,062	1,654,090

**City of Republic
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						
263.91	2016 Police Tahoe	3/1/2024	47,572	-	9,886	37,686
	Total General Obligation Debt/Liabilities:		47,572	-	9,886	37,686
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated absences		11,499	3,738	-	15,237
264.30	Pension Liability		82,416	-	23,573	58,843
263.82	USDA Loan-Sewer	1/1/2043	323,359	-	7,616	315,743
263.82	USDA Loan-Water	1/1/2044	1,301,802	-	27,913	1,273,889
263.82	USDA Loan-Backhoe	6/6/2021	11,631	-	4,505	7,126
263.82	Dept. of Comm PWTF	7/1/2025	18,233	-	2,605	15,628
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,748,940	3,738	66,212	1,686,466
	Total Liabilities:		1,796,512	3,738	76,098	1,724,152

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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