



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Newport

For the period January 1, 2020 through December 31, 2021

Published December 15, 2022

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

December 15, 2022

Mayor and City Council
City of Newport
Newport, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Newport January 1, 2020 through December 31, 2021

Mayor and City Council
City of Newport
Newport, 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 Newport, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 2, 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.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

December 2, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Newport January 1, 2020 through December 31, 2021

Mayor and City Council
City of Newport
Newport, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Newport, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Newport, and its changes in cash and investments, for the years ended December 31, 2021 and 2020, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Newport, as of December 31, 2021 and 2020, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Matters of Emphasis

As discussed in Note 3 to the 2021 and 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 3. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. 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 December 2, 2022 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

December 2, 2022

**City of Newport
January 1, 2020 through December 31, 2021**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
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Notes to Financial Statements – 2021
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021
Schedule of Liabilities – 2020

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense</u>	<u>101 Street Fund</u>	<u>103 Real Estate Excise Tax</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,131,343	1,075,085	620,615	172,714
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,302,581	788,888	368,291	124,255
320	Licenses and Permits	35,967	35,967	-	-
330	Intergovernmental Revenues	905,969	487,960	176,515	-
340	Charges for Goods and Services	1,884,690	76,508	-	-
350	Fines and Penalties	19,545	19,545	-	-
360	Miscellaneous Revenues	53,917	47,393	3,277	127
Total Revenues:		<u>4,202,669</u>	<u>1,456,261</u>	<u>548,083</u>	<u>124,382</u>
Expenditures					
510	General Government	345,831	345,831	-	-
520	Public Safety	748,326	748,326	-	-
530	Utilities	1,172,493	-	-	-
540	Transportation	608,539	-	608,539	-
550	Natural/Economic Environment	70,518	70,518	-	-
560	Social Services	610	610	-	-
570	Culture and Recreation	181,661	168,301	-	-
Total Expenditures:		<u>3,127,978</u>	<u>1,333,586</u>	<u>608,539</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		1,074,691	122,675	(60,456)	124,382
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	322,200	322,200	-	-
397	Transfers-In	779,930	187,038	223,169	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	17,172	750	4,333	-
Total Other Increases in Fund Resources:		<u>1,119,302</u>	<u>509,988</u>	<u>227,502</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	781,184	-	217,648	135,981
591-593, 599	Debt Service	261,115	12,187	12,187	-
597	Transfers-Out	779,930	587,423	-	5,469
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	700	700	-	-
Total Other Decreases in Fund Resources:		<u>1,822,929</u>	<u>600,310</u>	<u>229,835</u>	<u>141,450</u>
Increase (Decrease) in Cash and Investments:		<u>371,064</u>	<u>32,353</u>	<u>(62,789)</u>	<u>(17,068)</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	224,001	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	2,170,965	-	557,824	155,646
50891	Unassigned	1,107,440	1,107,440	-	-
Total Ending Cash and Investments		<u>3,502,406</u>	<u>1,107,440</u>	<u>557,824</u>	<u>155,646</u>

The accompanying notes are an integral part of this statement.

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

		109 Tourism Promotion	410 Water Fund	411 Sewer Fund	412 South Bench Water Reservoir
Beginning Cash and Investments					
308	Beginning Cash and Investments	47,774	770,403	428,449	16,303
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	21,147	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	85,667	155,827
340	Charges for Goods and Services	-	836,069	972,113	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	45	2,318	757	-
Total Revenues:		21,192	838,387	1,058,537	155,827
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	475,018	697,475	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	13,360	-	-	-
Total Expenditures:		13,360	475,018	697,475	-
Excess (Deficiency) Revenues over Expenditures:		7,832	363,369	361,062	155,827
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	100,800	268,923	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	12,089	-
Total Other Increases in Fund Resources:		-	100,800	281,012	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	83,295	172,131	172,129
591-593, 599	Debt Service	-	127,571	109,170	-
597	Transfers-Out	-	101,127	85,911	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	311,993	367,212	172,129
Increase (Decrease) in Cash and Investments:		7,832	152,176	274,862	(16,302)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	126,680	97,321	-
50841	Committed	-	-	-	-
50851	Assigned	55,606	795,899	605,990	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		55,606	922,579	703,311	-

The accompanying notes are an integral part of this statement.

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense</u>	<u>101 Street Fund</u>	<u>103 Real Estate Excise Tax</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,194,238	1,058,874	697,708	125,012
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,185,144	755,292	338,368	76,762
320	Licenses and Permits	25,105	25,105	-	-
330	Intergovernmental Revenues	534,715	184,407	267,785	-
340	Charges for Goods and Services	1,531,127	47,399	-	-
350	Fines and Penalties	23,057	23,057	-	-
360	Miscellaneous Revenues	114,842	40,977	37,424	611
Total Revenues:		<u>3,413,990</u>	<u>1,076,237</u>	<u>643,577</u>	<u>77,373</u>
Expenditures					
510	General Government	347,004	347,004	-	-
520	Public Safety	654,195	654,195	-	-
530	Utilities	998,709	-	-	-
540	Transportation	678,699	-	678,699	-
550	Natural/Economic Environment	65,594	65,594	-	-
560	Social Services	678	678	-	-
570	Culture and Recreation	108,508	104,614	-	-
Total Expenditures:		<u>2,853,387</u>	<u>1,172,085</u>	<u>678,699</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		560,603	(95,848)	(35,122)	77,373
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	179,318	158,132	10,386	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	38,190	844	748	-
Total Other Increases in Fund Resources:		<u>217,508</u>	<u>158,976</u>	<u>11,134</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	398,478	23,332	40,922	19,286
591-593, 599	Debt Service	261,116	12,187	12,187	-
597	Transfers-Out	179,318	10,800	-	10,386
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	2,100	600	-	-
Total Other Decreases in Fund Resources:		<u>841,012</u>	<u>46,919</u>	<u>53,109</u>	<u>29,672</u>
Increase (Decrease) in Cash and Investments:		<u>(62,901)</u>	<u>16,209</u>	<u>(77,097)</u>	<u>47,701</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	240,304	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	1,815,954	-	620,615	172,714
50891	Unassigned	1,075,085	1,075,085	-	-
Total Ending Cash and Investments		<u>3,131,343</u>	<u>1,075,085</u>	<u>620,615</u>	<u>172,714</u>

The accompanying notes are an integral part of this statement.

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

	109 Tourism Promotion	410 Water Fund	411 Sewer Fund	412 South Bench Water Reservoir	
Beginning Cash and Investments					
308	Beginning Cash and Investments	36,612	697,292	578,740	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	14,722	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	82,523
340	Charges for Goods and Services	-	683,847	799,881	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	334	4,452	31,044	-
Total Revenues:		15,056	688,299	830,925	82,523
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	410,190	588,519	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	3,894	-	-	-
Total Expenditures:		3,894	410,190	588,519	-
Excess (Deficiency) Revenues over Expenditures:		11,162	278,109	242,406	82,523
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	10,800	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	4,500	32,098	-
Total Other Increases in Fund Resources:		-	15,300	32,098	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	6,483	242,235	66,220
591-593, 599	Debt Service	-	127,572	109,170	-
597	Transfers-Out	-	84,743	73,389	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	1,500	-	-
Total Other Decreases in Fund Resources:		-	220,298	424,794	66,220
Increase (Decrease) in Cash and Investments:		11,162	73,111	(150,290)	16,303
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	126,680	97,321	16,303
50841	Committed	-	-	-	-
50851	Assigned	47,774	643,723	331,128	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		47,774	770,403	428,449	16,303

The accompanying notes are an integral part of this statement.

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

		<u>Custodial</u>
308	Beginning Cash and Investments	-
388 & 588	Net Adjustments	-
310-390	Additions	29,106
510-590	Deductions	29,068
	Net Increase (Decrease) in Cash and Investments:	<u>38</u>
508	Ending Cash and Investments	38

The accompanying notes are an integral part of this statement.

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

		<u>Custodial</u>
308	Beginning Cash and Investments	32
388 & 588	Net Adjustments	-
310-390	Additions	29,220
510-590	Deductions	29,252
	Net Increase (Decrease) in Cash and Investments:	(32)
508	Ending Cash and Investments	-

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Year Ending December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Newport was incorporated in 1903 as the Town of Newport. In 1983 the City adopted to operate under the Provisions of Chapter 35A, RCW, the Optional Municipal Code, as a Code City. The City is a general purpose government and provides law enforcement, fire prevention, street improvements, parks and general administration. In addition, the City owns and operates a water and sewer system. The City uses the Mayor-Council form of Government with the mayor and five council members. The City uses single-entry, cash basis accounting which is a departure from Generally Accepted Accounting Principles (GAAP).

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

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

A. FUND ACCOUNTING

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

GOVERNMENTAL FUND TYPES:

Current Expense Fund –001

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

Special Revenue Funds – 100's

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Newport. Special revenue funds in Newport consist of the Street Fund (101), Real Estate Excise Tax Fund (103) and the Tourism Promotion Fund (109).

PROPRIETARY FUND TYPES:

Enterprise Funds – 400's

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Enterprise funds in Newport consist of the Water Fund (410), Sewer Fund (411) and The South Bench Water Reservoir Project Fund (412).

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Newport in a trustee capacity or as a custodian on behalf of others.

Custodial Funds – 600's

These funds are used to account assets that the government holds on behalf of others in a custodial capacity. The City of Newport collects or receives funds that are forwarded to Pend Oreille County or the state that are accounted for in Fund 633.

B. BASIS OF ACCOUNTING & 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 of Newport also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. CASH and INVESTMENTS

See Note 4, Deposits and Investments.

D. CAPITAL ASSETS

Capital assets are assets with an initial individual cost of more than \$5,000.00. Capital assets and inventory are recorded as capital expenditures when purchased.

E. COMPENSATED ABSENCES

The City's policy on vacation and sick leave is that hours accrued every month may be used as they accrue. Vacation and sick hours are not recorded after maximum hours are accrued. The maximum number of vacation hours that may be accrued is 240; and the maximum number of sick hours that may be accrued is 960.

Vacation leave is payable upon termination, resignation, retirement, or death. If an employee's employment ceases due to death or bona fide retirement, such employee, or beneficiary, shall be paid for one-half (1/2) of any unused sick leave benefits up to 240 hours or 30 days upon cessation of employment at his/her current rate of pay. Payments are recognized as expenditures when paid.

F. LONG-TERM DEBT

See Long-Term Debt Note 5, (formerly Debt Service Requirements).

G. 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. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first before using unreserved amounts.

In relation to internal commitments, the City Council must approve an ordinance or resolution to establish, modify or rescind a fund balance commitment.

Restrictions and commitments of Ending Cash and Investments consist of a restriction on the fund balance for the 2004 Water/Sewer Bond, the 2013 Spruce Street Bond, as well as the 2019 Water South Bench Bonds. The City is required to keep one annual payment in reserve until the bond is paid off. The water amount is \$115,384 and it is budgeted in the Water Fund Ending Restricted and Beginning Fund Restricted Balance in Fund 410. The sewer amount is \$97,321.00 and it is budgeted in the Sewer Fund Ending and Beginning Restricted Fund Balance in Fund 411.

NOTE 2 – BUDGET COMPLIANCE

The City of Newport adopts an annual appropriated budget for all funds. These budgets are appropriated at the fund level except the current expense fund, where budgets are 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 appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated (including ending fund balances) and actual expenditures for the legally adopted budget were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:	3,142,630.00	1,933,895.03	1,208,734.97
Street	1,460,725.00	838,375.19	622,349.81
REET	212,000.00	141,450.01	70,549.99
Tourism	60,500.00	13,360.02	47,139.98
Water Fund	1,740,500.00	787,010.77	953,489.23
Sewer Fund	2,014,723.00	1,064,685.30	950,037.70
South Bench Water Reservoir Project	748,000.00	172,129.99	575,870.01

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

There were two budget amendments in 2021.

1. Ordinance 2088 amending the fiscal year 2021 budget by \$591,900.00. The Revenue and Expenditure increased in the General Fund, Street, Sewer funds due to LTGO Bonds approve by Council to purchase Asphalt Zipper, WWTP Service Truck and Police Vehicle. Sewer - \$52,000 increase, Street - \$217,700 increase, General Fund - \$322,200 increase.
2. Ordinance 2089 amending the fiscal year 2021 budget by \$630,153.00. The Revenue and Expenditure increased in the General Fund, Street, Water, Sewer funds due to COVID-19 Non-Grant Assistance, Law Enforcement & Criminal Justice Legislative One Time Cost, Pine Street Grant, Water Plan Update grant. Sewer - \$216,923 increase, Water - \$90,000 increase, Street - \$7,500 increase, General Fund - \$315,730 increase.

NOTE 3 – COVID-19 PANDEMIC

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

There has been a reduction in revenue in the Water and Sewer Funds due to businesses having to be closed and therefore use of water has been limited. In addition the Newport School District was closed and outdoor sports were limited which reduced water usage as well. In addition, the City is not allowed to turn water off for nonpayment per Governor orders and although there are a number of residents that are delinquent, the number is not that much higher than normal and most residents continue to pay for their utilities. The City created a payment plan option for those residents that need help paying their bill. Very few residents have taken advantage of this payment option and those that have were not successful in keeping their payment arrangements. Because revenues have been down in Water and Sewer, utility taxes in the General Fund have also been reduced. 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.

The City proactively implemented safety measures, and operations have continued. The City continues to operate all major functions and meet its public mandates. The City has remained economically stable and continues to adapt to the changing conditions.

NOTE 4 – DEPOSITS and INVESTMENTS

Investments are reported at cost. Deposits and investments by type at December 31, 2021 are as follows:

<u>Type of Deposit or Investment</u>	<u>City’s own deposits and Investments</u>	<u>Deposits held by the the City as a custodian for other local govt, Individuals or private Organizations (Fund 633)</u>	<u>Total</u>
Bank Deposits	\$235,541.55	\$38.00	\$239,579.55
L.G.I.P	<u>\$3,268,438.93</u>	<u>\$0.00</u>	<u>\$3,268,438.93</u>
Total	\$3,503,980.48	\$38.00	\$3,504,018.48

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, WA 98504-0200, online at www.tre.wa.gov

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The city's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC).

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

Other Disclosures

The City opened a bank savings account at Mountain West Bank in 2018 for police purposes such as informant and drug buy funds. The requirement to open this account by the bank was \$100.00. At year end 2021 the balance in the fund was \$4,901.48.

The City has a cash drawer to make change in the amount of \$200.00.

NOTE 5 –LONG-TERM DEBT (FORMERLY DEBT SERVICE REQUIREMENTS)

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

The 2021 year end unpaid Principal on the 04 Water/Sewer Revenue Bonds was \$1,310,076.08 and the unpaid interest was \$2,584.25 according to the United States Department of Agriculture/Rural Development Mortgage Interest Statement. The 04 Water/Sewer Bonds will be paid in full on December 15, 2044.

The 2021 year end unpaid Principal on the Spruce Street Revenue Bond was \$182,246.93 and the unpaid interest was \$54.92 according to the United States Department of Agriculture/Rural Development Mortgage Interest Statement. The Spruce Street Water/Sewer Bonds will be paid in full on December 27, 2053.

The 2021 year end unpaid Principal on the 2019 South Bench Water Improvement Revenue Bonds was \$3,057,526.00 and the unpaid interest was \$732.95 according to the United States Department of Agriculture/Rural Development Mortgage Interest Statement. The 2019 South Bench Water Improvement Bonds will be paid in full December 26, 2059.

The 2021 year end unpaid Principal on the 2021 Limited Tax General Obligation Bonds was \$325,000.00 and the unpaid interest was \$51,154 according to the North Cascades Bank Debit Service Schedule. The 2021 Limited Tax General Obligation Bonds will be paid in full May 27, 2031. The first payment on these bonds will be in 2022.

The debt service requirements for existing revenue bonds are as follows:

<u>YEAR</u>	<u>2004 WWTP Bonds Debt Schedule</u>		
	WWTP		TOTAL
	<u>BONDS</u>		
	<u>2004-2044</u>		
	Principal	Interest	
2022	33,709	58,953	92,662
2023	35,225	57,437	92,662
2024	36,811	55,851	92,662
2025	38,467	54,195	92,662
2026	40,198	52,464	92,662
2027-2031	229,808	233,502	463,310
2032-2036	286,383	176,927	463,310
2037-2041	356,885	106,425	463,310
2042-2044	252,590	22,960	275,550
	1,310,076	818,714	2,128,790

<u>YEAR</u>	<u>2013 Spruce Street Bonds Debt Schedule</u>		
	WWTP		TOTAL
	<u>BONDS</u>		
	<u>2013-2053</u>		
	Principal	Interest	
2022	3,629	5,012	8,641
2023	3,729	4,912	8,641
2024	3,832	4,809	8,641
2025	3,937	4,704	8,641
2026	4,045	4,596	8,641
2027-2031	21,957	21,248	43,205
2032-2036	25,147	18,058	43,205
2037-2041	28,800	14,405	43,205
2042-2046	32,984	10,221	43,205
2047-2051	37,776	5,429	43,205
2052-2053	16,411	678	17,089
	182,247	94,072	276,319

2019 South Bench Water Bonds Debt Schedule

<u>YEAR</u>	<u>WWTP</u>		<u>TOTAL</u>
	<u>BONDS</u>		
	<u>2019-2059</u>		
	<u>Principal</u>	<u>Interest</u>	
2022	57,556	53,507	111,063
2023	58,564	52,499	111,063
2024	59,588	51,475	111,063
2025	60,631	50,432	111,063
2026	61,692	49,371	111,063
2027-2031	325,038	230,277	555,315
2032-2036	354,492	200,823	555,315
2037-2041	386,615	168,700	555,315
2042-2046	421,649	133,666	555,315
2047-2051	459,857	95,458	555,315
2052-2056	501,528	53,787	555,315
2057-2059	310,316	10,713	321,029
	3,057,526	1,150,708	4,208,234

The debt service requirements for existing LTGO bonds are as follows:

2021 Limited Tax General Obligation Bonds Debt Schedule

<u>YEAR</u>	<u>LTGO</u>		<u>TOTAL</u>
	<u>BONDS</u>		
	<u>2021-2031</u>		
	<u>Principal</u>	<u>Interest</u>	
2022	28,678	8,938	37,615
2023	29,467	8149	37,615
2024	30,277	7339	37,615
2025	31,110	6506	37,615
2026	31,965	5650	37,615
2027-2031	173,503	14,572	555,315
	325,000	51,154	376,154

NOTE 6 –LEASES

The 2020 backhoe and loader is a lease purchase agreement that the City entered into in 2020. The lease purchase agreement is a combined agreement for both pieces of equipment and the annual payment is \$48,746.96 for seven years and the City will own them. The first payment was due November 07, 2020.

The remaining debt service requirements for the existing Backhoe/Loader Lease/Purchase is as follows:

2020 John Deere Loader & Backhoe Debt Schedule

<u>YEAR</u>	2020 JD Loader & Backhoe <u>2020-2027</u>		TOTAL
	Principal	Interest	
	2022	44,222	
2023	45,092	3655	48,747
2024	45,979	2768	48,747
2025	46,884	1863	48,747
2026	47,806	941	48,747
	229,983	13,752	243,735

NOTE 7 – OPEB Plans

The City of Newport has a commitment to pay for post-employment benefits for an employee that belongs to LEOFF 1. The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan as required by RCW 41.26.150(1). The plan pays for 100% of eligible retirees’ healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had one member, a retiree. These benefits include medical insurance and co-pays as well as long term care insurance. The City provides medical insurance through Association of Washington Cities Benefit Trust Regence BlueShield Medicare Advantage Plan. This plan has no deductible and has a \$2800 out of packet max per individual. This plan has been very beneficial because it has been covering all copays and the monthly premium is less. Long Term Care Insurance is provided through Transamerica Life Insurance. The plan purchased is a lifetime plan that would cover \$150 per day in a nursing home; \$120 per day in assisted living; Home care \$110 per day; Home Professional Services \$220 per day. One retiree received benefits during the year. Based on the State Actuary, the City of Newport’s total OPEB liability for 2021 was \$589,017 as calculated using the alternative measurement method. For the year ended December 31, 2021, the City paid \$18,247 in benefits.

NOTE 8 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City 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 & LEOFF).

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

Department of Retirement Systems
 Communications Unit
 PO Box 48380
 Olympia, WA 98504-8380

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

At June 30, 2021 the city’s proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$37,258	.005002%	\$61,086
PERS 2	\$60,931	.006432%	(\$640,731)
LEOFF 1	\$0	.001378%	(\$47,204)
LEOFF 2	\$15,622	.007837%	(\$455,205)

LEOFF Plan 1

The city also 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 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. The special funding situation is not mandated by the state constitution and could be changed by statute.

NOTE 9 – PROPERTY TAXES

The Pend Oreille County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

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

The City’s regular levy for 2021 was \$1.92447 per \$1,000 on an assessed valuation of \$165,821,616 for a total regular levy of \$319,118.14.

NOTE 10 – RISK MANAGEMENT

The City of Newport is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more

governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2021, membership includes 192 members in the program.

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

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per occurrence self-insured retention (SIR) of \$100,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim (can vary by member), while the program is responsible for the \$100,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the \$100,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$3,505,566, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of \$100,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$100,000 SIR, in addition to the deductible.

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

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

Cyber liability insurance is subject to a per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1.

The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2021, were \$2,772,986.77.

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.

Health & Welfare

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

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

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, 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 Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

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

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ending December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Newport was incorporated in 1903 as the Town of Newport. In 1983 the City adopted to operate under the Provisions of Chapter 35A, RCW, the Optional Municipal Code, as a Code City. The City is a general purpose government and provides law enforcement, fire prevention, street improvements, parks and general administration. In addition, the City owns and operates a water and sewer system. The City uses the Mayor-Council form of Government with the mayor and five council members. The City uses single-entry, cash basis accounting which is a departure from Generally Accepted Accounting Principles (GAAP).

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

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

A. FUND ACCOUNTING

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

GOVERNMENTAL FUND TYPES:

Current Expense Fund –001

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

Special Revenue Funds – 100's

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Newport. Special revenue funds in Newport consist of the Street Fund (101), Real Estate Excise Tax Fund (103) and the Tourism Promotion Fund (109).

PROPRIETARY FUND TYPES:

Enterprise Funds – 400's

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Enterprise funds in Newport consist of the Water Fund (410), Sewer Fund (411) and The South Bench Water Reservoir Project Fund (412).

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Newport in a trustee capacity or as a custodian on behalf of others.

Custodial Funds – 600's

These funds are used to account assets that the government holds on behalf of others in a custodial capacity. The City of Newport collects or receives funds that are forwarded to Pend Oreille County or the state that are accounted for in Fund 633.

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

C. CASH and INVESTMENTS

See Note 4, Deposits and Investments.

D. CAPITAL ASSETS

Capital assets are assets with an initial individual cost of more than \$5,000.00. Capital assets and inventory are recorded as capital expenditures when purchased.

E. COMPENSATED ABSENCES

The City's policy on vacation and sick leave is that hours accrued every month may be used as they accrue. Vacation and sick hours are not recorded after maximum hours are accrued. The maximum number of vacation hours that may be accrued is 240; and the maximum number of sick hours that may be accrued is 960.

Vacation leave is payable upon termination, resignation, retirement, or death. If an employee's employment ceases due to death or bona fide retirement, such employee, or beneficiary, shall be paid for one-half (1/2) of any unused sick leave benefits up to 240 hours or 30 days upon cessation of employment at his/her current rate of pay. Payments are recognized as expenditures when paid.

F. LONG-TERM DEBT

See Long-Term Debt Note 5, (formerly Debt Service Requirements).

G. 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. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first before using unreserved amounts.

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Restrictions and commitments of Ending Cash and Investments consist of a restriction on the fund balance for the 2004 Water/Sewer Bond, the 2013 Spruce Street Bond, as well as the 2019 Water South Bench Bonds. The City is required to keep one annual payment in reserve until the bond is paid off. The water amount is \$115,384 and it is budgeted in the Water Fund Ending Restricted and Beginning Fund Restricted Balance in Fund 410. The sewer amount is \$97,321.00 and it is budgeted in the Sewer Fund Ending and Beginning Restricted Fund Balance in Fund 411.

NOTE 2 – BUDGET COMPLIANCE

The City of Newport adopts an annual appropriated budget for all funds. These budgets are appropriated at the fund level except the current expense fund, where budgets are 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 appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:	2,439,750.00	1,219,002.08	1,220,747.92
Street	1,444,000.00	731,805.27	712,194.73
REET	162,500.00	29,672.01	132,827.99
Tourism	58,000.00	3,894.02	54,105.98
Water Fund	1,456,000.00	630,486.47	825,513.53
Sewer Fund	1,397,500.00	1,013,314.74	384,185.26
South Bench Water Reservoir Project	827,151.00	66,220.25	760,930.75

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

There was one budget amendments in 2020.

1. Ordinance 2076 amending the fiscal year 2020 budget by \$98,550.00. The Revenue and Expenditure increased in the General Fund due to a CARES grant.

NOTE 3 – COVID-19 PANDEMIC

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

There has been a reduction in revenue in the Water and Sewer Funds due to businesses having to be closed and therefore use of water has been limited. In addition the Newport School District was closed and outdoor sports were limited which reduced water usage as well. In addition, the City is not allowed to turn water off for nonpayment per Governor orders and although there are a number of residents that are delinquent, the number is not that much higher than normal and most residents continue to pay for their utilities. The City created a payment plan option for those residents that need help paying their bill. Very few residents have taken advantage of this payment option and those that have were not successful in keeping their payment arrangements. Because revenues have been down in Water and Sewer, utility taxes in the General Fund have also been reduced. The length of time these measures will continue to be in place, and the full extent of the financial impact on the city is unknown at this time.

NOTE 4 – DEPOSITS and INVESTMENTS

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

<u>Type of Deposit or Investment</u>	<u>City’s own deposits and Investments</u>	<u>Deposits held by the the City as a custodian for other local govt, Individuals or private Organizations (Fund 633)</u>	<u>Total</u>
Bank Deposits	\$226,606.35	\$0.00	\$226,606.35
L.G.I.P	\$2,905,067.45	\$0.00	\$2,905,067.45
Total	\$3,131,673.80	\$0.00	\$3,131,673.80

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, WA 98504-0200, online at www.tre.wa.gov

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The city's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC). All investments are insured, registered or held by the City or its agent in the City's name.

Other Disclosures

The City opened a bank savings account at Mountain West Bank in 2018 for police purposes such as informant and drug buy funds. The requirement to open this account by the bank was \$100.00. At year end 2020 the balance in the fund was \$130.20.

The City has a cash drawer to make change in the amount of \$200.00.

NOTE 5 –LONG-TERM DEBT (FORMERLY DEBT SERVICE REQUIREMENTS)

The accompanying Schedule of Liabilities (09) 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 2020 year end unpaid Principal on the 04 Water/Sewer Bonds was \$1,342,333.10 and the unpaid interest was \$2,647.88 according to the United States Department of Agriculture/Rural Development Mortgage Interest Statement. The 04 Water/Sewer Bonds will be paid in full on December 15, 2044.

The 2020 year end unpaid Principal on the Spruce Street Bond was \$185,779.00 and the unpaid interest was \$55.99 according to the United States Department of Agriculture/Rural Development Mortgage Interest Statement. The Spruce Street Water/Sewer Bonds will be paid in full on December 27, 2053.

The 2020 year end unpaid Principal on the 2019 South Bench Water Improvement Bonds was \$2,960,409.18 and the unpaid interest was \$709.67 according to the United States Department of Agriculture/Rural Development Mortgage Interest Statement. The City's bonds for this project closed for \$3,175,000.00 and one payment was made in December of 2020. There is still \$155,827.00 left to expend. The project had some mechanical issues that are being worked through and that has delayed the completion and final payout of the loan. The project will be completed in 2021 and all issues worked out so that the remainder of this money will be accounted for on next year's United States Department of Agriculture/Rural Development Mortgage Interest Statement. That being said the City is required to pay back the bonds which total \$3,175,000.00. After the first payment in December the total amount of unpaid Principal was \$3,116,236 based on the 2020 which is reflected in the table below. The 2019 South Bench Water Improvement Bonds will be paid in full December 26, 2059.

The debt service requirements for existing revenue bonds are as follows:

2004 WWTP Bonds Debt Schedule

<u>YEAR</u>	<u>WWTP</u>		<u>TOTAL</u>
	<u>BONDS</u>		
	<u>2004-2044</u>		
	Principal	Interest	
2021	32,257	60,405	92,662
2022	33,709	58,953	92,662
2023	35,225	57,437	92,662
2024	36,811	55,851	92,662
2025	38,467	54,195	92,662
2026-2030	219,912	243,398	463,310
2031-2035	274,051	189,259	463,310
2036-2040	341,517	121,793	463,310
2041-2044	330,385	37,827	368,212
	1,342,333	879,119	2,221,452

2013 Spruce Street Bonds Debt Schedule

<u>YEAR</u>	<u>WWTP</u>		<u>TOTAL</u>
	<u>BONDS</u>		
	<u>2013-2053</u>		
	Principal	Interest	
2021	3,532	5,109	8,641
2022	3,629	5,012	8,641
2023	3,729	4,912	8,641
2024	3,832	4,809	8,641
2025	3,937	4,704	8,641
2026-2030	21,369	21,836	43,205
2031-2035	24,474	18,731	43,205
2036-2040	28,029	15,176	43,205
2041-2045	32,101	11,104	43,205
2046-2050	36,765	6,440	43,205
2051-2053	24,382	1,348	25,730
	185,779	99,181	284,960

2019 South Bench Water Bonds Debt Schedule

<u>YEAR</u>	<u>WWTP</u>		<u>TOTAL</u>
	<u>BONDS</u>		
	<u>2019-2059</u>		
	Principal	Interest	
2021	56,473	54,590	111,063
2022	57,461	53,602	111,063
2023	58,467	52,596	111,063
2024	59,490	51,573	111,063
2025	60,531	50,532	111,063

2026-2030	318,920	236,395	555,315
2031-2035	347,820	207,495	555,315
2036-2040	379,338	175,977	555,315
2041-2045	413,712	141,603	555,315
2046-2050	451,202	104,113	555,315
2051-2055	492,088	63,227	555,315
2056-2059	420,734	21,860	442,594
	3,116,236	1,213,563	4,329,799

In 2018 the City entered an agreement to lease to own a 2018 Volvo L70H Wheel loader. The annual payment was \$38,171.86 for 5 years and the City would own the loader. This loader was traded in on a 2020 John Deere 544L Wheel Loader and 310SL Backhoe Loader and paid in full by John Deere. There is no remaining debt service for the Volvo Loader.

The 2020 backhoe and loader is a lease purchase agreement that the City entered into in 2020. The lease purchase agreement is a combined agreement for both pieces of equipment and the annual payment is \$48,746.96 for seven years and the City will own them. The first payment was due November 07, 2020.

The remaining debt service requirements for the existing Backhoe/Loader Lease/Purchase is as follows:

2020 John Deere Loader & Backhoe Debt Schedule

<u>YEAR</u>	2020 JD Loader & Backhoe <u>2020-2027</u>		TOTAL
	Principal	Interest	
2021	43,369	5,378	48,747
2022	44,222	4,525	48,747
2023	45,092	3655	48,747
2024	45,979	2768	48,747
2025	46,884	1863	48,747
2026	47,806	941	48,747
	273,352	19,130	292,482

NOTE 6 – OPEB Plans

The City of Newport has a commitment to pay for post-employment benefits for an employee that belongs to LEOFF 1. The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan as required by RCW 41.26.150(1). 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 one member, a retiree. These benefits include medical insurance and co-pays as well as long term care insurance. The City provides medical insurance through Association of Washington Cities Benefit Trust Regence BlueShield Medicare Advantage Plan. This plan has no deductible and has a \$2800 out of packet max per individual. This plan has been very beneficial because it has been covering all copays and

the monthly premium is less. Long Term Care Insurance is provided through Transamerica Life Insurance. The plan purchased is a lifetime plan that would cover \$150 per day in a nursing home; \$120 per day in assisted living; Home care \$110 per day; Home Professional Services \$220 per day. One retiree received benefits during the year. Based on the State Actuary, the City of Newport’s total OPEB liability for 2020 was \$575,656 as calculated using the alternative measurement method. For the year ended December 31, 2020, the City paid \$18,203 in benefits.

NOTE 7 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City 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 & LEOFF).

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
 PO Box 48380
 Olympia, WA 98504-8380

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

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

At June 30, 2020 the city’s proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$35,203	.004857%	\$171,478
PERS 2	\$57,963	.006292%	\$80,471
LEOFF 1	\$0	.001345%	(\$25,400)

LEOFF 2	\$14,088	.007201%	(\$146,890)
VFFRPF	\$150	.08%	(\$27,212)

LEOFF Plan 1

The city also 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 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. The special funding situation is not mandated by the state constitution and could be changed by statute.

NOTE 8 – PROPERTY TAXES

The Pend Oreille County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

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

The City’s regular levy for 2020 was \$2.08255 per \$1,000 on an assessed valuation of \$149,967,184 for a total regular levy of \$312,314.86.

NOTE 9 – RISK MANAGEMENT

The City of Newport is a member of the Cities Insurance Association of Washington. Chapter 48.62 Revised Code of Washington (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 01, 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, are included to fit members' 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-insurance retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over the \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. 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 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 and Motors which is \$15,000 and is covered by the 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, 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.

Health & Welfare

The City of Newport 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. In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, 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 Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account. 2 The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits

in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC. The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2021 LTGO	5/27/2031	-	325,000	-	325,000
	Total General Obligation Debt/Liabilities:		-	325,000	-	325,000
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	2013 Spruce Street	12/27/2053	185,779	-	3,532	182,247
252.11	2013 WWTP Upgrade	12/15/2044	1,342,333	-	32,257	1,310,076
252.11	2019 South Bench	12/26/2059	3,116,236	-	58,710	3,057,526
259.12	CE Employment Buyout		54,964	8,166	-	63,130
259.12	Street Employee Buyout		19,620	1,565	-	21,185
259.12	Water Employee Buyout		23,526	-	6,671	16,855
259.12	Sewer Employee Buyout		25,828	185	-	26,013
264.30	Net Pension Liability		251,949	-	190,863	61,086
264.40	OPEB Liability		575,656	13,361	-	589,017
263.52	2020 JD Backhoe & Loader Lease to Own	11/7/2026	273,353	-	43,368	229,985
	Total Revenue and Other (non G.O.) Debt/Liabilities:		5,869,244	23,277	335,401	5,557,120
	Total Liabilities:		5,869,244	348,277	335,401	5,882,120

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	2013 Spruce Street W/S Rev Bonds Issue Date 12/27/2013	12/27/2053	189,217	-	3,438	185,779
252.11	2004 WWTP Upgrade Rev Bonds Issue Date 12/15/2004	12/15/2044	1,373,201	-	30,868	1,342,333
252.11	2019 South Bench W/S Rev Bonds Issue Date 12/27/2019	12/26/2059	3,175,000	-	58,764	3,116,236
259.12	CE Employee Buyout		99,136	-	44,172	54,964
259.12	Street Employee Buyout		25,053	-	5,433	19,620
259.12	Water Employee Buyout		41,406	-	17,880	23,526
259.12	Sewer Employee Buyout		33,502	-	7,674	25,828
264.30	Net Pension Liability		275,044	-	23,095	251,949
264.40	OPEB Liability		523,660	51,996	-	575,656
263.52	2018 Volvo Loader Lease to Own Start Date 10/24/2018	10/24/2022	106,051	-	106,051	-
263.52	2020 JD Backhoe & Loader Lease to Own Start Date 10/07/2020	11/7/2026	-	321,577	48,224	273,353
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,841,270	373,573	345,599	5,869,244
Total Liabilities:			5,841,270	373,573	345,599	5,869,244

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.

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