



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Port Orchard

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

Published September 18, 2023

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

September 18, 2023

Mayor and City Council
City of Port Orchard
Port Orchard, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Port Orchard January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Port Orchard are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Federal Programs

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

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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 Port Orchard January 1, 2021 through December 31, 2022

Mayor and City Council
City of Port Orchard
Port Orchard, 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 Port Orchard, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 11, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

September 11, 2023

INDEPENDENT AUDITOR'S REPORT

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

City of Port Orchard
January 1, 2022 through December 31, 2022

Mayor and City Council
City of Port Orchard
Port Orchard, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

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

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

September 11, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Port Orchard January 1, 2021 through December 31, 2022

Mayor and City Council
City of Port Orchard
Port Orchard, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Port Orchard, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Port Orchard, and its changes in cash and investments, for the years ended December 31, 2022 and 2021, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Port Orchard, as of December 31, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2023 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

September 11, 2023

FINANCIAL SECTION

City of Port Orchard January 1, 2021 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fund Resources and Uses Arising from Cash Transactions – 2021
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Schedule of Liabilities – 2021
Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

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

		Total for All Funds (Memo Only)	001 Current Expense	103 Criminal Justice	104 Special Investigative Unit
Beginning Cash and Investments					
308	Beginning Cash and Investments	56,779,316	15,221,791	557,810	97,982
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	16,152,772	13,689,105	356,574	-
320	Licenses and Permits	1,612,661	1,551,061	-	-
330	Intergovernmental Revenues	4,371,756	2,641,277	77,364	-
340	Charges for Goods and Services	21,758,773	1,213,108	-	-
350	Fines and Penalties	219,357	115,942	-	-
360	Miscellaneous Revenues	1,259,610	443,582	10,795	1,224
Total Revenues:		45,374,929	19,654,075	444,733	1,224
Expenditures					
510	General Government	3,619,662	3,258,862	-	-
520	Public Safety	5,921,891	5,566,762	354,818	311
530	Utilities	8,992,790	-	-	-
540	Transportation	3,471,829	2,800,536	-	-
550	Natural/Economic Environment	1,340,398	1,227,119	-	-
560	Social Services	52,983	52,983	-	-
570	Culture and Recreation	1,601,495	1,601,495	-	-
Total Expenditures:		25,001,048	14,507,757	354,818	311
Excess (Deficiency) Revenues over Expenditures:		20,373,881	5,146,318	89,915	913
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	521,660	-	-	-
397	Transfers-In	3,581,808	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	1,036,323	27,023	-	-
Total Other Increases in Fund Resources:		5,139,791	27,023	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	5,682,773	167,839	-	-
591-593, 599	Debt Service	938,066	36,724	-	-
597	Transfers-Out	3,581,808	325,085	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	962,329	33,571	-	-
Total Other Decreases in Fund Resources:		11,164,976	563,219	-	-
Increase (Decrease) in Cash and Investments:		14,348,696	4,610,122	89,915	913
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	11,580,518	158,637	647,725	85,895
50841	Committed	65,507	65,507	-	-
50851	Assigned	42,645,386	2,771,168	-	13,000
50891	Unassigned	16,836,601	16,836,601	-	-
Total Ending Cash and Investments		71,128,012	19,831,913	647,725	98,895

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

		107 Community Events	108 Paths & Trails	111 Impact Mitigation Fee	206 Bond Redemption Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	268,042	12,305	3,320,400	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	161,191	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	1,258	-	-
340	Charges for Goods and Services	-	-	2,523,629	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	5,826	221	71,970	-
Total Revenues:		167,017	1,479	2,595,599	-
Expenditures					
510	General Government	-	-	360,800	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	103,640	-
550	Natural/Economic Environment	113,279	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		113,279	-	464,440	-
Excess (Deficiency) Revenues over Expenditures:		53,738	1,479	2,131,159	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	298,111
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	298,111
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	298,111
597	Transfers-Out	-	-	147,004	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	147,004	298,111
Increase (Decrease) in Cash and Investments:		53,738	1,479	1,984,155	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	321,780	13,784	5,304,555	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		321,780	13,784	5,304,555	-

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

		302 Capital Construction	304 Street Capital Projects	309 Real Estate Excise Tax	411 Water Operating
Beginning Cash and Investments					
308	Beginning Cash and Investments	220,154	1,720,886	5,297,021	10,690,998
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	1,945,902	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	1,607,887	-	-
340	Charges for Goods and Services	-	-	-	5,176,045
350	Fines and Penalties	-	-	-	37,681
360	Miscellaneous Revenues	28,204	28,342	49,503	284,191
Total Revenues:		28,204	1,636,229	1,995,405	5,497,917
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	3,216,412
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	3,216,412
Excess (Deficiency) Revenues over Expenditures:		28,204	1,636,229	1,995,405	2,281,505
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	268,507
397	Transfers-In	490,710	2,792,987	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	12,000
Total Other Increases in Fund Resources:		490,710	2,792,987	-	280,507
Other Decreases in Fund Resources					
594-595	Capital Expenditures	191,437	3,851,051	-	455,816
591-593, 599	Debt Service	-	-	-	425,560
597	Transfers-Out	-	-	3,109,719	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	8,000
Total Other Decreases in Fund Resources:		191,437	3,851,051	3,109,719	889,376
Increase (Decrease) in Cash and Investments:		327,477	578,165	(1,114,314)	1,672,636
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	865,435	4,182,707	-
50841	Committed	-	-	-	-
50851	Assigned	547,631	1,433,616	-	12,363,634
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		547,631	2,299,051	4,182,707	12,363,634

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

		421 Storm Drainage Utility	431 Sewer Operating	500 Equipment Rental and Revolving
Beginning Cash and Investments				
308	Beginning Cash and Investments	2,553,731	13,201,272	3,616,924
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	61,600	-	-
330	Intergovernmental Revenues	43,970	-	-
340	Charges for Goods and Services	1,826,711	9,881,464	1,137,816
350	Fines and Penalties	18,483	47,251	-
360	Miscellaneous Revenues	44,948	235,281	55,523
Total Revenues:		1,995,712	10,163,996	1,193,339
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	1,812,710	3,963,668	-
540	Transportation	-	-	567,653
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,812,710	3,963,668	567,653
Excess (Deficiency) Revenues over Expenditures:		183,002	6,200,328	625,686
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	253,153	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	925,445	71,855
Total Other Increases in Fund Resources:		-	1,178,598	71,855
Other Decreases in Fund Resources				
594-595	Capital Expenditures	12,618	679,664	324,348
591-593, 599	Debt Service	177,294	342	35
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	920,758	-
Total Other Decreases in Fund Resources:		189,912	1,600,764	324,383
Increase (Decrease) in Cash and Investments:		(6,910)	5,778,162	373,158
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	2,546,821	18,979,434	3,990,082
50891	Unassigned	-	-	-
Total Ending Cash and Investments		2,546,821	18,979,434	3,990,082

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 Current Expense	103 Criminal Justice	104 Special Investigative Unit
Beginning Cash and Investments					
308	Beginning Cash and Investments	38,113,801	10,565,839	377,608	97,797
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	14,883,092	12,393,472	317,167	-
320	Licenses and Permits	1,173,090	1,119,314	-	-
330	Intergovernmental Revenues	5,386,233	2,495,256	69,833	-
340	Charges for Goods and Services	21,923,039	857,858	-	-
350	Fines and Penalties	165,889	150,382	-	263
360	Miscellaneous Revenues	650,325	270,587	498	283
Total Revenues:		44,181,668	17,286,869	387,498	546
Expenditures					
510	General Government	3,091,417	3,091,417	-	-
520	Public Safety	5,113,604	4,905,947	207,296	361
530	Utilities	8,350,642	-	-	-
540	Transportation	2,209,331	1,728,149	-	-
550	Natural/Economic Environment	1,383,547	1,315,997	-	-
560	Social Services	52,017	52,017	-	-
570	Culture and Recreation	1,060,326	1,060,326	-	-
Total Expenditures:		21,260,884	12,153,853	207,296	361
Excess (Deficiency) Revenues over Expenditures:		22,920,784	5,133,016	180,202	185
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,529,865	-	-	-
397	Transfers-In	2,098,255	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	1,048,179	92,560	-	-
Total Other Increases in Fund Resources:		4,676,299	92,560	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,962,485	191,493	-	-
591-593, 599	Debt Service	895,769	-	-	-
597	Transfers-Out	2,098,255	333,989	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	975,059	44,138	-	-
Total Other Decreases in Fund Resources:		8,931,568	569,620	-	-
Increase (Decrease) in Cash and Investments:		18,665,515	4,655,956	180,202	185
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	11,317,959	1,542,933	557,810	85,215
50841	Committed	59,222	59,222	-	-
50851	Assigned	33,855,802	2,073,303	-	12,767
50891	Unassigned	11,546,333	11,546,333	-	-
Total Ending Cash and Investments		56,779,316	15,221,791	557,810	97,982

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

		107 Community Events	108 Paths & Trails	111 Impact Mitigation Fee	206 Bond Redemption Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	212,002	11,096	2,311,466	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	123,333	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	1,196	-	-
340	Charges for Goods and Services	-	-	1,480,654	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	257	11	6,220	-
Total Revenues:		123,590	1,207	1,486,874	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	101,257	-
550	Natural/Economic Environment	67,550	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		67,550	-	101,257	-
Excess (Deficiency) Revenues over Expenditures:		56,040	1,207	1,385,617	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	299,751
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	299,751
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	299,751
597	Transfers-Out	-	-	376,683	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	376,683	299,751
Increase (Decrease) in Cash and Investments:		56,040	1,207	1,008,934	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	268,042	12,305	3,320,400	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		268,042	12,305	3,320,400	-

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

		302 Capital Construction	304 Street Capital Projects	309 Real Estate Excise Tax	411 Water Operating
Beginning Cash and Investments					
308	Beginning Cash and Investments	238,707	1,732,515	3,266,592	4,779,078
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	2,049,120	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,211,280	485,762	-	26,501
340	Charges for Goods and Services	-	-	-	7,563,583
350	Fines and Penalties	-	-	-	380
360	Miscellaneous Revenues	203	236,016	14,228	86,756
Total Revenues:		2,211,483	721,778	2,063,348	7,677,220
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	2,393,882
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	2,393,882
Excess (Deficiency) Revenues over Expenditures:		2,211,483	721,778	2,063,348	5,283,338
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	1,529,865
397	Transfers-In	670,051	449,893	677,331	1,229
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	10,000
Total Other Increases in Fund Resources:		670,051	449,893	677,331	1,541,094
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,900,087	505,969	-	488,824
591-593, 599	Debt Service	-	-	-	418,088
597	Transfers-Out	-	677,331	710,252	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	5,600
Total Other Decreases in Fund Resources:		2,900,087	1,183,300	710,252	912,512
Increase (Decrease) in Cash and Investments:		(18,553)	(11,629)	2,030,427	5,911,920
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	234,233	5,297,021	-
50841	Committed	-	-	-	-
50851	Assigned	220,154	1,486,653	-	10,690,998
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		220,154	1,720,886	5,297,021	10,690,998

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

		421 Storm Drainage Utility	431 Sewer Operating	500 Equipment Rental and Revolving
Beginning Cash and Investments				
308	Beginning Cash and Investments	2,311,214	8,716,657	3,493,230
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	53,776	-	-
330	Intergovernmental Revenues	96,405	-	-
340	Charges for Goods and Services	1,786,634	9,561,714	672,596
350	Fines and Penalties	3,434	11,430	-
360	Miscellaneous Revenues	2,948	26,310	6,008
Total Revenues:		1,943,197	9,599,454	678,604
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	1,493,168	4,463,592	-
540	Transportation	-	-	379,925
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,493,168	4,463,592	379,925
Excess (Deficiency) Revenues over Expenditures:		450,029	5,135,862	298,679
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	-	930,728	14,891
Total Other Increases in Fund Resources:		-	930,728	14,891
Other Decreases in Fund Resources				
594-595	Capital Expenditures	29,582	656,654	189,876
591-593, 599	Debt Service	177,930	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	925,321	-
Total Other Decreases in Fund Resources:		207,512	1,581,975	189,876
Increase (Decrease) in Cash and Investments:		242,517	4,484,615	123,694
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	2,553,731	13,201,272	3,616,924
50891	Unassigned	-	-	-
Total Ending Cash and Investments		2,553,731	13,201,272	3,616,924

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	76
388 & 588	Net Adjustments	-
310-390	Additions	99,099
510-590	Deductions	99,094
	Net Increase (Decrease) in Cash and Investments:	5
508	Ending Cash and Investments	81

The accompanying notes are an integral part of this statement.

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

		<u>Custodial</u>
308	Beginning Cash and Investments	34
388 & 588	Net Adjustments	-
310-390	Additions	126,728
510-590	Deductions	<u>126,686</u>
	Net Increase (Decrease) in Cash and Investments:	42
508	Ending Cash and Investments	76

The accompanying notes are an integral part of this statement.

CITY OF PORT ORCHARD
Notes to Financial Statements
For the Year Ended December 31, 2022

Note 1-Summary of Significant Accounting Policies

The City of Port Orchard was incorporated on September 1, 1890 and operates under the laws of the state of Washington applicable to a city. The City is a general-purpose local government and provides public safety, street improvement, park and recreation, and general administrative services. In addition, the City owns and operates a water, sewer, and storm drainage system.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

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

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 3- Deposits and Investments.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 320 hours at year end and up to 240 hours is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours at year end and for all employees except LEOFF II employees upon separation or retirement employees do not receive payment for unused sick leave. LEOFF II employees' (excluding management) sick leave may be accumulated up to 1040 hours and up to 400 hours is payable upon separation or retirement to the employee's respective medical health retirement/voluntary employee's beneficiary association account (HRA/VEBA). LEOFF II employees' (excluding management) vacation leave may be accumulated up to 320 hours and up to 240 hours is payable in cash upon separation or retirement while the remaining 80 hours are payable to the employee's respective medical health retirement/voluntary employee's beneficiary association account (HRA/VEBA). LEOFF II employees (excluding management) earn 120 hours holiday leave annually and may carry over 96 hours at year end. Holiday leave is payable upon separation or retirement up to 96 hours. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5- Long-term Debt.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance. 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 \$11,646,025.

Cash & Investments	Purpose	Amount
Restricted	Affordable Housing	\$ 98,745
Restricted	2021 Legislative Law Enforcement Funding	\$ 36,735
Restricted	Vessel Registration Fees	\$ 6,984
Restricted	Opioid Settlement	\$ 16,173
Restricted	Criminal Justice	\$ 647,725
Restricted	Law Enforcement Investigations	\$ 85,895
Restricted	Tourism	\$ 321,780
Restricted	Paths & Trails	\$ 13,784
Restricted	Capital Projects	\$ 4,182,707
Restricted	Parks Projects	\$ 808,518
Restricted	Transportation Projects	\$ 3,472,431
Restricted	McCormick Woods Transportation Projects	\$ 691,644
Restricted	Old Clifton/Anderson Hill Intersection Improvements	\$ 331,962
Restricted	Transportation Improvement Board- Grant Received in Advance	\$ 657,337
Restricted	Blueberry/Bethel Roundabout	\$ 208,098
Committed	Recreational Programs, Activities, or Capital Projects	\$ 65,507
	Total	\$ 11,646,025

Note 2 – Budget Compliance

A. Budgets

The City of Port Orchard adopts biennial appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the end of biennial period.

Biennial 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:

Fund	2021-2022 Final Appropriated Biennial Budget	2021 Actual Expenditures	2022 Actual Expenditures	Variance
Fund: 001 - Current Expense	\$ 37,014,740	\$ 11,789,196	\$ 14,320,281	\$ 10,905,263
Fund: 002 - City Street Fund	\$ 7,356,591	\$ 1,856,980	\$ 2,852,495	\$ 2,647,116
Fund: 003 - Stabilization Fund	\$ 2,693,687	\$ -	\$ -	\$ 2,693,687
Fund: 103 - Criminal Justice	\$ 869,508	\$ 207,296	\$ 354,818	\$ 307,393
Fund: 104 - Special Investigative Unit	\$ 105,797	\$ 361	\$ 311	\$ 105,125
Fund: 107 - Community Events	\$ 412,002	\$ 67,550	\$ 113,279	\$ 231,173
Fund: 108 - Paths & Trails	\$ 13,096	\$ -	\$ -	\$ 13,096
Fund: 109 - Real Estate Excise Tax	\$ 7,801,992	\$ 710,252	\$ 3,109,719	\$ 3,982,021
Fund: 111 - Impact Mitigation Fee	\$ 5,006,467	\$ 477,940	\$ 611,444	\$ 3,917,083
Fund: 206 - Bond Redemption Fund	\$ 598,200	\$ 299,751	\$ 298,111	\$ 338
Fund: 302 - Capital Construction	\$ 6,801,707	\$ 2,900,087	\$ 191,437	\$ 3,710,183
Fund: 304 - Street Capital Projects	\$ 11,664,198	\$ 1,183,300	\$ 3,851,051	\$ 6,629,847
Fund: 411 - Water Operating	\$ 9,694,063	\$ 3,186,080	\$ 3,778,359	\$ 2,729,624
Fund: 412 - Water Stabilization	\$ 950,216	\$ -	\$ -	\$ 950,216
Fund: 413 - Water Capital	\$ 6,734,754	\$ 474,741	\$ 684,096	\$ 5,575,917
Fund: 414 - Water Debt Service	\$ 1,190,250	\$ 431,088	\$ 597,148	\$ 162,014
Fund: 421 - Storm Drainage Utility	\$ 5,658,120	\$ 1,859,529	\$ 2,690,922	\$ 1,107,669
Fund: 422 - Storm Drainage Stabilization	\$ 533,931	\$ -	\$ -	\$ 533,931
Fund: 423 - Storm Drainage Capital Facil	\$ 599,113	\$ 5,200	\$ 2,500	\$ 591,413
Fund: 424 - Storm Drainage Debt Service	\$ 355,300	\$ 177,930	\$ 177,047	\$ 324
Fund: 431 - Sewer Operating	\$ 13,711,301	\$ 4,700,064	\$ 4,412,655	\$ 4,598,583
Fund: 432 - Sewer Stabilization	\$ 1,422,016	\$ -	\$ -	\$ 1,422,016
Fund: 433 - Sewer Capital	\$ 23,387,228	\$ 893,545	\$ 944,275	\$ 21,549,408
Fund: 434 - Sewer Debt Service	\$ 550,000	\$ -	\$ -	\$ 550,000
Fund: 500 - Equipment Rental and Revolving	\$ 5,271,030	\$ 569,803	\$ 892,036	\$ 3,809,191
Fund: 632 - Wastewater Treatment Facil Fee	\$ 7,931,914	\$ 1,125,321	\$ 1,120,758	\$ 5,685,835

Fund 109 Real Estate Excise Tax (above) is reported on the financial statements as Fund 309 Real Estate Excise Tax. Due to a change in accounting principles the Wastewater Treatment Facility Fee Fund 632 is reported as part of the Sewer Utility on the Financial Statements.

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

Note 3—Deposits and Investments

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

Type of Investment	City's Own Investments	Investment held by city as an agency for other local governments	Total
Cash on Deposit	\$ 1,303,045	\$ 81	\$ 1,303,126
Washington State Local Government Investment Pool (LGIP)	\$ 46,886,144		\$ 46,886,144
Kitsap County Investment Pool (KCIP)	\$ 22,938,823		\$ 22,938,823
Total	\$ 71,128,012	\$ 81	\$ 71,128,093

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.

Investments in Kitsap County Investment Pool

The city is an involuntary participant in the Kitsap County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The city reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The KCIP does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral

securities that are in possession of an outside party. The city's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

Compensating Balances

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained during 2022 was approximately \$3,217,335.

Note 4 - Property Tax

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

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

The City's regular levy for the year 2022 was \$1.27119 per \$1,000 on an assessed valuation of \$2,503,880,075 for a total regular levy of \$3,182,909.

Note 5 – Long-Term Debt

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, 2022.

The debt service requirements for general obligation bonds, notes payable, and intergovernmental loans are as follows:

Due Date	Principal Amount	Interest Amount	Total Amount
2023	783,044	163,832	946,875
2024	785,404	150,844	936,247
2025	795,695	137,745	933,440
2026	805,994	124,430	930,424
2027	811,301	110,898	922,199
2028-2032	4,089,964	345,608	4,435,573
2033-2037	1,758,455	77,533	1,835,987
2038-2043	53,295	266	53,561
Grand Total	9,883,152	1,111,155	10,994,307

The city has entered into agreements for the following loans in 2021 & 2022 with no activity to report for Fiscal Year 2022:

Contract Number	Description	Project	Interest Rate	Maturity Payment Due Date	Total Loan Amount
088-21	Public Works Board	390 Zone Low Pressure Booster Station	0.94%	6/1/2041	\$ 650,000
089-21	Public Works Board	Melcher Pump Station Rehabilitation	0.94%	6/1/2041	\$ 500,000
090-21	Public Works Board	Sewer Lift Station	0.94%	6/1/2041	\$ 800,000
068-21	Department of Ecology	Marina Pump Station	2.60%	6/30/2054	\$ 13,000,000
058-22	Drinking Water State Revolving Fund Loan	Well No. 11 Development, Treatment & Booster Pump	1.75%	10/1/2046	\$ 8,080,000

Note 6 – Leases

During the year ended 2022, the city adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities. These liabilities are included on the Schedule 9- schedule of Long-term Liabilities.

The city leases land from the State for \$19,370.90 per year under a lease agreement that is for 12 years. The lease began June of 2012 and will end June of 2024 that cannot be cancelled.

The city leases a storage building from the State for \$939 per month under a lease agreement that is for 3 years. The lease began April of 2022 and will end March of 2025 and can be cancelled with 90 days' notice.

The city leases four copiers from Pacific Office Automation for \$534 per month under a five year lease agreement that began August 2018 and will end August 2023 and cannot be cancelled.

The city leases phones from G12 Communications for \$304 per month under a four year lease agreement that began March 2021 and ends March 2025, it can be cancelled with thirty days' notice and severe penalties.

The total amount paid for leases in 2022 was \$37,760. As of December 31, 2022, the future lease payments are as follows:

Due Date	Total Amount
2023	38,278
2024	15,515
2025	3,597
Grand Total	57,390

Note 7 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2022, the plan had four members, all retirees. As of December 31, 2022, the city's total OPEB liability was \$1,963,074 as calculated using the alternative measurement method. For the year ended December 31, 2022 the City paid \$37,993 in benefits.

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employees' Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (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 (ACFR) that includes financial statements and required supplementary information for each plan.

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

At June 30, 2022, the City's proportionate share of the collective net pension liabilities (assets) was as follows:

	Employer		
	Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 206,490	0.033693%	\$ 938,137
PERS 2/3	\$ 351,257	0.043723%	\$ (1,621,590)
LEOFF 1	\$ -	0.007147%	\$ (205,020)
LEOFF 2	\$ 109,786	0.053029%	\$ (1,441,168)

Only the net pension liabilities are reported on the schedule 09.

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

Note 9 – Risk Management

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

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$500,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$500,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from National League of Cities Mutual Insurance Company (NLC MIC). The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company and CHUBB. In 2022, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides the remaining limits up to a total of \$250 million. All commercial policies have been purchased through the pool's Broker of Record, Aon.

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

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

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

Note 10. Joint Ventures

In 1983, the City of Port Orchard and West Sound Utility District (previously the Karcher Creek Sewer District) amended an intergovernmental agreement relating to the construction and

management of the secondary wastewater treatment facility. In April of 2014 the City and District signed an interlocal agreement for the management and operation of the joint wastewater treatment facility for an additional term of 25 years. This joint venture establishes a Sewer Advisory Committee (SAC) consisting of three representatives from each entity who prepare and monitor the Facility's budget. The District and the City share 50% ownership in the facility's total assets.

The Utility District is responsible for the daily operation of the facility. The participants pay their share of the expenses based on their portion of flow into the facility. The City and the District pay the joint venture an amount determined during the budget process to cover maintenance, operation, capital improvements and debt monthly. The current cost sharing is 47.92% City and 52.08% District and in 2022 the city paid \$1,579,482.

The City was the lead agency on the wastewater treatment plant expansion project, and is the signatory on two Public Works Trust Fund Loans for the Facility's expansion. In 2004, the city guaranteed two Public Works Trust Funds loans of the South Kitsap Water Reclamation Facility, a legally separate entity. In the event that the South Kitsap Water Reclamation Facility is unable to make a payment, City of Port Orchard will be required to meet the obligation. The total amount of outstanding debt subject of this guarantee at year end was \$720,000. Revenues of the facility are used to make debt service payments on the two loans. Annually, the facility makes a payment to the City to cover the debt service on these loans. The SAC recommended and the City Council and the District Commissioners approved using a portion of Wastewater Treatment Facility Fees collected by each jurisdiction to help make the annual debt payments. This cost sharing formula is 50% and in 2022 each entity paid \$200,000.

Note 11. Significant Commitments or Obligations

580 Zone Reservoir: At the year-end the city had a commitment for a development agreement C003-07 Amendment 1, adopted in 2019 with McCormick Communities, LLC. The agreement allows for a reimbursement for construction of the 580 Zone Reservoir for a total of \$2,789,915. The reimbursement is paid from the Water Capital Facility Fees collected by the city from development within the Western Service Area pursuant to the reimbursement agreement. The reimbursement amount is set and fixed at \$1,000 per applicable connection of Water Capital Facility Charge Fees collected in the area by the city. In 2022, the city paid \$172,000. As of December 31, 2022; the amount outstanding is \$2,604,915.

Note: The reimbursement amount is fixed at \$1,000.

Glenwood Connector Roadway: At the year-end the city had a commitment for a development agreement C035-21 with McCormick Land Company. The agreement allows for a reimbursement for construction of the Glenwood Connector Roadway and the Old Clifton/Feigley intersection for a total of \$2,200,296.37. The reimbursement is paid from the Transportation Impact Fees collected by the city from development within the McCormick Urban Village pursuant to the development

agreement. For 2021 the reimbursement amount was established at \$720.80 as of February 2021. Per the agreement was subsequently adjusted per CPI-U in March 2021 to a value of \$733.05. From March 1, 2021 thru Feb 28,2022 the value for reimbursement was \$733.05. Per the agreement the reimbursement amount was adjusted per CPI-U in March 2022 to a value of \$766.77. In 2022, the city paid \$103,640.04. As of December 31, 2022, the amount outstanding is \$1,337,342.61.

Note: The reimbursement amount is annually adjusted per CPI-U effective March 1 each year.

Old Clifton Road/Campus Parkway Roundabout: At the year-end the city had a commitment for a development agreement C035-21 with McCormick Communities, LLC. The agreement allows for a credit for construction of the Old Clifton Rd/Campus Pkwy Roundabout Transportation Impact Fee (TIF) Study 1.5C and McCormick Woods Drive Intersection TIF 2.08 and for a total up to \$3.2 million or \$1,600,000 for each project. The total credit amount will be established upon project acceptance and final certified cost if less than the total \$3.2 million. The credit is given at the time Transportation Impact Fees are collected by the city from development. The Transportation Fee credit amount was established at \$1,000 as of February 2021. The credit, per agreement was subsequently adjusted per CPI-U in March 2021 to a value of \$1,017. From March 1, 2021 thru Feb 28,2022 the value for credit was \$1,017. Per the agreement the credit amount was adjusted per CPI-U in March 2022 to a value of \$1,063.78. In 2022, the city provided a total credit amount of \$144,849.04. As of December 31, 2022, the amount of credit available is \$1,455,151.

Note: The credit amount is annually adjusted per CPI-U effective March 1 each year.

Planned Park Property: At the year-end the city had a commitment for a development agreement C076-21 with Sidney Road (Haven) Apartments, LLC. The Developer may transfer the Planned Park Property to the City in exchange for Park Impact Fee credit up to a total of \$126,144 or certified costs if less than the identified max. The credit is given at the time park impact fees are collected by the city from the development if the Park property is deeded over to the City. As of December 31, 2022 no credit has been provided.

McCormick Communities, LLC (Water Credit): As of March 14, 2022, the city had a commitment for a development agreement C048-22 with McCormick Communities, LLC. The agreement allows for a max credit amount of \$11,840,625 for certified construction cost if less than the max for the following five Water Capital Improvement Projects:

1. CIP No. 09 Well 12 Development, Treatment, and Booster Pump Station (\$7 mil)
2. CIP No. 13 390 to 580 Zone Booster Station 2nd Lift (Glenwood) (\$725,000)
3. CIP No. 14 390 to 580 Zone Transmission Main (to Glenwood PS) (\$515,624)
4. CIP No. 15 580 to 660 Zone Booster Station (\$750,000)
5. CIP No. 16 660 Zone Storage (\$2,850,000)

The total credit amount will be established upon project acceptance and final certified cost if less than the total \$11,840,625. The credit is given at the time water capital facility fees are collected by the city from the builders. The water capital facility fee credit amount was established at \$5,920 as of March 1, 2022 and adjusted to \$6,517.92 as of October 1, 2022 per the agreement and POMC.

In 2022, the city provided credit in the amount of \$538,181.28 against CIP No.16 660 Zone Storage of \$2,850,000 leaving a total credit balance for this project of \$2,311,818.72.

Note: The credit amount is annually adjusted per CPI-U effective October 1 each year per POMC 13.04.065

Sidney Rd(S)-Haven Townhomes: As of May 10, 2022, the city had a commitment for a development agreement C070-22 with Haven Townhomes LLC. The agreement allows for a credit for construction of the Sidney Rd (S) Widening Transportation Impact Fee (TIF) Study 2.05 for the west side of the street improvement for a total up to \$315,949 or up to the full anticipate TIF's to be paid if certified costs are larger than expected. The credit is given at the time Transportation Impact Fees are charged by the city for this development. As of December 31, 2022 no credit has been provided.

McCormick Communities, LLC (Park Impact Fee Credit): As of September 26, 2022, the city had a commitment for a development agreement C110-22 with McCormick Communities, LLC for park improvements as identified below. The agreement allows for a max credit amount of \$5,320,285, to be limited to the total park impact fees due on the Project, the estimated cost for the Park Improvements Projects or the actual costs incurred by McCormick (determined by the final certified construction cost) whatever amount is less.

1. Prior McCormick Payment C002-10 (\$643,743)
2. McCormick Village Park Phase 3 (\$1,250,000)
3. St. Andrew's Multi-Modal Trail (in McCormick Woods) (\$979,012)
4. McCormick West Multi-Modal Trail Phase 1 (\$1,468,518)
5. McCormick West Multi-Modal Trail Phase 2 (\$979,012)

The city provided a credit amount of \$643,743 to reflect the prior payment and contract with McCormick Communities. In 2022, the city provided credit in the amount of \$22,088 leaving a total credit balance for this project of \$621,655.

Note: The maximum park impact fee credit per dwelling unit is fixed at \$2,008 and will not be adjusted per the agreement.

Note 12. Contingencies & Liabilities

Blake Decision. In February 2021, the Washington State Supreme Court issued an opinion in State of Washington v. Blake, declaring that RCW 69.50.4013, Washington's simple possession of a controlled substance statute violates the due process clause of the state and federal constitution.

Individuals convicted under that statute beginning in 1971 may be eligible to have their convictions vacated and/or be resentenced. All penalties, fines and restitution (Legal Financial Obligations "LFO") imposed in connection with simple possess convictions must be refunded.

At this time the City does not have the information necessary to make an estimate of any potential liability. It is the city's position that this liability is the responsibility of the State. The State has thus far provided funding sufficient for the City to process vacations and refund LFOs.

CITY OF PORT ORCHARD
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 1-Summary of Significant Accounting Policies

The City of Port Orchard was incorporated on September 1, 1890 and operates under the laws of the state of Washington applicable to a city. The City is a general-purpose local government and provides public safety, street improvement, park and recreation, and general administrative services. In addition, the City owns and operates a water, sewer, and storm drainage system.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

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

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 3- Deposits and Investments.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours at year end and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours at year end and for all employees except LEOFF II employees upon separation or retirement employees do not receive payment for unused sick leave. LEOFF II employees' (excluding management) sick leave may be accumulated up to 1040 hours and up to 400 hours is payable upon separation or retirement to the employee's respective medical health retirement/voluntary employee's beneficiary association account (HRA/VEBA). LEOFF II employees' (excluding management) vacation leave may be accumulated up to 320 hours and up to 240 hours is payable upon separation or retirement. LEOFF II employees (excluding management) earn 120 hours holiday leave annually and may carry over 96 hours at year end. Holiday leave is payable upon separation or retirement up to 96 hours. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5- Long-term Debt.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance. 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 \$11,377,181.

Cash & Investments	Purpose	Amount
Restricted	Affordable Housing	\$ 88,670
Restricted	2021 Legislative Law Enforcement Funding	\$ 43,724
Restricted	American Rescue Plan Act (ARPA)	\$ 1,410,539
Restricted	Criminal Justice	\$ 557,810
Restricted	Law Enforcement Investigations	\$ 85,215
Restricted	Tourism	\$ 268,042
Restricted	Paths & Trails	\$ 12,305
Restricted	Capital Projects	\$ 5,297,021
Restricted	Parks Projects	\$ 472,322
Restricted	Transportation Projects	\$ 1,731,882
Restricted	McCormick Woods Transportation Projects	\$ 788,899
Restricted	Old Clifton/Anderson Hill Intersection Improvements	\$ 327,297
Restricted	Blueberry/Bethel Roundabout	\$ 234,233
Committed	Recreational Programs, Activities, or Capital Projects	\$ 59,222
	Total	\$ 11,377,181.00

Note 2 – Budget Compliance

A. Budgets

The City of Port Orchard adopts biennial appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the end of biennial period.

Biennial 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:

Fund	2021-2022 Final Appropriated Biennial Budget	2021 Actual Expenditures	Variance
Fund: 001 - Current Expense	\$ 35,529,201	\$ 11,789,196	\$ 23,740,005
Fund: 002 - City Street Fund	\$ 7,601,171	\$ 1,856,980	\$ 5,744,191
Fund: 003 - Stabilization Fund	\$ 2,693,687	\$ -	\$ 2,693,687
Fund: 103 - Criminal Justice	\$ 869,508	\$ 207,296	\$ 662,212
Fund: 104 - Special Investigative Unit	\$ 105,797	\$ 361	\$ 105,436
Fund: 107 - Community Events	\$ 412,002	\$ 67,550	\$ 344,452
Fund: 108 - Paths & Trails	\$ 13,096	\$ -	\$ 13,096
Fund: 109 - Real Estate Excise Tax	\$ 6,193,992	\$ 710,252	\$ 5,483,740
Fund: 111 - Impact Mitigation Fee	\$ 4,306,467	\$ 477,940	\$ 3,828,527
Fund: 206 - Bond Redemption Fund	\$ 598,200	\$ 299,751	\$ 298,449
Fund: 302 - Capital Construction	\$ 5,881,707	\$ 2,900,087	\$ 2,981,620
Fund: 304 - Street Capital Projects	\$ 7,903,848	\$ 1,183,300	\$ 6,720,548
Fund: 411 - Water Operating	\$ 9,694,063	\$ 3,186,080	\$ 6,507,983
Fund: 412 - Water Stabilization	\$ 950,216	\$ -	\$ 950,216
Fund: 413 - Water Capital	\$ 6,519,754	\$ 474,741	\$ 6,045,013
Fund: 414 - Water Debt Service	\$ 840,250	\$ 431,088	\$ 409,162
Fund: 421 - Storm Drainage Utility	\$ 5,352,120	\$ 1,859,529	\$ 3,492,591
Fund: 422 - Storm Drainage Stabilization	\$ 533,931	\$ -	\$ 533,931
Fund: 423 - Storm Drainage Capital Facil	\$ 99,113	\$ 5,200	\$ 93,913
Fund: 424 - Storm Drainage Debt Service	\$ 355,300	\$ 177,930	\$ 177,370
Fund: 431 - Sewer Operating	\$ 13,711,301	\$ 4,700,064	\$ 9,011,237
Fund: 432 - Sewer Stabilization	\$ 1,422,016	\$ -	\$ 1,422,016
Fund: 433 - Sewer Capital	\$ 21,976,689	\$ 893,545	\$ 21,083,144
Fund: 434 - Sewer Debt Service	\$ 550,000	\$ -	\$ 550,000
Fund: 500 - Equipment Rental and Revolving	\$ 5,271,030	\$ 569,803	\$ 4,701,227

Fund 109 Real Estate Excise Tax (above) is reported on the financial statements as Fund 309 Real Estate Excise Tax. Due to a change in accounting principles the Wastewater Treatment Facility Fee Fund 632 was previously considered a Fiduciary Fund therefore was not budgeted and included in the table above. However, it is reported as part of the Sewer Utility on the Financial Statements and when included does not exceed the Sewer Utility Budget.

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

Note 3—Deposits and Investments

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

Type of Investment	Investment held by city as an agency for other local governments		
	City's Own Investments		Total
Cash on Deposit	\$ 1,488,493	\$ 76	\$ 1,488,569
Washington State Local Government Investment Pool (LGIP)	\$ 35,691,642		\$ 35,691,642
Kitsap County Investment Pool (KCIP)	\$ 19,599,181		\$ 19,599,181
Total	\$ 56,779,316	\$ 76	\$ 56,779,392

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.

Investments in Kitsap County Investment Pool

The city is an involuntary participant in the Kitsap County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The city reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The KCIP does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk

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

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

Compensating Balances

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained during 2021 was approximately \$2,864,456.

Note 4 - Property Tax

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

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

The City's regular levy for the year 2021 was \$1.360162 per \$1,000 on an assessed valuation of \$2,236,031,476 for a total regular levy of \$3,041,366.

Note 5 – Long-Term Debt

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, 2021.

The debt service requirements for general obligation bonds, notes payable, and intergovernmental loans are as follows:

Due Date	Principal Amount	Interest Amount	Total Amount
2022	725,669	176,537	902,206
2023	735,947	163,765	899,712
2024	741,232	150,778	892,009
2025	751,524	137,678	889,202
2026	761,823	124,363	886,186
2027-2031	3,888,307	415,557	4,303,863
2032-2036	2,148,243	112,860	2,261,102
2037	332,517	4,892	337,409
Grand Total	10,085,260	1,286,430	11,371,690

The city has entered into agreements for the following loans in 2021 with no activity to report for Fiscal Year 2021:

Contract Number	Description	Project	Interest Rate	Maturity Payment Due Date	Total Loan Amount
085-21	Public Works Board	Pottery Lift Station Repairs	0.94%	6/1/2041	\$ 500,000
088-21	Public Works Board	390 Zone Low Pressure Booster Station	0.94%	6/1/2041	\$ 650,000
089-21	Public Works Board	Melcher Pump Station Rehabilitation	0.94%	6/1/2041	\$ 500,000
090-21	Public Works Board	Sewer Lift Station	0.94%	6/1/2041	\$ 800,000
068-21	Department of Ecology	Marina Pump Station	2.60%	6/30/2054	\$13,000,000

Note 6 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26. 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 four members, all retirees. As of December 31, 2021, the city's total OPEB liability was \$2,247,894 as calculated using the alternative measurement method. For the year ended December 31, 2021 the City paid \$34,176 in benefits.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employees' Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (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 (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

At June 30, 2021, the City's proportionate share of the collective net pension liabilities (assets) was as follows:

Employer			
	Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 235,173	0.031572%	\$ 385,568
PERS 2/3	\$ 381,564	0.040280%	\$ (4,012,536)
LEOFF 1	\$ -	0.006956%	\$ (238,282)
LEOFF 2	\$ 103,646	0.051994%	\$ (3,020,027)

The net pension liabilities are reported on the schedule 09.

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

Note 8 – Risk Management

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

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

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

coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2021, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

Note 9. Joint Ventures

In 1983, the City of Port Orchard and West Sound Utility District (previously the Karcher Creek Sewer District) amended an intergovernmental agreement relating to the construction and management of the secondary wastewater treatment facility. In April of 2014 the City and District signed an interlocal agreement for the management and operation of the joint wastewater treatment facility for an additional term of 25 years. This joint venture establishes a Sewer Advisory Committee (SAC) consisting of three representatives from each entity who prepare and monitor the Facility's budget. The District and the City share 50% ownership in the facility's total assets.

The Utility District is responsible for the daily operation of the facility. The participants pay their share of the expenses based on their portion of flow into the facility. The City and the District pay the joint venture an amount determined during the budget process to cover maintenance, operation, capital improvements and debt monthly. The current cost sharing is 49.23% City and 50.77% District and in 2021 the city paid \$1,641,522.

The City was the lead agency on the wastewater treatment plant expansion project, and is the signatory on two Public Works Trust Fund Loans for the Facility's expansion. In 2004, the city guaranteed two Public Works Trust Funds loans of the South Kitsap Water Reclamation Facility, a legally separate entity. In the event that the South Kitsap Water Reclamation Facility is unable to make a payment, City of Port Orchard will be required to meet the obligation. The total amount of outstanding debt subject of this guarantee at year end was \$1,632,595. Revenues of the facility are used to make debt service payments on the two loans. Annually, the facility makes a payment to the City to cover the debt service on these loans. The SAC recommended and the City Council and the District Commissioners approved using a portion of Wastewater Treatment Facility Fees

collected by each jurisdiction to help make the annual debt payments. This cost sharing formula is 50% and in 2021 each entity paid \$200,000.

Note 10. Significant Commitments or Obligations

580 Zone Reservoir: At the year-end the city had a commitment for a development agreement C003-07 Amendment 1, adopted in 2019 with McCormick Communities, LLC. The agreement allows for a reimbursement for construction of the 580 Zone Reservoir for a total of \$2,789,915. The reimbursement is paid from the Water Capital Facility Fees collected by the city from development within the Western Service Area pursuant to the reimbursement agreement. The reimbursement amount is set and fixed at \$1,000 per applicable connection of Water Capital Facility Charge Fees collected in the area by the city. In 2021, the city paid \$13,000. The amount outstanding as of December 31, 2021 is \$2,776,915.

Note: The reimbursement amount is fixed at \$1,000.

Glenwood Connector Roadway: At the year-end the city had a commitment for a development agreement C035-21 with McCormick Land Company. The agreement allows for a reimbursement for construction of the Glenwood Connector Roadway and the Old Clifton/Feigley intersection for a total of \$2,200,296.37. The reimbursement is paid from the Transportation Impact Fees collected by the city from development within the McCormick Urban Village pursuant to the development agreement. For 2021 the reimbursement amount was established at \$720.80 as of February 2021. Per the agreement was subsequently adjusted per CPI-U in March 2021 to a value of \$733.05. In 2021, the city paid \$101,257. The amount outstanding as of December 31, 2021 is \$1,440,982.69.

Note: The reimbursement amount is annually adjusted per CPI-U effective March 1 each year.

Old Clifton Road/Campus Parkway Roundabout: At the year-end the city had a commitment for a development agreement C035-21 with McCormick Communities, LLC. The agreement allows for a credit for construction of the Old Clifton Rd/Campus Pkwy Roundabout Transportation Impact Fee (TIF) Study 1.5C and McCormick Woods Drive Intersection TIF 2.08 and for a total up to \$3.2 million or \$1,600,000 for each project. The total credit amount will be established upon project acceptance and final certified cost if less than the total \$3.2 million. The credit is given at the time Transportation Impact Fees are collected by the city from development. The Transportation Fee credit amount was established at \$1,000 as of February 2021. The credit, per agreement was subsequently adjusted per CPI-U in March 2021 to a value of \$1,017. In 2021, the city credited \$81,360.

Note: The credit amount is annually adjusted per CPI-U effective March 1 each year.

North Sidney Lift Station: At the year-end the city had a commitment for a development agreement C063-21 with Sidney Road (Haven) Apartments, LLC. The agreement allows for a

sewer general facility fee credit for construction of the North Sidney Lift Station Sewer CIP 6-5C for an estimated total up to \$1,750,000. The credit is given at the time sewer general facility fee are collected by the city from development.

Sidney Road South Widening: At the year-end the city had a commitment for a development agreement C076-21 with Sidney Road (Haven) Apartments, LLC. The agreement allows for a credit for construction of the Sidney Rd (S) Widening Transportation Impact Fee Study 2.05 for the east side of the street improvement for a total up to \$469,800 or certified costs if less than the identified max. The credit is given at the time Transportation Impact Fees are charged by the city for this development.

Planned Park Property: At the year-end the city had a commitment for a development agreement C076-21 with Sidney Road (Haven) Apartments, LLC. The Developer may transfer the Planned Park Property to the City in exchange for Park Impact Fee credit up to a total of \$126,144 or certified costs if less than the identified max. The credit is given at the time park impact fees are collected by the city from the development if the Park property is deeded over to the City.

Note 11. Subsequent Events

- As of April 26, 2022, agreement C058-22 with Department of Health for a Drinking Water State Revolving Fund Loan was approved by council. The loan will be used for the construction of Well No. 11 Development, Treatment, and Booster pump. It is a \$8,080,000 loan with a 20 year term and a 1.75% interest rate.
- As of March 14, 2022, the city had a commitment for a development agreement C048-22 with McCormick Communities, LLC. The agreement allows for a max credit amount of \$11,840,625 for certified construction cost if less than the max for the following five Water Capital Improvement Projects:
 1. CIP No. 09 Well 12 Development, Treatment, and Booster Pump Station (\$7 mil)
 2. CIP No. 13 390 to 580 Zone Booster Station 2nd Lift (Glenwood) (\$725,000)
 3. CIP No. 14 390 to 580 Zone Transmission Main (to Glenwood PS) (\$515,624)
 4. CIP No. 15 580 to 660 Zone Booster Station (\$750,000)
 5. CIP No. 16 660 Zone Storage (\$2,850,000)

The total credit amount will be established upon project acceptance and final certified cost if less than the total \$11,840,625. The credit is given at the time water capital facility fees are collected by the city from the builders. The water capital facility fee credit amount was established at \$5,920* as of March 2022.

Note: The credit amount is annually adjusted per CPI-U effective October 1 each year per POMC 13.04.065

- As of May 10, 2022, the city had a commitment for a development agreement C070-22 with Haven Townhomes LLC. The agreement allows for a credit for construction of the Sidney Rd (S) Widening Transportation Impact Fee (TIF) Study 2.05 for the west side of the street improvement for a total up to \$315,949 or up to the full anticipate TIF's to be paid if certified costs are larger than expected. The credit is given at the time Transportation Impact Fees are charged by the city for this development.

Note 12. COVID-19 Pandemic

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

The city took extra measures to keep employees working by embracing technology to comply with the restrictions of the Governor's Order and Proclamations. The city followed the Governor's Proclamations regarding the utility system including suspension of penalties on delinquent accounts and other collection processes which led to higher-than-normal delinquencies.

The city received \$1,410,539 in American Rescue Plan Act (ARPA) funding which will support the city's continued efforts to monitor and mitigate financial impacts of the pandemic at the city. As a result of the various efforts by the management team of the city, potential negative financial impacts continue to be monitored and mitigated.

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

**City of Port Orchard
Schedule of Liabilities
For the Year Ended December 31, 2022**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	G O Debt	12/1/2032	4,480,000	-	365,000	4,115,000
Total General Obligation Debt/Liabilities:			4,480,000	-	365,000	4,115,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		740,713	72,886	-	813,599
263.62	Notes Payable	12/31/2043	25,875	-	22,950	2,925
264.30	Pension Liabilities		385,568	552,569	-	938,137
263.57	Building Lease	3/31/2025	-	34,828	8,451	26,377
263.57	Copiers & Phone Equipment Lease	3/23/2025	21,580	-	9,938	11,642
263.57	Property Lease	6/3/2024	38,742	-	19,371	19,371
263.82	Drinking Water State Revolving Fund Loan	10/1/2038	5,189,647	-	324,353	4,865,294
263.82	Drinking Water State Revolving Fund Loan	10/1/2031	177,084	268,507	-	445,591
263.84	Public Works Board	6/1/2041	-	253,153	-	253,153
263.82	Water Quality Loan	1/2/2037	212,654	-	11,465	201,189
264.40	OPEB Liabilities		2,247,894	-	284,820	1,963,074
Total Revenue and Other (non G.O.) Debt/Liabilities:			9,039,757	1,181,943	681,348	9,540,352
Total Liabilities:			13,519,757	1,181,943	1,046,348	13,655,352

**City of Port Orchard
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	G O Debt	12/1/2032	4,840,000	-	360,000	4,480,000
Total General Obligation Debt/Liabilities:			4,840,000	-	360,000	4,480,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		783,182	-	42,469	740,713
263.62	Notes Payable	12/31/2043	36,900	-	11,025	25,875
264.30	Pension Liabilities		1,567,067	-	1,181,499	385,568
263.82	Drinking Water State Revolving Fund Loan	10/1/2038	4,151,218	1,362,782	324,353	5,189,647
263.82	Drinking Water State Revolving Fund Loan	10/1/2031	-	177,084	-	177,084
263.82	Water Quality Loan	1/2/2037	223,847	-	11,193	212,654
264.40	OPEB Liabilities		2,195,157	52,737	-	2,247,894
Total Revenue and Other (non G.O.) Debt/Liabilities:			8,957,371	1,592,603	1,570,539	8,979,435
Total Liabilities:			13,797,371	1,592,603	1,930,539	13,459,435

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

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Kitsap County Department of Human Services)	Community Development Block Grants/Entitlement Grants	14.218	B21UC530005	215,279	-	215,279	-	
Total CDBG - Entitlement Grants Cluster:				215,279	-	215,279	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	STPE-0166 (008) / LA-6165	805,373	-	805,373	-	
Total Highway Planning and Construction Cluster:				805,373	-	805,373	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	2,821,078	2,821,078	-	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via WA State Parks & Recreation Commission)	Boating Safety Financial Assistance	97.012	N/A	9,601	-	9,601	-	
Total Federal Awards Expended:				1,030,253	2,821,078	3,851,331	-	

The accompanying notes are an integral part of this schedule.

CITY OF PORT ORCHARD
Notes to Schedule of Expenditures of Federal Awards
January 1, 2022 through December 31, 2022

NOTE 1. Basis of Accounting

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

NOTE 2. – Federal De Minimis Indirect Cost Rate

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

NOTE 3. Program Costs

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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