



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Port Townsend

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

*Published February 21, 2023*

Report No. 1032059



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

February 21, 2023

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

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

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## INDEPENDENT AUDITOR'S REPORT

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

#### City of Port Townsend January 1, 2020 through December 31, 2021

Mayor and City Council  
City of Port Townsend  
Port Townsend, 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 Townsend, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 13, 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

February 13, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Port Townsend January 1, 2020 through December 31, 2021**

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

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the City of Port Townsend, as of and for the years ended December 31, 2021 and 2020, 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 Townsend, and its changes in cash and investments, for the years ended December 31, 2021 and 2020, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

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

## **Basis for Unmodified and Adverse Opinions**

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

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

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

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Supplementary Information**

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

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 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 that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

February 13, 2023



## **FINANCIAL SECTION**

### **City of Port Townsend January 1, 2020 through December 31, 2021**

#### **FINANCIAL STATEMENTS**

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

Schedule of Liabilities – 2021  
Schedule of Liabilities – 2020

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

|   |                                | Total for All<br>Funds<br>(Memo Only) | 010 General<br>Fund | 101 Drug<br>Enforcement | 102<br>Contingency<br>Fund |
|---|--------------------------------|---------------------------------------|---------------------|-------------------------|----------------------------|
| <b>Beginning Cash and Investments</b>               |                                |                                       |                     |                         |                            |
| 308   | Beginning Cash and Investments | 14,345,215                            | 2,279,175           | 1,000                   | 200,717                    |
| 388 / 588   | Net Adjustments                | -                                     | -                   | -                       | -                          |
| <b>Revenues</b>                                     |                                |                                       |                     |                         |                            |
| 310   | Taxes                          | 11,492,030                            | 7,796,481           | -                       | -                          |
| 320   | Licenses and Permits           | 696,114                               | 695,883             | -                       | -                          |
| 330   | Intergovernmental Revenues     | 4,173,274                             | 1,767,225           | -                       | -                          |
| 340   | Charges for Goods and Services | 12,465,870                            | 83,741              | -                       | -                          |
| 350   | Fines and Penalties            | 21,260                                | 20,624              | -                       | -                          |
| 360   | Miscellaneous Revenues         | 965,861                               | 116,209             | -                       | 111                        |
| Total Revenues:                                     |                                | 29,814,409                            | 10,480,163          | -                       | 111                        |
| <b>Expenditures</b>                                 |                                |                                       |                     |                         |                            |
| 510   | General Government             | 1,700,526                             | 901,807             | -                       | -                          |
| 520   | Public Safety                  | 3,056,275                             | 3,052,609           | -                       | -                          |
| 530   | Utilities                      | 8,246,346                             | 16,615              | -                       | -                          |
| 540   | Transportation                 | 1,241,144                             | -                   | -                       | -                          |
| 550   | Natural/Economic Environment   | 1,179,236                             | 974,479             | -                       | -                          |
| 560   | Social Services                | -                                     | -                   | -                       | -                          |
| 570   | Culture and Recreation         | 2,197,599                             | 1,571               | -                       | -                          |
| Total Expenditures:                                 |                                | 17,621,126                            | 4,947,081           | -                       | -                          |
| Excess (Deficiency) Revenues over Expenditures:     |                                | 12,193,283                            | 5,533,082           | -                       | 111                        |
| <b>Other Increases in Fund Resources</b>            |                                |                                       |                     |                         |                            |
| 391-393, 596  | Debt Proceeds                  | 523,460                               | -                   | -                       | -                          |
| 397   | Transfers-In                   | 3,372,479                             | -                   | -                       | -                          |
| 385   | Special or Extraordinary Items | -                                     | -                   | -                       | -                          |
| 381, 382, 389,<br>395, 398                          | Other Resources                | 42,630                                | 1,820               | -                       | -                          |
| Total Other Increases in Fund Resources:            |                                | 3,938,569                             | 1,820               | -                       | -                          |
| <b>Other Decreases in Fund Resources</b>            |                                |                                       |                     |                         |                            |
| 594-595   | Capital Expenditures           | 3,276,663                             | 690                 | -                       | -                          |
| 591-593, 599  | Debt Service                   | 3,258,443                             | -                   | -                       | -                          |
| 597   | Transfers-Out                  | 3,372,477                             | 2,468,609           | -                       | -                          |
| 585   | Special or Extraordinary Items | -                                     | -                   | -                       | -                          |
| 581, 582, 589                                       | Other Uses                     | 62,858                                | 32,517              | -                       | -                          |
| Total Other Decreases in Fund Resources:            |                                | 9,970,441                             | 2,501,816           | -                       | -                          |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>6,161,411</b>                      | <b>3,033,086</b>    | <b>-</b>                | <b>111</b>                 |
| <b>Ending Cash and Investments</b>                  |                                |                                       |                     |                         |                            |
| 50821   | Nonspendable                   | -                                     | -                   | -                       | -                          |
| 50831   | Restricted                     | 3,833,085                             | 1,373,493           | 1,000                   | -                          |
| 50841   | Committed                      | 357,920                               | -                   | -                       | -                          |
| 50851   | Assigned                       | 12,376,848                            | -                   | -                       | 200,828                    |
| 50891   | Unassigned                     | 3,938,439                             | 3,938,439           | -                       | -                          |
| <b>Total Ending Cash and Investments</b>            |                                | <b>20,506,292</b>                     | <b>5,311,932</b>    | <b>1,000</b>            | <b>200,828</b>             |

The accompanying notes are an integral part of this statement.

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

|   |                                | 110 Street<br>Operations<br>Fund | 120 Library<br>Fund | 135 Real Estate<br>Excise Tax<br>Fund | 150 Lodging<br>Tax Fund |
|---|--------------------------------|----------------------------------|---------------------|---------------------------------------|-------------------------|
| <b>Beginning Cash and Investments</b>               |                                |                                  |                     |                                       |                         |
| 308   | Beginning Cash and Investments | 419,866                          | 366,496             | 468,586                               | 178,655                 |
| 388 / 588   | Net Adjustments                | -                                | -                   | -                                     | -                       |
| <b>Revenues</b>                                     |                                |                                  |                     |                                       |                         |
| 310   | Taxes                          | -                                | 1,137,083           | 842,221                               | 525,078                 |
| 320   | Licenses and Permits           | 231                              | -                   | -                                     | -                       |
| 330   | Intergovernmental Revenues     | 199,802                          | 649                 | -                                     | -                       |
| 340   | Charges for Goods and Services | 672                              | -                   | -                                     | -                       |
| 350   | Fines and Penalties            | -                                | 636                 | -                                     | -                       |
| 360   | Miscellaneous Revenues         | 18,711                           | 18,479              | 303                                   | 124                     |
| Total Revenues:                                     |                                | 219,416                          | 1,156,847           | 842,524                               | 525,202                 |
| <b>Expenditures</b>                                 |                                |                                  |                     |                                       |                         |
| 510   | General Government             | -                                | -                   | -                                     | -                       |
| 520   | Public Safety                  | -                                | -                   | -                                     | -                       |
| 530   | Utilities                      | -                                | -                   | -                                     | -                       |
| 540   | Transportation                 | 685,691                          | -                   | -                                     | -                       |
| 550   | Natural/Economic Environment   | -                                | -                   | -                                     | 125,185                 |
| 560   | Social Services                | -                                | -                   | -                                     | -                       |
| 570   | Culture and Recreation         | -                                | 982,001             | -                                     | -                       |
| Total Expenditures:                                 |                                | 685,691                          | 982,001             | -                                     | 125,185                 |
| Excess (Deficiency) Revenues over Expenditures:     |                                | (466,275)                        | 174,846             | 842,524                               | 400,017                 |
| <b>Other Increases in Fund Resources</b>            |                                |                                  |                     |                                       |                         |
| 391-393, 596  | Debt Proceeds                  | -                                | -                   | -                                     | -                       |
| 397   | Transfers-In                   | 699,959                          | -                   | -                                     | -                       |
| 385   | Special or Extraordinary Items | -                                | -                   | -                                     | -                       |
| 381, 382, 389,<br>395, 398                          | Other Resources                | -                                | -                   | -                                     | -                       |
| Total Other Increases in Fund Resources:            |                                | 699,959                          | -                   | -                                     | -                       |
| <b>Other Decreases in Fund Resources</b>            |                                |                                  |                     |                                       |                         |
| 594-595   | Capital Expenditures           | -                                | 17,656              | -                                     | 38,045                  |
| 591-593, 599  | Debt Service                   | -                                | -                   | -                                     | -                       |
| 597   | Transfers-Out                  | 179,150                          | -                   | 510,000                               | 125,000                 |
| 585   | Special or Extraordinary Items | -                                | -                   | -                                     | -                       |
| 581, 582, 589                                       | Other Uses                     | -                                | -                   | -                                     | -                       |
| Total Other Decreases in Fund Resources:            |                                | 179,150                          | 17,656              | 510,000                               | 163,045                 |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>54,534</b>                    | <b>157,190</b>      | <b>332,524</b>                        | <b>236,972</b>          |
| <b>Ending Cash and Investments</b>                  |                                |                                  |                     |                                       |                         |
| 50821   | Nonspendable                   | -                                | -                   | -                                     | -                       |
| 50831   | Restricted                     | -                                | 523,690             | 801,110                               | 415,627                 |
| 50841   | Committed                      | -                                | -                   | -                                     | -                       |
| 50851   | Assigned                       | 474,400                          | -                   | -                                     | -                       |
| 50891   | Unassigned                     | -                                | -                   | -                                     | -                       |
| <b>Total Ending Cash and Investments</b>            |                                | <b>474,400</b>                   | <b>523,690</b>      | <b>801,110</b>                        | <b>415,627</b>          |

The accompanying notes are an integral part of this statement.

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

|   |                                | 171 Fire and<br>EMS Fund | 180 Affordable<br>Housing Fund | 190 Community<br>Dev Block<br>Grants | 199 Community<br>Services Fund |
|---|--------------------------------|--------------------------|--------------------------------|--------------------------------------|--------------------------------|
| <b>Beginning Cash and Investments</b>               |                                |                          |                                |                                      |                                |
| 308   | Beginning Cash and Investments | 7,278                    | 41,438                         | 191,956                              | 233,254                        |
| 388 / 588   | Net Adjustments                | -                        | -                              | -                                    | -                              |
| <b>Revenues</b>                                     |                                |                          |                                |                                      |                                |
| 310   | Taxes                          | 5,957                    | 118,265                        | -                                    | 609,612                        |
| 320   | Licenses and Permits           | -                        | -                              | -                                    | -                              |
| 330   | Intergovernmental Revenues     | -                        | -                              | 40,170                               | 11,602                         |
| 340   | Charges for Goods and Services | -                        | -                              | -                                    | 21,797                         |
| 350   | Fines and Penalties            | -                        | -                              | -                                    | -                              |
| 360   | Miscellaneous Revenues         | 1                        | 28                             | 101                                  | 178,800                        |
| Total Revenues:                                     |                                | 5,958                    | 118,293                        | 40,271                               | 821,811                        |
| <b>Expenditures</b>                                 |                                |                          |                                |                                      |                                |
| 510   | General Government             | -                        | -                              | -                                    | 562,636                        |
| 520   | Public Safety                  | 3,666                    | -                              | -                                    | -                              |
| 530   | Utilities                      | -                        | -                              | -                                    | -                              |
| 540   | Transportation                 | -                        | -                              | -                                    | -                              |
| 550   | Natural/Economic Environment   | -                        | 10,176                         | 68,689                               | -                              |
| 560   | Social Services                | -                        | -                              | -                                    | -                              |
| 570   | Culture and Recreation         | -                        | -                              | -                                    | 1,204,897                      |
| Total Expenditures:                                 |                                | 3,666                    | 10,176                         | 68,689                               | 1,767,533                      |
| Excess (Deficiency) Revenues over Expenditures:     |                                | 2,292                    | 108,117                        | (28,418)                             | (945,722)                      |
| <b>Other Increases in Fund Resources</b>            |                                |                          |                                |                                      |                                |
| 391-393, 596  | Debt Proceeds                  | -                        | -                              | -                                    | -                              |
| 397   | Transfers-In                   | -                        | -                              | -                                    | 1,232,485                      |
| 385   | Special or Extraordinary Items | -                        | -                              | -                                    | -                              |
| 381, 382, 389,<br>395, 398                          | Other Resources                | -                        | -                              | -                                    | 39,450                         |
| Total Other Increases in Fund Resources:            |                                | -                        | -                              | -                                    | 1,271,935                      |
| <b>Other Decreases in Fund Resources</b>            |                                |                          |                                |                                      |                                |
| 594-595   | Capital Expenditures           | -                        | -                              | -                                    | 3,702                          |
| 591-593, 599  | Debt Service                   | -                        | -                              | -                                    | -                              |
| 597   | Transfers-Out                  | -                        | 61,896                         | -                                    | 3,790                          |
| 585   | Special or Extraordinary Items | -                        | -                              | -                                    | -                              |
| 581, 582, 589                                       | Other Uses                     | -                        | -                              | -                                    | 16,013                         |
| Total Other Decreases in Fund Resources:            |                                | -                        | 61,896                         | -                                    | 23,505                         |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>2,292</b>             | <b>46,221</b>                  | <b>(28,418)</b>                      | <b>302,708</b>                 |
| <b>Ending Cash and Investments</b>                  |                                |                          |                                |                                      |                                |
| 50821   | Nonspendable                   | -                        | -                              | -                                    | -                              |
| 50831   | Restricted                     | 9,570                    | -                              | 163,538                              | -                              |
| 50841   | Committed                      | -                        | -                              | -                                    | -                              |
| 50851   | Assigned                       | -                        | 87,659                         | -                                    | 535,955                        |
| 50891   | Unassigned                     | -                        | -                              | -                                    | -                              |
| <b>Total Ending Cash and Investments</b>            |                                | <b>9,570</b>             | <b>87,659</b>                  | <b>163,538</b>                       | <b>535,955</b>                 |

The accompanying notes are an integral part of this statement.

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

|   |                                | <u>200 G.O. Debt<br/>Service Fund</u> | <u>301 General CIP<br/>Projects</u> | <u>411 Water<br/>Sewer Fund</u> | <u>412 Storm Fund</u> |
|---|--------------------------------|---------------------------------------|-------------------------------------|---------------------------------|-----------------------|
| <b>Beginning Cash and Investments</b>               |                                |                                       |                                     |                                 |                       |
| 308   | Beginning Cash and Investments | 97,548                                | 357,374                             | 7,257,409                       | 241,683               |
| 388 / 588   | Net Adjustments                | -                                     | -                                   | -                               | -                     |
| <b>Revenues</b>                                     |                                |                                       |                                     |                                 |                       |
| 310   | Taxes                          | 457,333                               | -                                   | -                               | -                     |
| 320   | Licenses and Permits           | -                                     | -                                   | -                               | -                     |
| 330   | Intergovernmental Revenues     | -                                     | 1,922,738                           | 497                             | 230,215               |
| 340   | Charges for Goods and Services | -                                     | -                                   | 8,820,951                       | 1,153,186             |
| 350   | Fines and Penalties            | -                                     | -                                   | -                               | -                     |
| 360   | Miscellaneous Revenues         | 293                                   | 276                                 | 115,456                         | 482,316               |
| Total Revenues:                                     |                                | <u>457,626</u>                        | <u>1,923,014</u>                    | <u>8,936,904</u>                | <u>1,865,717</u>      |
| <b>Expenditures</b>                                 |                                |                                       |                                     |                                 |                       |
| 510   | General Government             | 1,326                                 | -                                   | -                               | -                     |
| 520   | Public Safety                  | -                                     | -                                   | -                               | -                     |
| 530   | Utilities                      | -                                     | -                                   | 6,206,602                       | 748,663               |
| 540   | Transportation                 | -                                     | 78,044                              | -                               | -                     |
| 550   | Natural/Economic Environment   | -                                     | 707                                 | -                               | -                     |
| 560   | Social Services                | -                                     | -                                   | -                               | -                     |
| 570   | Culture and Recreation         | -                                     | -                                   | -                               | -                     |
| Total Expenditures:                                 |                                | <u>1,326</u>                          | <u>78,751</u>                       | <u>6,206,602</u>                | <u>748,663</u>        |
| Excess (Deficiency) Revenues over Expenditures:     |                                | 456,300                               | 1,844,263                           | 2,730,302                       | 1,117,054             |
| <b>Other Increases in Fund Resources</b>            |                                |                                       |                                     |                                 |                       |
| 391-393, 596  | Debt Proceeds                  | -                                     | -                                   | -                               | 523,460               |
| 397   | Transfers-In                   | 1,302,467                             | 112,568                             | 25,000                          | -                     |
| 385   | Special or Extraordinary Items | -                                     | -                                   | -                               | -                     |
| 381, 382, 389,<br>395, 398                          | Other Resources                | -                                     | -                                   | -                               | -                     |
| Total Other Increases in Fund Resources:            |                                | <u>1,302,467</u>                      | <u>112,568</u>                      | <u>25,000</u>                   | <u>523,460</u>        |
| <b>Other Decreases in Fund Resources</b>            |                                |                                       |                                     |                                 |                       |
| 594-595   | Capital Expenditures           | -                                     | 1,787,574                           | 250,047                         | 1,044,935             |
| 591-593, 599  | Debt Service                   | 1,700,757                             | -                                   | 1,476,325                       | 81,361                |
| 597   | Transfers-Out                  | -                                     | -                                   | -                               | 16,850                |
| 585   | Special or Extraordinary Items | -                                     | -                                   | -                               | -                     |
| 581, 582, 589                                       | Other Uses                     | -                                     | 12,968                              | -                               | -                     |
| Total Other Decreases in Fund Resources:            |                                | <u>1,700,757</u>                      | <u>1,800,542</u>                    | <u>1,726,372</u>                | <u>1,143,146</u>      |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b><u>58,010</u></b>                  | <b><u>156,289</u></b>               | <b><u>1,028,930</u></b>         | <b><u>497,368</u></b> |
| <b>Ending Cash and Investments</b>                  |                                |                                       |                                     |                                 |                       |
| 50821   | Nonspendable                   | -                                     | -                                   | -                               | -                     |
| 50831   | Restricted                     | -                                     | -                                   | 545,057                         | -                     |
| 50841   | Committed                      | -                                     | 357,920                             | -                               | -                     |
| 50851   | Assigned                       | 155,558                               | 155,743                             | 7,741,280                       | 739,051               |
| 50891   | Unassigned                     | -                                     | -                                   | -                               | -                     |
| <b>Total Ending Cash and Investments</b>            |                                | <b><u>155,558</u></b>                 | <b><u>513,663</u></b>               | <b><u>8,286,337</u></b>         | <b><u>739,051</u></b> |

The accompanying notes are an integral part of this statement.

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

|   |                                | <b>423 Golf Course<br/>Fund</b> | <b>500 Fleet<br/>Operating &amp;<br/>Maint. Fund</b> | <b>540 Public<br/>Works<br/>Administration</b> | <b>555 Engineering<br/>Services</b> |
|---|--------------------------------|---------------------------------|--|--|-------------------------------------|
| <b>Beginning Cash and Investments</b>               |                                |                                 |  |  |                                     |
| 308   | Beginning Cash and Investments | 6,253                           | 1,785,705  | 53,406   | 131,826                             |
| 388 / 588   | Net Adjustments                | -                               | -  | -  | -                                   |
| <b>Revenues</b>                                     |                                |                                 |  |  |                                     |
| 310   | Taxes                          | -                               | -  | -  | -                                   |
| 320   | Licenses and Permits           | -                               | -  | -  | -                                   |
| 330   | Intergovernmental Revenues     | -                               | 279  | 97   | -                                   |
| 340   | Charges for Goods and Services | -                               | 1,133,734  | 509,669  | 719,489                             |
| 350   | Fines and Penalties            | -                               | -  | -  | -                                   |
| 360   | Miscellaneous Revenues         | 8,363                           | 19,377   | 2,363  | 4,536                               |
| Total Revenues:                                     |                                | 8,363                           | 1,153,390  | 512,129  | 724,025                             |
| <b>Expenditures</b>                                 |                                |                                 |  |  |                                     |
| 510   | General Government             | -                               | 208,753  | -  | -                                   |
| 520   | Public Safety                  | -                               | -  | -  | -                                   |
| 530   | Utilities                      | -                               | -  | 475,244  | 799,222                             |
| 540   | Transportation                 | -                               | 477,409  | -  | -                                   |
| 550   | Natural/Economic Environment   | -                               | -  | -  | -                                   |
| 560   | Social Services                | -                               | -  | -  | -                                   |
| 570   | Culture and Recreation         | 9,130                           | -  | -  | -                                   |
| Total Expenditures:                                 |                                | 9,130                           | 686,162  | 475,244  | 799,222                             |
| Excess (Deficiency) Revenues over Expenditures:     |                                | (767)                           | 467,228  | 36,885   | (75,197)                            |
| <b>Other Increases in Fund Resources</b>            |                                |                                 |  |  |                                     |
| 391-393, 596  | Debt Proceeds                  | -                               | -  | -  | -                                   |
| 397   | Transfers-In                   | -                               | -  | -  | -                                   |
| 385   | Special or Extraordinary Items | -                               | -  | -  | -                                   |
| 381, 382, 389,<br>395, 398                          | Other Resources                | -                               | 1,360  | -  | -                                   |
| Total Other Increases in Fund Resources:            |                                | -                               | 1,360  | -  | -                                   |
| <b>Other Decreases in Fund Resources</b>            |                                |                                 |  |  |                                     |
| 594-595   | Capital Expenditures           | -                               | 133,847  | -  | 167                                 |
| 591-593, 599  | Debt Service                   | -                               | -  | -  | -                                   |
| 597   | Transfers-Out                  | -                               | 7,182  | -  | -                                   |
| 585   | Special or Extraordinary Items | -                               | -  | -  | -                                   |
| 581, 582, 589                                       | Other Uses                     | -                               | 1,360  | -  | -                                   |
| Total Other Decreases in Fund Resources:            |                                | -                               | 142,389  | -  | 167                                 |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>(767)</b>                    | <b>326,199</b>                                       | <b>36,885</b>                                  | <b>(75,364)</b>                     |
| <b>Ending Cash and Investments</b>                  |                                |                                 |  |  |                                     |
| 50821   | Nonspendable                   | -                               | -  | -  | -                                   |
| 50831   | Restricted                     | -                               | -  | -  | -                                   |
| 50841   | Committed                      | -                               | -  | -  | -                                   |
| 50851   | Assigned                       | 5,486                           | 2,111,904  | 90,291   | 56,462                              |
| 50891   | Unassigned                     | -                               | -  | -  | -                                   |
| <b>Total Ending Cash and Investments</b>            |                                | <b>5,486</b>                    | <b>2,111,904</b>                                     | <b>90,291</b>                                  | <b>56,462</b>                       |

The accompanying notes are an integral part of this statement.

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

|   |                                | <b>595</b>            |
|---|--------------------------------|-----------------------|
|   |                                | <b>Unemployment</b>   |
|   |                                | <b>Self-Insurance</b> |
|   |                                | <hr/>                 |
| <b>Beginning Cash and Investments</b>               |                                |                       |
| 308   | Beginning Cash and Investments | 25,590                |
| 388 / 588   | Net Adjustments                | -                     |
| <b>Revenues</b>                                     |                                |                       |
| 310   | Taxes                          | -                     |
| 320   | Licenses and Permits           | -                     |
| 330   | Intergovernmental Revenues     | -                     |
| 340   | Charges for Goods and Services | 22,631                |
| 350   | Fines and Penalties            | -                     |
| 360   | Miscellaneous Revenues         | 14                    |
| Total Revenues:                                     |                                | <hr/> 22,645          |
| <b>Expenditures</b>                                 |                                |                       |
| 510   | General Government             | 26,004                |
| 520   | Public Safety                  | -                     |
| 530   | Utilities                      | -                     |
| 540   | Transportation                 | -                     |
| 550   | Natural/Economic Environment   | -                     |
| 560   | Social Services                | -                     |
| 570   | Culture and Recreation         | -                     |
| Total Expenditures:                                 |                                | <hr/> 26,004          |
| Excess (Deficiency) Revenues over Expenditures:     |                                | (3,359)               |
| <b>Other Increases in Fund Resources</b>            |                                |                       |
| 391-393, 596  | Debt Proceeds                  | -                     |
| 397   | Transfers-In                   | -                     |
| 385   | Special or Extraordinary Items | -                     |
| 381, 382, 389,<br>395, 398                          | Other Resources                | -                     |
| Total Other Increases in Fund Resources:            |                                | <hr/> -               |
| <b>Other Decreases in Fund Resources</b>            |                                |                       |
| 594-595   | Capital Expenditures           | -                     |
| 591-593, 599  | Debt Service                   | -                     |
| 597   | Transfers-Out                  | -                     |
| 585   | Special or Extraordinary Items | -                     |
| 581, 582, 589                                       | Other Uses                     | -                     |
| Total Other Decreases in Fund Resources:            |                                | <hr/> -               |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <hr/> <b>(3,359)</b>  |
| <b>Ending Cash and Investments</b>                  |                                |                       |
| 50821   | Nonspendable                   | -                     |
| 50831   | Restricted                     | -                     |
| 50841   | Committed                      | -                     |
| 50851   | Assigned                       | 22,231                |
| 50891   | Unassigned                     | -                     |
| <b>Total Ending Cash and Investments</b>            |                                | <hr/> <b>22,231</b>   |

The accompanying notes are an integral part of this statement.

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

|   |                                | Total for All<br>Funds<br>(Memo Only) | 010 General<br>Fund | 101 Drug<br>Enforcement | 102<br>Contingency<br>Fund |
|---|--------------------------------|---------------------------------------|---------------------|-------------------------|----------------------------|
| <b>Beginning Cash and Investments</b>               |                                |                                       |                     |                         |                            |
| 308   | Beginning Cash and Investments | 12,951,161                            | 1,914,033           | 1,000                   | 184,867                    |
| 388 / 588   | Net Adjustments                | -                                     | -                   | -                       | -                          |
| <b>Revenues</b>                                     |                                |                                       |                     |                         |                            |
| 310   | Taxes                          | 10,138,475                            | 7,085,093           | -                       | -                          |
| 320   | Licenses and Permits           | 525,360                               | 525,129             | -                       | -                          |
| 330   | Intergovernmental Revenues     | 1,323,784                             | 636,001             | -                       | -                          |
| 340   | Charges for Goods and Services | 11,961,176                            | 58,654              | -                       | -                          |
| 350   | Fines and Penalties            | 29,679                                | 29,490              | -                       | -                          |
| 360   | Miscellaneous Revenues         | 360,627                               | 113,791             | -                       | 850                        |
| Total Revenues:                                     |                                | 24,339,101                            | 8,448,158           | -                       | 850                        |
| <b>Expenditures</b>                                 |                                |                                       |                     |                         |                            |
| 510   | General Government             | 2,228,056                             | 1,182,317           | -                       | -                          |
| 520   | Public Safety                  | 3,323,166                             | 3,307,353           | -                       | -                          |
| 530   | Utilities                      | 7,702,628                             | -                   | -                       | -                          |
| 540   | Transportation                 | 1,104,971                             | -                   | -                       | -                          |
| 550   | Natural/Economic Environment   | 1,230,783                             | 956,595             | -                       | -                          |
| 560   | Social Services                | -                                     | -                   | -                       | -                          |
| 570   | Culture and Recreation         | 2,114,714                             | 1,550               | -                       | -                          |
| Total Expenditures:                                 |                                | 17,704,318                            | 5,447,815           | -                       | -                          |
| Excess (Deficiency) Revenues over Expenditures:     |                                | 6,634,783                             | 3,000,343           | -                       | 850                        |
| <b>Other Increases in Fund Resources</b>            |                                |                                       |                     |                         |                            |
| 391-393, 596  | Debt Proceeds                  | 5,914,452                             | -                   | -                       | -                          |
| 397   | Transfers-In                   | 3,497,701                             | -                   | -                       | 15,000                     |
| 385   | Special or Extraordinary Items | -                                     | -                   | -                       | -                          |
| 381, 382, 389,<br>395, 398                          | Other Resources                | 73,017                                | 9,205               | -                       | -                          |
| Total Other Increases in Fund Resources:            |                                | 9,485,170                             | 9,205               | -                       | 15,000                     |
| <b>Other Decreases in Fund Resources</b>            |                                |                                       |                     |                         |                            |
| 594-595   | Capital Expenditures           | 2,145,044                             | 8,533               | -                       | -                          |
| 591-593, 599  | Debt Service                   | 8,921,352                             | -                   | -                       | -                          |
| 597   | Transfers-Out                  | 3,497,701                             | 2,586,316           | -                       | -                          |
| 585   | Special or Extraordinary Items | -                                     | -                   | -                       | -                          |
| 581, 582, 589                                       | Other Uses                     | 161,809                               | 49,557              | -                       | -                          |
| Total Other Decreases in Fund Resources:            |                                | 14,725,906                            | 2,644,406           | -                       | -                          |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>1,394,047</b>                      | <b>365,142</b>      | <b>-</b>                | <b>15,850</b>              |
| <b>Ending Cash and Investments</b>                  |                                |                                       |                     |                         |                            |
| 50821   | Nonspendable                   | -                                     | -                   | -                       | -                          |
| 50831   | Restricted                     | 1,844,214                             | -                   | 1,000                   | -                          |
| 50841   | Committed                      | 314,188                               | -                   | -                       | -                          |
| 50851   | Assigned                       | 9,706,914                             | -                   | -                       | -                          |
| 50891   | Unassigned                     | 2,479,892                             | 2,279,175           | -                       | 200,717                    |
| <b>Total Ending Cash and Investments</b>            |                                | <b>14,345,208</b>                     | <b>2,279,175</b>    | <b>1,000</b>            | <b>200,717</b>             |

The accompanying notes are an integral part of this statement.



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

|   |                                | 110 Street<br>Operations<br>Fund | 120 Library<br>Fund | 135 Real Estate<br>Excise Tax<br>Fund | 150 Lodging<br>Tax Fund |
|---|--------------------------------|----------------------------------|---------------------|---------------------------------------|-------------------------|
| <b>Beginning Cash and Investments</b>               |                                |                                  |                     |                                       |                         |
| 308   | Beginning Cash and Investments | 320,220                          | 253,198             | 453,930                               | 270,862                 |
| 388 / 588   | Net Adjustments                | -                                | -                   | -                                     | -                       |
| <b>Revenues</b>                                     |                                |                                  |                     |                                       |                         |
| 310   | Taxes                          | -                                | 1,113,489           | 522,566                               | 339,547                 |
| 320   | Licenses and Permits           | 231                              | -                   | -                                     | -                       |
| 330   | Intergovernmental Revenues     | 190,762                          | 16,065              | -                                     | -                       |
| 340   | Charges for Goods and Services | 581                              | -                   | -                                     | -                       |
| 350   | Fines and Penalties            | -                                | 189                 | -                                     | -                       |
| 360   | Miscellaneous Revenues         | 8,778                            | 19,285              | 2,090                                 | 1,082                   |
| Total Revenues:                                     |                                | 200,352                          | 1,149,028           | 524,656                               | 340,629                 |
| <b>Expenditures</b>                                 |                                |                                  |                     |                                       |                         |
| 510   | General Government             | -                                | -                   | -                                     | -                       |
| 520   | Public Safety                  | -                                | -                   | -                                     | -                       |
| 530   | Utilities                      | -                                | -                   | -                                     | -                       |
| 540   | Transportation                 | 579,906                          | -                   | -                                     | -                       |
| 550   | Natural/Economic Environment   | -                                | -                   | -                                     | 250,053                 |
| 560   | Social Services                | -                                | -                   | -                                     | -                       |
| 570   | Culture and Recreation         | -                                | 1,024,473           | -                                     | -                       |
| Total Expenditures:                                 |                                | 579,906                          | 1,024,473           | -                                     | 250,053                 |
| Excess (Deficiency) Revenues over Expenditures:     |                                | (379,554)                        | 124,555             | 524,656                               | 90,576                  |
| <b>Other Increases in Fund Resources</b>            |                                |                                  |                     |                                       |                         |
| 391-393, 596  | Debt Proceeds                  | -                                | -                   | -                                     | -                       |
| 397   | Transfers-In                   | 654,100                          | -                   | -                                     | -                       |
| 385   | Special or Extraordinary Items | -                                | -                   | -                                     | -                       |
| 381, 382, 389,<br>395, 398                          | Other Resources                | -                                | -                   | -                                     | -                       |
| Total Other Increases in Fund Resources:            |                                | 654,100                          | -                   | -                                     | -                       |
| <b>Other Decreases in Fund Resources</b>            |                                |                                  |                     |                                       |                         |
| 594-595   | Capital Expenditures           | -                                | 4,129               | -                                     | 57,783                  |
| 591-593, 599  | Debt Service                   | -                                | -                   | -                                     | -                       |
| 597   | Transfers-Out                  | 174,900                          | 7,128               | 510,000                               | 125,000                 |
| 585   | Special or Extraordinary Items | -                                | -                   | -                                     | -                       |
| 581, 582, 589                                       | Other Uses                     | -                                | -                   | -                                     | -                       |
| Total Other Decreases in Fund Resources:            |                                | 174,900                          | 11,257              | 510,000                               | 182,783                 |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>99,646</b>                    | <b>113,298</b>      | <b>14,656</b>                         | <b>(92,207)</b>         |
| <b>Ending Cash and Investments</b>                  |                                |                                  |                     |                                       |                         |
| 50821   | Nonspendable                   | -                                | -                   | -                                     | -                       |
| 50831   | Restricted                     | -                                | 366,496             | 468,586                               | 178,655                 |
| 50841   | Committed                      | -                                | -                   | -                                     | -                       |
| 50851   | Assigned                       | 419,866                          | -                   | -                                     | -                       |
| 50891   | Unassigned                     | -                                | -                   | -                                     | -                       |
| <b>Total Ending Cash and Investments</b>            |                                | <b>419,866</b>                   | <b>366,496</b>      | <b>468,586</b>                        | <b>178,655</b>          |

The accompanying notes are an integral part of this statement.

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

|   |                                | 171 Fire and<br>EMS Fund | 180 Affordable<br>Housing Fund | 190 Community<br>Dev Block<br>Grants | 199 Community<br>Services Fund |
|---|--------------------------------|--------------------------|--------------------------------|--------------------------------------|--------------------------------|
| <b>Beginning Cash and Investments</b>               |                                |                          |                                |                                      |                                |
| 308   | Beginning Cash and Investments | 7,242                    | 31,185                         | 192,350                              | 116,124                        |
| 388 / 588   | Net Adjustments                | -                        | -                              | -                                    | -                              |
| <b>Revenues</b>                                     |                                |                          |                                |                                      |                                |
| 310   | Taxes                          | 15,813                   | 78,307                         | -                                    | 581,684                        |
| 320   | Licenses and Permits           | -                        | -                              | -                                    | -                              |
| 330   | Intergovernmental Revenues     | -                        | -                              | 10,020                               | 44,657                         |
| 340   | Charges for Goods and Services | -                        | -                              | -                                    | 49,979                         |
| 350   | Fines and Penalties            | -                        | -                              | -                                    | -                              |
| 360   | Miscellaneous Revenues         | 36                       | 134                            | 897                                  | 33,325                         |
| Total Revenues:                                     |                                | 15,849                   | 78,441                         | 10,917                               | 709,645                        |
| <b>Expenditures</b>                                 |                                |                          |                                |                                      |                                |
| 510   | General Government             | -                        | -                              | -                                    | 635,817                        |
| 520   | Public Safety                  | 15,813                   | -                              | -                                    | -                              |
| 530   | Utilities                      | -                        | -                              | -                                    | -                              |
| 540   | Transportation                 | -                        | -                              | -                                    | -                              |
| 550   | Natural/Economic Environment   | -                        | 3,530                          | 11,311                               | -                              |
| 560   | Social Services                | -                        | -                              | -                                    | -                              |
| 570   | Culture and Recreation         | -                        | -                              | -                                    | 1,075,789                      |
| Total Expenditures:                                 |                                | 15,813                   | 3,530                          | 11,311                               | 1,711,606                      |
| Excess (Deficiency) Revenues over Expenditures:     |                                | 36                       | 74,911                         | (394)                                | (1,001,961)                    |
| <b>Other Increases in Fund Resources</b>            |                                |                          |                                |                                      |                                |
| 391-393, 596  | Debt Proceeds                  | -                        | -                              | -                                    | -                              |
| 397   | Transfers-In                   | -                        | -                              | -                                    | 1,179,373                      |
| 385   | Special or Extraordinary Items | -                        | -                              | -                                    | -                              |
| 381, 382, 389,<br>395, 398                          | Other Resources                | -                        | -                              | -                                    | 7,700                          |
| Total Other Increases in Fund Resources:            |                                | -                        | -                              | -                                    | 1,187,073                      |
| <b>Other Decreases in Fund Resources</b>            |                                |                          |                                |                                      |                                |
| 594-595   | Capital Expenditures           | -                        | -                              | -                                    | -                              |
| 591-593, 599  | Debt Service                   | -                        | -                              | -                                    | -                              |
| 597   | Transfers-Out                  | -                        | 64,658                         | -                                    | 29,699                         |
| 585   | Special or Extraordinary Items | -                        | -                              | -                                    | -                              |
| 581, 582, 589                                       | Other Uses                     | -                        | -                              | -                                    | 38,283                         |
| Total Other Decreases in Fund Resources:            |                                | -                        | 64,658                         | -                                    | 67,982                         |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>36</b>                | <b>10,253</b>                  | <b>(394)</b>                         | <b>117,130</b>                 |
| <b>Ending Cash and Investments</b>                  |                                |                          |                                |                                      |                                |
| 50821   | Nonspendable                   | -                        | -                              | -                                    | -                              |
| 50831   | Restricted                     | 7,278                    | -                              | 191,956                              | -                              |
| 50841   | Committed                      | -                        | -                              | -                                    | -                              |
| 50851   | Assigned                       | -                        | 41,438                         | -                                    | 233,254                        |
| 50891   | Unassigned                     | -                        | -                              | -                                    | -                              |
| <b>Total Ending Cash and Investments</b>            |                                | <b>7,278</b>             | <b>41,438</b>                  | <b>191,956</b>                       | <b>233,254</b>                 |

The accompanying notes are an integral part of this statement.

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

|   |                                | <u>200 G.O. Debt<br/>Service Fund</u> | <u>301 General CIP<br/>Projects</u> | <u>411 Water<br/>Sewer Fund</u> | <u>412 Storm Fund</u> |
|---|--------------------------------|---------------------------------------|-------------------------------------|---------------------------------|-----------------------|
| <b>Beginning Cash and Investments</b>               |                                |                                       |                                     |                                 |                       |
| 308   | Beginning Cash and Investments | 96,823                                | 639,293                             | 6,411,755                       | 165,100               |
| 388 / 588   | Net Adjustments                | -                                     | -                                   | -                               | -                     |
| <b>Revenues</b>                                     |                                |                                       |                                     |                                 |                       |
| 310   | Taxes                          | 401,976                               | -                                   | -                               | -                     |
| 320   | Licenses and Permits           | -                                     | -                                   | -                               | -                     |
| 330   | Intergovernmental Revenues     | -                                     | 144,944                             | 204,842                         | 69,785                |
| 340   | Charges for Goods and Services | -                                     | -                                   | 8,228,394                       | 1,085,481             |
| 350   | Fines and Penalties            | -                                     | -                                   | -                               | -                     |
| 360   | Miscellaneous Revenues         | 1,638                                 | 2,628                               | 133,604                         | 1,181                 |
| Total Revenues:                                     |                                | <u>403,614</u>                        | <u>147,572</u>                      | <u>8,566,840</u>                | <u>1,156,447</u>      |
| <b>Expenditures</b>                                 |                                |                                       |                                     |                                 |                       |
| 510   | General Government             | -                                     | 5,500                               | -                               | -                     |
| 520   | Public Safety                  | -                                     | -                                   | -                               | -                     |
| 530   | Utilities                      | -                                     | -                                   | 5,804,945                       | 693,420               |
| 540   | Transportation                 | -                                     | 58,692                              | -                               | -                     |
| 550   | Natural/Economic Environment   | -                                     | 9,294                               | -                               | -                     |
| 560   | Social Services                | -                                     | -                                   | -                               | -                     |
| 570   | Culture and Recreation         | -                                     | -                                   | -                               | -                     |
| Total Expenditures:                                 |                                | <u>-</u>                              | <u>73,486</u>                       | <u>5,804,945</u>                | <u>693,420</u>        |
| Excess (Deficiency) Revenues over Expenditures:     |                                | 403,614                               | 74,086                              | 2,761,895                       | 463,027               |
| <b>Other Increases in Fund Resources</b>            |                                |                                       |                                     |                                 |                       |
| 391-393, 596  | Debt Proceeds                  | 2,758,350                             | 625,000                             | 2,104,015                       | 427,087               |
| 397   | Transfers-In                   | 1,301,900                             | 282,995                             | 64,333                          | -                     |
| 385   | Special or Extraordinary Items | -                                     | -                                   | -                               | -                     |
| 381, 382, 389,<br>395, 398                          | Other Resources                | -                                     | 25,538                              | 30,574                          | -                     |
| Total Other Increases in Fund Resources:            |                                | <u>4,060,250</u>                      | <u>933,533</u>                      | <u>2,198,922</u>                | <u>427,087</u>        |
| <b>Other Decreases in Fund Resources</b>            |                                |                                       |                                     |                                 |                       |
| 594-595   | Capital Expenditures           | -                                     | 590,003                             | 645,383                         | 450,671               |
| 591-593, 599  | Debt Service                   | 4,463,139                             | 625,567                             | 3,469,786                       | 362,860               |
| 597   | Transfers-Out                  | -                                     | -                                   | -                               | -                     |
| 585   | Special or Extraordinary Items | -                                     | -                                   | -                               | -                     |
| 581, 582, 589                                       | Other Uses                     | -                                     | 73,969                              | -                               | -                     |
| Total Other Decreases in Fund Resources:            |                                | <u>4,463,139</u>                      | <u>1,289,539</u>                    | <u>4,115,169</u>                | <u>813,531</u>        |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>725</b>                            | <b>(281,920)</b>                    | <b>845,648</b>                  | <b>76,583</b>         |
| <b>Ending Cash and Investments</b>                  |                                |                                       |                                     |                                 |                       |
| 50821   | Nonspendable                   | -                                     | -                                   | -                               | -                     |
| 50831   | Restricted                     | -                                     | -                                   | 630,243                         | -                     |
| 50841   | Committed                      | -                                     | 314,188                             | -                               | -                     |
| 50851   | Assigned                       | 97,548                                | 43,185                              | 6,627,160                       | 241,683               |
| 50891   | Unassigned                     | -                                     | -                                   | -                               | -                     |
| <b>Total Ending Cash and Investments</b>            |                                | <u><b>97,548</b></u>                  | <u><b>357,373</b></u>               | <u><b>7,257,403</b></u>         | <u><b>241,683</b></u> |

The accompanying notes are an integral part of this statement.

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

|   |                                | <b>423 Golf Course<br/>Fund</b> | <b>500 Fleet<br/>Replacement<br/>Fund</b> | <b>540 Public<br/>Works<br/>Administration</b> | <b>555 Engineering<br/>Services</b> |
|---|--------------------------------|---------------------------------|---|--|-------------------------------------|
| <b>Beginning Cash and Investments</b>               |                                |                                 |   |  |                                     |
| 308   | Beginning Cash and Investments | 12,219                          | 1,751,794                                 | 48,101   | 55,591                              |
| 388 / 588   | Net Adjustments                | -                               | -   | -  | -                                   |
| <b>Revenues</b>                                     |                                |                                 |   |  |                                     |
| 310   | Taxes                          | -                               | -   | -  | -                                   |
| 320   | Licenses and Permits           | -                               | -   | -  | -                                   |
| 330   | Intergovernmental Revenues     | -                               | 6,708                                     | -  | -                                   |
| 340   | Charges for Goods and Services | -                               | 1,179,731                                 | 477,425  | 808,439                             |
| 350   | Fines and Penalties            | -                               | -   | -  | -                                   |
| 360   | Miscellaneous Revenues         | 6,936                           | 32,656                                    | 823  | 777                                 |
| Total Revenues:                                     |                                | 6,936                           | 1,219,095                                 | 478,248  | 809,216                             |
| <b>Expenditures</b>                                 |                                |                                 |   |  |                                     |
| 510   | General Government             | -                               | 331,930                                   | -  | -                                   |
| 520   | Public Safety                  | -                               | -   | -  | -                                   |
| 530   | Utilities                      | -                               | -   | 471,282  | 732,981                             |
| 540   | Transportation                 | -                               | 466,373                                   | -  | -                                   |
| 550   | Natural/Economic Environment   | -                               | -   | -  | -                                   |
| 560   | Social Services                | -                               | -   | -  | -                                   |
| 570   | Culture and Recreation         | 12,902                          | -   | -  | -                                   |
| Total Expenditures:                                 |                                | 12,902                          | 798,303                                   | 471,282  | 732,981                             |
| Excess (Deficiency) Revenues over Expenditures:     |                                | (5,966)                         | 420,792                                   | 6,966  | 76,235                              |
| <b>Other Increases in Fund Resources</b>            |                                |                                 |   |  |                                     |
| 391-393, 596  | Debt Proceeds                  | -                               | -   | -  | -                                   |
| 397   | Transfers-In                   | -                               | -   | -  | -                                   |
| 385   | Special or Extraordinary Items | -                               | -   | -  | -                                   |
| 381, 382, 389,<br>395, 398                          | Other Resources                | -                               | -   | -  | -                                   |
| Total Other Increases in Fund Resources:            |                                | -                               | -   | -  | -                                   |
| <b>Other Decreases in Fund Resources</b>            |                                |                                 |   |  |                                     |
| 594-595   | Capital Expenditures           | -                               | 386,881                                   | 1,661  | -                                   |
| 591-593, 599  | Debt Service                   | -                               | -   | -  | -                                   |
| 597   | Transfers-Out                  | -                               | -   | -  | -                                   |
| 585   | Special or Extraordinary Items | -                               | -   | -  | -                                   |
| 581, 582, 589                                       | Other Uses                     | -                               | -   | -  | -                                   |
| Total Other Decreases in Fund Resources:            |                                | -                               | 386,881                                   | 1,661  | -                                   |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>(5,966)</b>                  | <b>33,911</b>                             | <b>5,305</b>                                   | <b>76,235</b>                       |
| <b>Ending Cash and Investments</b>                  |                                |                                 |   |  |                                     |
| 50821   | Nonspendable                   | -                               | -   | -  | -                                   |
| 50831   | Restricted                     | -                               | -   | -  | -                                   |
| 50841   | Committed                      | -                               | -   | -  | -                                   |
| 50851   | Assigned                       | 6,253                           | 1,785,705                                 | 53,406   | 131,826                             |
| 50891   | Unassigned                     | -                               | -   | -  | -                                   |
| <b>Total Ending Cash and Investments</b>            |                                | <b>6,253</b>                    | <b>1,785,705</b>                          | <b>53,406</b>                                  | <b>131,826</b>                      |

The accompanying notes are an integral part of this statement.

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

|   |                                | <b>595</b>            |
|---|--------------------------------|-----------------------|
|   |                                | <b>Unemployment</b>   |
|   |                                | <b>Self-Insurance</b> |
|   |                                | <hr/>                 |
| <b>Beginning Cash and Investments</b>               |                                |                       |
| 308   | Beginning Cash and Investments | 25,474                |
| 388 / 588   | Net Adjustments                | -                     |
| <b>Revenues</b>                                     |                                |                       |
| 310   | Taxes                          | -                     |
| 320   | Licenses and Permits           | -                     |
| 330   | Intergovernmental Revenues     | -                     |
| 340   | Charges for Goods and Services | 72,492                |
| 350   | Fines and Penalties            | -                     |
| 360   | Miscellaneous Revenues         | 116                   |
| Total Revenues:                                     |                                | <hr/> 72,608          |
| <b>Expenditures</b>                                 |                                |                       |
| 510   | General Government             | 72,492                |
| 520   | Public Safety                  | -                     |
| 530   | Utilities                      | -                     |
| 540   | Transportation                 | -                     |
| 550   | Natural/Economic Environment   | -                     |
| 560   | Social Services                | -                     |
| 570   | Culture and Recreation         | -                     |
| Total Expenditures:                                 |                                | <hr/> 72,492          |
| Excess (Deficiency) Revenues over Expenditures:     |                                | 116                   |
| <b>Other Increases in Fund Resources</b>            |                                |                       |
| 391-393, 596  | Debt Proceeds                  | -                     |
| 397   | Transfers-In                   | -                     |
| 385   | Special or Extraordinary Items | -                     |
| 381, 382, 389,<br>395, 398                          | Other Resources                | -                     |
| Total Other Increases in Fund Resources:            |                                | <hr/> -               |
| <b>Other Decreases in Fund Resources</b>            |                                |                       |
| 594-595   | Capital Expenditures           | -                     |
| 591-593, 599  | Debt Service                   | -                     |
| 597   | Transfers-Out                  | -                     |
| 585   | Special or Extraordinary Items | -                     |
| 581, 582, 589                                       | Other Uses                     | -                     |
| Total Other Decreases in Fund Resources:            |                                | <hr/> -               |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <hr/> <b>116</b>      |
| <b>Ending Cash and Investments</b>                  |                                |                       |
| 50821   | Nonspendable                   | -                     |
| 50831   | Restricted                     | -                     |
| 50841   | Committed                      | -                     |
| 50851   | Assigned                       | 25,590                |
| 50891   | Unassigned                     | -                     |
| <b>Total Ending Cash and Investments</b>            |                                | <hr/> <b>25,590</b>   |

The accompanying notes are an integral part of this statement.

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

|           | <b>Total for All Funds<br/>(Memo Only)</b>       | <b>Pension/OPEB<br/>Trust Fund</b> | <b>Custodial</b> |         |
|-----------|--|------------------------------------|------------------|---------|
| 308       | Beginning Cash and Investments                   | 277,705                            | 277,705          | -       |
| 388 & 588 | Net Adjustments                                  | -                                  | -                | -       |
| 310-390   | Additions  | 137,108                            | 34,395           | 102,713 |
| 510-590   | Deductions                                       | 89,786                             | 17,529           | 72,257  |
|           | Net Increase (Decrease) in Cash and Investments: | 47,322                             | 16,866           | 30,456  |
| 508       | Ending Cash and Investments                      | 324,738                            | 294,571          | 30,167  |

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

|           |  | <b>Total for All<br/>Funds<br/>(Memo Only)</b> | <b>Pension/OPEB<br/>Trust Fund</b> | <b>Custodial</b> |
|-----------|--|--|------------------------------------|------------------|
| 308       | Beginning Cash and Investments                   | 258,310  | 258,871                            | (561)            |
| 388 & 588 | Net Adjustments                                  | -  | -                                  | -                |
| 310-390   | Additions  | 72,230   | 35,446                             | 36,784           |
| 510-590   | Deductions                                       | 53,123   | 16,612                             | 36,511           |
|           | Net Increase (Decrease) in Cash and Investments: | 19,107   | 18,834                             | 273              |
| 508       | Ending Cash and Investments                      | 277,417  | 277,705                            | (288)            |

**City of Port Townsend**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Port Townsend was incorporated on January 16, 1860 and operates under the laws of the State of Washington applicable to a non-charter code city. The city is a general-purpose local government and provides police and fire protection, water, sewer, storm drainage, waste management, as well as maintaining parks, streets, and a library for use by its citizens.

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

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

A. Fund Accounting

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

The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

General Fund (Fund 010):

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



Special Revenue Funds (Funds in the 100 series):

These funds account for specific revenue sources derived from specific taxes, grants or other sources, which are restricted or committed to expenditures for specified purposes of the city.

Debt Service Funds (Funds in the 200 series):

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 (Funds in the 300 series):

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 (Funds in the 400 series):

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

*Prior to 2016, the City reported its Golf Course Fund as a Fiduciary Fund. The activities of this fund are supported by user charges to support capital improvements, maintenance and repairs, and other operating expenditures of the Golf Course and was reassigned as an Enterprise Fund.*

Internal Service Funds (Funds in the 500 series):

These funds account for operations that provide goods or services to other departments or funds of the city or other governmental units 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.

Pension (and Other Employee Benefit) Trust Funds (Fund 610):

Pension funds are used to report fiduciary activities for pension and Other Post-Employment Benefits (OPEB) plans administered through a trust. This fund is used to account for financial resources to pay retiree benefits related to the Fire Fighters' Retirement System (Firemen's Pension).

Custodial Funds (Funds 631):

These funds are used to account for assets that the city holds on behalf of others in a custodial capacity. The City's custodial (Fund 631) is used for miscellaneous pass-through deposits.

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 of Port Townsend 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

The city is responsible for stewardship of public resources and as such, has policies and procedures in place to track, demonstrate accountability, and ensure security of all 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. Operating under a cash basis, capital assets and inventory are recorded as capital expenditures when purchased; because the entire expenditure is recognized in the period when the cash outflow occurs, the reporting of depreciation accounts is not appropriate.

Capital Improvements are defined as projects to create, expand, or modify a capital facility or infrastructure. The project may include design, permitting, environmental analysis, land acquisition, construction, landscaping, site improvements, initial furnishings, and equipment.

E. Compensated Absences -

Vacation leave may be accumulated up to 240 hours for regular employees and 360 hours for department heads. Vacation leave is payable upon separation or retirement. Sick leave may be accumulated up to 1,440 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments related to leave are recognized when paid. The compensated absence balances increased by \$81,651 from 2020 to 2021, ending at \$439,835 for the year.

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 is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council through a formal action (e.g. ordinance or resolution). When expenditures that meet these restrictions are incurred, the city intends to use restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of the following:

| <b>Fund</b>            | <b>Restricted</b>   | <b>Committed</b>  | <b>Restricted/Committed Purpose</b>   |
|------------------------|---------------------|-------------------|---|
| 010 - General Fund     | \$ 1,373,493        | \$ -              | American Rescue Plan Act funds  |
| 101 - Drug Enforcement | \$ 1,000            | \$ -              | Revised Code of Washington (RCW) 69.50 requires funds to be used for seizure and forfeiture of controlled substances.                                       |
| 120 - Library Fund     | \$ 523,690          | \$ -              | Publicly voted levy requires funds to be used for library operations. RCW 82.46 requires funds to be used for local capital projects and related financing. |
| 135 - R.E.E.T. Fund    | \$ 801,111          | \$ -              |   |
| 150 - Lodging Tax Fund | \$ 415,629          | \$ -              | RCW 67.28 requires funds to be used for tourism related activities.   |
| 171 - Fire & EMS Fund  | \$ 9,569            | \$ -              | Publicly voted levies require funds to be used for Fire & EMS activities.   |
| 190 - CDBG Fund        | \$ 163,538          | \$ -              | Department of Housing & Urban Development requires funds to be used for downtown historic renovations.  |
| 301 - General CIP Fund | \$ -                | \$ 357,920        | City Ordinance 3201 requires funds to be used for a specific local affordable housing project.  |
| 411 - Water/Sewer Fund | \$ 545,056          | \$ -              | External agreement requires funds to be used to replace infrastructure associated with the Olympic Gravity Water System.                                    |
| <b>TOTAL</b>           | <b>\$ 3,833,086</b> | <b>\$ 357,920</b> |   |

**NOTE 2 – BUDGET COMPLIANCE**

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

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

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

| FISCAL YEAR 2021                             |                               |                        |                     |
|--|-------------------------------|------------------------|---------------------|
|  | Final Appropriated<br>Amounts | Actual<br>Expenditures | Variance            |
| General                                      | \$ 9,933,245                  | \$ 9,090,054           | \$ 843,191          |
| Street                                       | \$ 898,395                    | \$ 864,844             | \$ 33,551           |
| Library                                      | \$ 1,125,766                  | \$ 999,654             | \$ 126,112          |
| Real Estate Excise Tax Fund                  | \$ 510,000                    | \$ 510,000             | \$ -                |
| Lodging Tax                                  | \$ 321,133                    | \$ 288,230             | \$ 32,903           |
| Fire & EMS Service                           | \$ 20,000                     | \$ 3,666               | \$ 16,334           |
| Affordable Housing Fund                      | \$ 92,896                     | \$ 72,072              | \$ 20,824           |
| Community Development Block Grants           | \$ 69,000                     | \$ 68,689              | \$ 311              |
| Community Services                           | \$ 1,935,703                  | \$ 1,791,038           | \$ 144,665          |
| GO Debt Service                              | \$ 1,704,467                  | \$ 1,702,082           | \$ 2,385            |
| General Capital Improvement Funds            | \$ 2,514,397                  | \$ 507,293             | \$ 2,007,104        |
| Water/Sewer Utility Funds                    | \$ 12,907,183                 | \$ 9,460,582           | \$ 3,446,601        |
| Storm water Operations & Storm Capital Funds | \$ 2,461,869                  | \$ 1,900,825           | \$ 561,044          |
| Golf Course Fund                             | \$ 10,785                     | \$ 9,130               | \$ 1,655            |
| Equipment Rental                             | \$ 943,388                    | \$ 828,551             | \$ 114,837          |
| Public Work & Admin                          | \$ 509,667                    | \$ 475,243             | \$ 34,424           |
| Engineering Service Fund                     | \$ 853,405                    | \$ 799,389             | \$ 54,016           |
| Unemployment Self Insurance                  | \$ 103,540                    | \$ 26,004              | \$ 77,536           |
| <b>TOTAL</b>                                 | <b>\$ 36,914,839</b>          | <b>\$ 29,397,347</b>   | <b>\$ 7,517,492</b> |

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Deposits and investments by type at December 31, 2021 are as follows:

| <u>Type of Deposit or Investment</u> | <u>City's own deposits<br/>and investments</u> | <u>Deposits and investments<br/>held by the city as a<br/>custodian for other<br/>governments or<br/>organization</u> | <u>Total</u>         |
|--------------------------------------|--|---|----------------------|
| Bank Deposits                        | \$ 10,295,228                                  | \$ 30,167   | \$ 10,325,395        |
| Certificates of Deposit              | -  |   | -                    |
| Local Government Investment Pool     | 7,650,692                                      | 294,571   | 7,945,263            |
| U.S. Government Securities           | 2,560,372                                      |   | 2,560,372            |
| <b>Total</b>                         | <b>\$ 20,506,292</b>                           | <b>\$ 324,738</b>   | <b>\$ 20,831,030</b> |

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 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 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](http://www.tre.wa.gov).

#### Investments in U.S. Government Securities

The city has invested a portion of the water and sewer utility funds in U.S. Government Securities at U.S. Bank, administered by ProEquities Inc., which is registered with the U.S. Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). ProEquities Inc. is subject to the regulations and rules on municipal securities established by the SEC and MSRB. U.S. Government Securities are reported at original cost. The weighted average maturity of these securities is 1.7 years.

#### 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 are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

#### **NOTE 4 – PROPERTY TAXES**

The Jefferson County Treasurer acts as agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the total collected surpasses \$10,000; with any balance left over distributed at month-end.

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 when taxes are levied.

The city's regular levy for 2021 was \$0.7583 per \$1,000 on assessed valuation of \$2,011,668,041 for a total regular levy of \$1,525,594.

A Library LID lift was approved by voters in 2008 to be initially phased in over 2009-2011. For 2021 the library levy was \$0.5662 per \$1,000 on assessed valuation of \$2,011,668,041 for a total levy of \$1,139,164.

In 2015, voters approved a tax levy for improvements to the Mountain View Commons. The tax levy pays for the debt service on the bonds issued to make these improvements. The levy rate for 2021 was \$0.0759 per \$1,000 on assessed valuation of \$1,973,744,564 for a total levy of \$149,999.

On February 12, 2019, the voters of Port Townsend and those in the East Jefferson Fire Rescue district approved the annexation of the City of Port Townsend into Fire Protection District No. 1, with voter approval at 69.28% and 67.74%, respectively. Prior to annexation the City's fire services were funded through a Fire levy lid lift and a contribution of approximately \$908,000 from the City's General Fund. The City also had an EMS Levy that had been in place since 2010 to fund emergency response and transport services. With annexation starting in 2019 for the 2020 tax year, the City no longer have the separate Fire and EMS levies. The City retains its full regular property tax authority.

The City Council has put in place a means to limit its authority to levy the full regular property tax levy for a period of four years. While the City Council cannot bind a future Council forever from doing its duties, it can limit what a future Council can do for a limited period of time. In this case, the Council has adopted an enforceable policy that limits the Council's tax authority. Resolution 18-052 provides that the City will not assess any of the \$908,000 in 2020. Thereafter starting in 2021 through 2023 the Council will have limited authority as provided for by the policy. The policy requires that any amount of the \$908,000 be phased in at a rate not to exceed 33% per each year starting in 2021. Further, it restricts what the money can be used for as outlined in the adopted policy.

The City's policy also has a transparency provision that includes enhanced public notice and public process. In addition to the regular public process for the annual property tax levy actions by the City Council, the policy requires a separate public notice and process starting in June of preceding year for

the City Council to consider using any of the \$908,000 starting in 2021 through 2023. In June of each year, the City Manager is required to submit a proposal regarding any decision to use any of the \$908,000. This will include whether to levy nothing at all or any portion thereof consistent with the annual policy limits. The City Manager shall also include the proposed use of the taxes to City Council. It is up to the City Council to accept or modify the City Manager’s proposal. The City Council prior to acting shall announce its intentions and provide an enhanced public notice of its intent. Based upon the City Council’s findings, following public input, the City Council will instruct the City Manager to include within the budget to be submitted for the following year their recommendation as it relates to the \$908,000. This can also include a recommendation to not levy any of the \$908,000. The City Council decided not to levy any of the \$908,000 for 2021 taxes.

**NOTE 5 – LONG-TERM DEBT**

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

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

| <b>DEBT SERVICE SCHEDULE</b> |                     |                    |                           |
|------------------------------|---------------------|--------------------|---------------------------|
| <b>Year</b>                  | <b>Principal</b>    | <b>Interest</b>    | <b>Total Debt Service</b> |
| 2022                         | \$2,377,995         | \$818,201          | \$3,196,197               |
| 2023                         | \$2,317,778         | \$778,804          | \$3,096,581               |
| 2024                         | \$2,353,822         | \$735,344          | \$3,089,166               |
| 2025                         | \$2,338,678         | \$689,960          | \$3,028,638               |
| 2026                         | \$2,383,891         | \$643,364          | \$3,027,255               |
| 2027-2030                    | \$9,956,549         | \$2,041,607        | \$11,998,156              |
| 2031-2035                    | \$11,086,025        | \$1,189,549        | \$12,275,574              |
| 2036-2040                    | \$2,304,074         | \$119,753          | \$2,423,826               |
| 2041-2046                    | \$6,365             | \$64               | \$6,429                   |
| <b>Total</b>                 | <b>\$35,125,177</b> | <b>\$7,016,645</b> | <b>\$42,141,822</b>       |

A. Debt Guarantees

On October 28, 2020, the City executed a Release Agreement with Homeward Bound, a Washington non-profit corporation. The agreement released Homeward Bound of all their obligations, including repaying the City the principal amount of \$834,000 under a Promissory Note dated December 10, 2018 related to constructing and owning eight low-income rental housing units, which the City provided funding through a 2018 bond issuance. The Release Agreement also transferred all the rights, title, and interest of the associated property to the City. There was no activity in 2021.

## **NOTE 6 – PENSION PLANS**

### **A. State Sponsored Plans**

Substantially all city full-time and qualifying part-time employees participated in Public Employee's Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Volunteer Firemen Relief and Pension Fund, Firemen's Pension and Relief Fund administered by Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution employee retirement plans. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

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

Also, the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2021 (the measurement date of the plans), the city's proportionate share of the collective *net pension liabilities*, as reported on Schedule of Liabilities, was as follows:



|   | Employer Contributions | Allocation % | Liability (Asset) |
|---|------------------------|--------------|-------------------|
| PERS 1                                      | \$ -                   | 0.000000%    | \$ -              |
| PERS 1 UAAL                                 | \$ 252,905             | 0.033952%    | \$ 414,633        |
| <i>Total Net Pension Liability (Sch 09)</i> |                        |              | \$ 414,633        |

|                           | Employer Contributions | Allocation % | Liability (Asset) |
|---------------------------|------------------------|--------------|-------------------|
| PERS 2 / 3                | \$ 413,206             | 0.043621%    | \$ (4,345,353)    |
| LEOFF 1                   | \$ -                   | 0.012913%    | \$ (442,343)      |
| LEOFF 2                   | \$ 60,436              | 0.030317%    | \$ (1,760,937)    |
| <i>Net pension Assets</i> |                        |              | \$ (6,548,633)    |

#### 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 recommendation 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.

### B. Firemen's Pension Trust Fund/Plan

**Plan Description.** The City is the administrator of the Firemen's Pension Fund/Plan which is closed, single-employer, defined benefit pension plan that was established in conformance with the Revised Code of Washington (RCW) Chapters 41.16, 41.18 and 41.20. The plan is limited to full-time and fully compensated firefighters who were hired prior to the establishment of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) on March 1, 1970.

Through the LEOFF Act, the State undertook to provide the bulk of police and fire pensions; however, the municipalities continue to be responsible for all or part of pension benefits for employees hired before March 1, 1970. Firefighters hired before, but not retired on March 1, 1970, received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City. The City also pays the customary and reasonable cost of necessary medical expenses of the retiree for life.

Pre-LEOFF supplemental pension payments are based upon formulas using the City's current

compensation levels attached to the employee’s rank at retirement. In the event the pension paid by the State falls short of what the retiree should receive based upon the formula, the City pays the difference. Should the retiree receive more from the State than would result from the application of the formula, no adjustments or paybacks are requested. The system/plan is shown as a trust fund in the financial statement of the City.

As of December 31, 2021, membership consisted of one (1) pre-LEOFF firefighter retirees.

**Funding Policy.** Under the State law, the Firefighter’s Pension Plan is funded from regular property tax levies at \$0.225 per \$1,000 assessed valuation, interest earnings, and City contributions required to meet projected future pension obligations.

All costs associated with the pre-LEOFF firefighter retirees are accounted for in the Firemen’s Pension Trust Fund.

In 2021, the Firemen’s Pension Trust Fund received a total of \$35,395 contributions as follows:

|   | <u>2021</u>      |
|---|------------------|
| <b>Contributions:</b>                         |                  |
| Contribution from General Fund – Property Tax | \$ 34,235        |
| Investment Interest                           | <u>160</u>       |
| Total Funding                                 | <u>\$ 35,395</u> |

A formal actuarial valuation study has not been done in recent years; however, based on the supplemental pension benefits paid over the last ten years coupled with consideration of the ages of the remaining plan members, the estimated funding requirements for future supplemental pension benefits as of December 31, 2021, is estimated at \$1,247. This future pension obligation amount is not reported on the Schedule of Liabilities, as the Firemen’s Pension Fund/Plan has net pension asset as illustrated below.

The total cash and investment balance in the Firemen’s Pension Fund as of December 31, 2021, is \$294,571.

City of Port Townsend Firemen’s Pension Trust Fund Assets (Liabilities)  
As of December 31, 2021

|  | <u>2021</u>       |
|--|-------------------|
| Total Fund Asset (Cash & Investments)                  | \$ 294,571        |
| Less Estimated Future Supplemental Pension Obligations | <u>(1,247)</u>    |
| Net Fund Asset Available for Costs of Medical Benefits | <u>\$ 293,324</u> |

C. Defined Contribution Pension Plans

The Revised Code of Washington (RCW) chapter 41.50.770 authorizes all local governments to establish deferred compensation plans for the benefits of their employees in conformity with the requirements

of Section 457 or Section 401(a) of the Internal Revenue Code.

The city offers employees the option to contribute to either a deferred compensation plan administered by the Washington Department of Retirement Systems (DRS) or one administered by the International City/County Management Association (ICMA).

The city makes 50% matching contributions up to 4% of an employee's base salary for those in the Police Officer's Union. The city also makes a matching contribution up to 5% of City Councilmembers' compensation.

In 2021, the city contributed \$21,842 in matching contributions to employee's deferred compensation plans.

### **NOTE 7 – RISK MANAGEMENT**

The City of Port Townsend is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 166 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. The City has deductibles of \$50,000 for property and \$25,000 for vehicles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment,

reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA’s assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

**NOTE 8 – INTERFUND LOANS**

In 2019, the City Council authorized, through Resolution 19-093 on December 2, 2019, an interfund loan from the Transmission Line Replacement Fund to the Community Services Fund regarding resolution 19-054 on June 13, 2019 authorizing a contract with BERK Consulting, Inc. to develop a parks, recreation, and open space (PROS) plan for the City of Port Townsend. This interfund loan will be repaid by future appropriations to the Community Services Fund, no later than December 31, 2022. This is the only outstanding interfund loan as of December 31, 2021.

| <b>Loan Reference</b> | <b>Borrowing Fund</b>   | <b>Lending Fund</b>     | <b>Balance<br/>1/1/2021</b> | <b>New Loans</b> | <b>Repayments</b> | <b>Balance<br/>12/31/21</b> |
|-----------------------|-------------------------|-------------------------|-----------------------------|------------------|-------------------|-----------------------------|
| Parks PROS Plan       | Community Services Fund | Transmission Line (417) | \$ 60,000                   | \$ -             | \$ -              | \$ 60,000                   |

**NOTE 9 – SELF INSURANCE**

The City of Port Townsend self-insures for unemployment through the State of Washington’s Employment Security Department. When a former employee files for and obtains unemployment coverage with the State of Washington, the City of Port Townsend is direct-billed their portion of the unemployment benefit costs.

In 2013, the City of Port Townsend established an Unemployment Self Insurance Fund. As of December 31, 2021, the fund had a balance of \$22,231 as compared to the prior year ending Fund balance of \$25,591.

**NOTE 10 – MANAGEMENT FUNDS**

To assist in managing the City of Port Townsend’s finances, the city has established management funds for accounting purposes. The management fund activities are rolled into one fund for reporting

purposes.

The following funds include managerial fund activity that is reported in one fund:

- Water and Sewer Utility Fund
- Storm Utility Fund
- General Government Capital Improvement Project Fund

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS**

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 seven members, all retirees. As of December 31, 2021, the city’s total OPEB liability was \$3,287,094, as calculated using the alternative measurement method. For the year ended December 31, 2021, the city paid \$57,970 in benefits.

**NOTE 12 – CONSTRUCTION COMMITMENT –**

The City of Port Townsend has active construction project as of December 31, 2021. Total construction commitment as of the end of the year totaled \$1,506,206. A summary table of those commitments is below:

| TABLE OF CONSTRUCTION COMMITMENTS - 2021 |                             |               |                    |                    |                    |
|--|-----------------------------|---------------|--------------------|--------------------|--------------------|
| PROJECT                                  | CONTRACTOR                  | PROJECT PHASE | CONTRACT AMOUNT    | PAID TO DATE       | REMAINING CONTRACT |
| Sewer Outfall Replacement                | CH2MHill Engineers          | Design        | 544,727            | 393,001            | 151,726            |
| Gaines Street Pump Station               | CH2MHill Engineers          | Design        | 251,885            | 135,352            | 116,533            |
| Gaines Street Pump Station               | Interwest Construction, Inc | Construction  | 947,855            | -                  | 947,855            |
| Rainier Regional Stormwater Facility     | AHBL                        | Construction  | 299,875            | 299,875            | -                  |
| Rainier Regional Stormwater Facility     | Van Aller Surveying         | Construction  | 13,137             | 13,137             | -                  |
| Rainier Regional Stormwater Facility     | Krazan & Associates         | Construction  | 7,377              | 7,377              | -                  |
| Rainier Regional Stormwater Facility     | Seton Construction          | Construction  | 1,036,256          | 1,036,256          | -                  |
| Discovery Road Bike-Ped                  | SCJ, Inc.                   | Design        | 621,209            | 331,337            | 289,872            |
| Discovery Road Bike-Ped                  | Van Aller Surveying         | Design        | 4,000              | 3,780              | 220                |
| <b>TOTAL</b>                             |                             |               | <b>\$3,726,321</b> | <b>\$2,220,115</b> | <b>\$1,506,206</b> |

**NOTE 13 – HEALTH & WELFARE**

The City of Port Townsend is a member of the Association of Washington Cities Employee Benefit Trust

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

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

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

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

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The

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

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

#### **NOTE 14 – COMPONENT UNIT(S), JOINT VENTURES, AND RELATED PARTIES**

On September 8, 2009, the City of Port Townsend established the Fort Worden Public Development Authority (Authority) by approving Ordinance 3108. Ordinance 3108 adopted the Authority's Charter and granted it the power to manage, promote, develop, secure funding, and enhance the Fort Worden State Park including undertaking, assisting with, and otherwise facilitating the implementation of a Lifelong Learning Center at the Park.

The Authority is a public corporation authorized under the provisions of RCW 35.21.735 – 35.21.759. It is a separate legal entity that is independent from the City. RCW 35.21.750 provides that "...liabilities incurred by such public corporation, commission, or authority shall be satisfied exclusively from the assets and properties of such public corporation, commission, or authority and no creditor or other person shall have any right of action against the city, town, or county creating such corporation, commission or authority on account of any debts, obligations, or liabilities of such public corporation, commission, or authority."

The Authority is governed by a Board of Directors. A nominating committee solicits, reviews and recommends Board Members. As the chartering agency, the City appoints Board Members. The City Council can remove Board members by resolution. The Authority maintains independent financial reports. Financial reports are provided annually, and updates are reviewed quarterly by the City Manager and City Council. The Authority is independently audited annually.

In 2020, the City provided \$25,000 of lodging tax funds to the Authority (approved by the Lodging Tax Advisory Committee and the City Manager) to fund joint marketing of the Fort Worden Lifelong Learning Center and the City of Port Townsend. In 2021 the City provided \$4,459 as a Cares Grant. The grant was



one among grants different community organizations.

**NOTE 15 – COVID-19 PANDEMIC**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In 2020, the city experienced reductions in revenues; however, these reductions were mostly offset by the actions taken by management in instituting temporary furloughs, hiring freezes of certain positions and budget reductions in discretionary spending. State and Federal funding has also become available to assist local governments with this emergency.

Key revenues such as Sales Tax and Real Estate Excise tax recovered in 2021 and with the help of stimulus funds from the American Rescue Plan the City has returned to hiring vacant positions and resuming normal services levels within budget.



**City of Port Townsend**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Port Townsend was incorporated on January 16, 1860 and operates under the laws of the State of Washington applicable to a non-charter code city. The city is a general-purpose local government and provides police and fire protection, water, sewer, storm drainage, waste management, as well as maintaining parks, streets, and a library for use by its citizens.

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

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

A. Fund Accounting

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

The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

General Fund (Fund 010):

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

Special Revenue Funds (Funds in the 100 series):

These funds account for specific revenue sources derived from specific taxes, grants or other sources, which are restricted or committed to expenditures for specified purposes of the city.

Debt Service Funds (Funds in the 200 series):

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 (Funds in the 300 series):

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 (Funds in the 400 series):

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

*Prior to 2016, the City reported its Golf Course Fund as a Fiduciary Fund. The activities of this fund are supported by user charges to support capital improvements, maintenance and repairs, and other operating expenditures of the Golf Course and was reassigned as an Enterprise Fund.*

Internal Service Funds (Funds in the 500 series):

These funds account for operations that provide goods or services to other departments or funds of the city or other governmental units 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.

Pension (and Other Employee Benefit) Trust Funds (Fund 610):

Pension funds are used to report fiduciary activities for pension and Other Post-Employment Benefits (OPEB) plans administered through a trust. This fund is used to account for financial resources to pay retiree benefits related to the Fire Fighters' Retirement System (Firemen's Pension).

Custodial Funds (Funds 631):

These funds are used to account for assets that the city holds on behalf of others in a custodial capacity. The City's custodial (Fund 631) is used for miscellaneous pass through deposits.

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 of Port Townsend 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

The city is responsible for stewardship of public resources and as such, has policies and procedures in place to track, demonstrate accountability, and ensure security of all 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. Operating under a cash basis, capital assets and inventory are recorded as capital expenditures when purchased; because the entire expenditure is recognized in the period when the cash outflow occurs, the reporting of depreciation accounts is not appropriate.

Capital Improvements are defined as projects to create, expand, or modify a capital facility or infrastructure. The project may include design, permitting, environmental analysis, land acquisition, construction, landscaping, site improvements, initial furnishings, and equipment.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours for regular employees and 360 hours for department heads. Vacation leave is payable upon separation or retirement. Sick leave may be accumulated up to 1,440 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments related to leave are recognized when paid. The compensated absence balances increased by \$48,413 from 2019 to 2020, ending at \$521,486 for the year.

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 is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council through a formal action (e.g. ordinance or resolution). When expenditures that meet these restrictions are incurred, the city intends to use restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of the following:

| Fund                   | Restricted          | Committed         | Restricted/Committed Purpose  |
|------------------------|---------------------|-------------------|---|
| 101 - Drug Enforcement | \$ 1,000            | \$ -              | Revised Code of Washington (RCW) 69.50 requires funds to be used for seizure and forfeiture of controlled substances.                                       |
| 120 - Library Fund     | \$ 366,496          | \$ -              | Publicly voted levy requires funds to be used for library operations. RCW 82.46 requires funds to be used for local capital projects and related financing. |
| 135 - R.E.E.T. Fund    | \$ 468,586          | \$ -              | RCW 67.28 requires funds to be used for tourism related activities.   |
| 150 - Lodging Tax Fund | \$ 178,655          | \$ -              | Publicly voted levies require funds to be used for Fire & EMS activities.   |
| 171 - Fire & EMS Fund  | \$ 7,278            | \$ -              | Department of Housing & Urban Development requires funds to be used for downtown historic renovations.  |
| 190 - CDBG Fund        | \$ 191,956          | \$ -              | City Ordinance 3201 requires funds to be used for a specific local affordable housing project.  |
| 301 - General CIP Fund | \$ -                | \$ 314,188        | External agreement requires funds to be used to replace infrastructure associated with the Olympic Gravity Water System.                                    |
| 411 - Water/Sewer Fund | \$ 630,243          | \$ -              |   |
| <b>TOTAL</b>           | <b>\$ 1,844,214</b> | <b>\$ 314,188</b> |   |

**NOTE 2 – BUDGET COMPLIANCE**

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

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

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

| FISCAL YEAR 2020                             |                               |                        |                     |
|--|-------------------------------|------------------------|---------------------|
|  | Final Appropriated<br>Amounts | Actual<br>Expenditures | Variance            |
| General                                      | \$ 10,413,656                 | \$ 9,614,180           | \$ 799,476          |
| Street                                       | \$ 957,247                    | \$ 754,804             | \$ 202,443          |
| Library                                      | \$ 1,146,266                  | \$ 1,035,731           | \$ 110,535          |
| Real Estate Excise Tax Fund                  | \$ 570,000                    | \$ 510,000             | \$ 60,000           |
| Lodging Tax                                  | \$ 563,624                    | \$ 432,836             | \$ 130,788          |
| Fire & EMS Service                           | \$ 30,000                     | \$ 15,813              | \$ 14,187           |
| Affordable Housing Fund                      | \$ 74,658                     | \$ 68,188              | \$ 6,470            |
| Community Development Block Grants           | \$ 53,000                     | \$ 11,311              | \$ 41,689           |
| Community Services                           | \$ 2,231,920                  | \$ 1,779,590           | \$ 452,330          |
| GO Debt Service                              | \$ 5,370,901                  | \$ 4,463,139           | \$ 907,762          |
| General Capital Improvement Funds            | \$ 3,127,968                  | \$ 1,413,141           | \$ 1,714,827        |
| Water/Sewer Utility Funds                    | \$ 12,843,184                 | \$ 11,382,932          | \$ 1,460,252        |
| Storm water Operations & Storm Capital Funds | \$ 2,873,091                  | \$ 1,562,984           | \$ 1,310,107        |
| Golf Course Fund                             | \$ 15,714                     | \$ 12,903              | \$ 2,811            |
| Equipment Rental                             | \$ 1,356,116                  | \$ 1,185,183           | \$ 170,932          |
| Public Work & Admin                          | \$ 598,134                    | \$ 472,945             | \$ 125,189          |
| Engineering Service Fund                     | \$ 819,403                    | \$ 732,983             | \$ 86,420           |
| Unemployment Self Insurance                  | \$ 100,000                    | \$ 72,492              | \$ 27,508           |
| <b>TOTAL</b>                                 | <b>\$ 43,144,881</b>          | <b>\$ 35,521,155</b>   | <b>\$ 7,623,726</b> |

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Deposits and investments by type at December 31, 2020 are as follows:

| <u>Type of Deposit or Investment</u> | <u>City's own deposits<br/>and investments</u> | <u>Deposits and investments<br/>held by the city as a<br/>custodian for other<br/>governments or<br/>organization</u> | <u>Total</u>         |
|--------------------------------------|--|---|----------------------|
| Bank Deposits                        | \$ 4,048,244                                   | \$ 79,919   | \$ 4,128,163         |
| Certificates of Deposit              | -  |   | -                    |
| Local Government Investment Pool     | 7,739,454                                      | 197,498   | 7,936,952            |
| U.S. Government Securities           | 2,557,510                                      |   | 2,557,510            |
| <b>Total</b>                         | <b>\$ 14,345,208</b>                           | <b>\$ 277,417</b>   | <b>\$ 14,622,625</b> |

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 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 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](http://www.tre.wa.gov).

#### Investments in U.S. Government Securities

The city has invested a portion of the water and sewer utility funds in U.S. Government Securities at U.S. Bank, administered by ProEquities Inc., which is registered with the U.S. Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). ProEquities Inc. is subject to the regulations and rules on municipal securities established by the SEC and MSRB. U.S. Government Securities are reported at original cost. The weighted average maturity of these securities is 2.27 years.

#### 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 are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

#### **NOTE 4 – PROPERTY TAXES**

The Jefferson County Treasurer acts as agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the total collected surpasses \$10,000; with any balance left over distributed at month-end.

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 when taxes are levied.

The city's regular levy for 2020 was \$0.79919 per \$1,000 on assessed valuation of \$1,864,397,348 for a total regular levy of \$1,490,000.

A Library LID lift was approved by voters in 2008 to be initially phased in over 2009-2011. For 2020 the library levy was \$0.59809 per \$1,000 on assessed valuation of \$1,864,397,348 for a total levy of \$1,115,084.

In 2015, voters approved a tax levy for improvements to the Mountain View Commons. The tax levy pays for the debt service on the bonds issued to make these improvements. The levy rate for 2020 was \$0.08205 per \$1,000 on assessed valuation of \$1,828,212,199 for a total levy of \$149,999.

On February 12, 2019, the voters of Port Townsend and those in the East Jefferson Fire Rescue district approved the annexation of the City of Port Townsend into Fire Protection District No. 1, with voter approval at 69.28% and 67.74%, respectively. Prior to annexation the City's fire services were funded through a Fire levy lid lift and a contribution of approximately \$908,000 from the City's General Fund. The City also had an EMS Levy that had been in place since 2010 to fund emergency response and transport services. With annexation starting in 2019 for the 2020 tax year, the City no longer have the separate Fire and EMS levies. The City retains its full regular property tax authority.

The City Council has put in place a means to limit its authority to levy the full regular property tax levy for a period of four years. While the City Council cannot bind a future Council forever from doing its duties, it can limit what a future Council can do for a limited period of time. In this case, the Council has adopted an enforceable policy that limits the Council's tax authority. Resolution 18-052 provides that the City will not assess any of the \$908,000 in 2020. Thereafter starting in 2021 through 2023 the Council will have limited authority as provided for by the policy. The policy requires that any amount of the \$908,000 be phased in at a rate not to exceed 33% per each year starting in 2021. Further, it restricts what the money can be used for as outlined in the adopted policy.

The City's policy also has a transparency provision that includes enhanced public notice and public process. In addition to the regular public process for the annual property tax levy actions by the City Council, the policy requires a separate public notice and process starting in June of preceding year for

the City Council to consider using any of the \$908,000 starting in 2021 through 2023 (note there was no levy allowed in 2020). In June of each year, the City Manager is required to submit a proposal regarding any decision to use any of the \$908,000. This will include whether to levy nothing at all or any portion thereof consistent with the annual policy limits. The City Manager shall also include the proposed use of the taxes to City Council. It is up to the City Council to accept or modify the City Manager’s proposal. The City Council prior to acting shall announce its intentions and provide an enhanced public notice of its intent. Based upon the City Council’s findings, following public input, the City Council will instruct the City Manager to include within the budget to be submitted for the following year their recommendation as it relates to the \$908,000. This can also include a recommendation to not levy any of the \$908,000. The City Council decided not to levy any of the \$908,000 for 2021 taxes.

**NOTE 5 – LONG-TERM DEBT**

The accompanying Schedule of Liabilities (Schedule 09) provides a more details of the outstanding debt and liabilities of the city and summarizes the City of Port Townsend’s debt transactions for year ended December 31, 2020.

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

| <b>DEBT SERVICE SCHEDULE</b> |                     |                    |                           |
|------------------------------|---------------------|--------------------|---------------------------|
| <b>Year</b>                  | <b>Principal</b>    | <b>Interest</b>    | <b>Total Debt Service</b> |
| 2021                         | \$1,870,594         | \$858,061          | \$2,728,655               |
| 2022                         | \$2,383,149         | \$818,201          | \$3,201,351               |
| 2023                         | \$2,317,778         | \$778,804          | \$3,096,581               |
| 2024                         | \$2,353,822         | \$735,344          | \$3,089,166               |
| 2025                         | \$2,338,678         | \$689,960          | \$3,028,638               |
| 2026-2030                    | \$12,340,441        | \$2,684,971        | \$15,025,411              |
| 2031-2035                    | \$11,086,025        | \$1,189,549        | \$12,275,574              |
| 2036-2040                    | \$2,304,074         | \$119,753          | \$2,423,826               |
| 2041-2045                    | \$6,365             | \$64               | \$6,429                   |
| <b>Total</b>                 | <b>\$37,000,925</b> | <b>\$7,874,706</b> | <b>\$44,875,631</b>       |

A. Debt Forgiveness

On October 28, 2020, the City executed a Release Agreement with Homeward Bound, a Washington



non-profit corporation. The agreement released Homeward Bound of all their obligations, including repaying the City the principal amount of \$834,000 under a Promissory Note dated December 10, 2018 related to constructing and owning eight low-income rental housing units, which the City provided funding through a 2018 bond issuance. The Release Agreement also transferred all the rights, title, and interest of the associated property to the City.

B. Debt Refunding

In November 2020, the City issued a Limited Tax General Obligation and Refunding Bond in the principal amount of \$3,658,350. The proceeds were used to refund the \$2,740,000 of outstanding 2010 Limited Tax General Obligation Bonds, to repay \$870,000 on the outstanding 2019 Limited Tax General Obligation Bond Anticipation Note, to financial capital improvements, and to pay the costs to issue the bond. The new issuance was directly placed with Kitsap Bank of Port Orchard, WA. The refunding was undertaken to reduce total debt service payments over the next 10 years by \$555,947.

C. Debt Issuance

In November 2020, the City issued a Water and Sewer Revenue Bond in the principal amount of \$1,914,980. The proceeds were used to pay part of the cost of constructing water system improvements, to repay \$1,862,500 on the outstanding 2016 Water and Sewer Revenue Bond Anticipation Note, and to pay the costs to issue the bond. The new issuance was directly placed with Kitsap Bank of Port Orchard, WA. The bond matures on 12/1/2040 and carries an average interest rate of 2.16%.

**NOTE 6 – PENSION PLANS**

A. State Sponsored Plans

Substantially all city full-time and qualifying part-time employees participated in Public Employee’s Retirement System (PERS), Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Volunteer Firemen Relief and Pension Fund, Firemen’s Pension and Relief Fund administered by Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution employee retirement plans. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

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

Also, the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2020 (the measurement date of the plans), the city’s proportionate share of the collective *net pension liabilities*, as reported on Schedule of Liabilities, was as follows:

|   | Employer Contributions | Allocation % | Liability (Asset) |
|---|------------------------|--------------|-------------------|
| PERS 1                                      | \$ -                   | 0.000000%    | \$ -              |
| PERS 1 UAAL                                 | \$ 264,599             | 0.036509%    | \$ 1,288,965      |
| PERS 2 / 3                                  | \$ 437,932             | 0.047538%    | \$ 607,984        |
|   |                        |              |                   |
| <i>Total Net Pension Liability (Sch 09)</i> |                        |              | \$ 1,896,949      |

|                           | Employer Contributions | Allocation % | Liability (Asset) |
|---------------------------|------------------------|--------------|-------------------|
| LEOFF 1                   | \$ -                   | 0.012602%    | \$ (237,990)      |
| LEOFF 2                   | \$ 68,322              | 0.034926%    | \$ (712,439)      |
| <i>Net pension Assets</i> |                        |              | \$ (950,429)      |

**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 recommendation 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.

#### B. Firemen's Pension Trust Fund/Plan

**Plan Description.** The City is the administrator of the Firemen's Pension Fund/Plan which is closed, single-employer, defined benefit pension plan that was established in conformance with the Revised Code of Washington (RCW) Chapters 41.16, 41.18 and 41.20. The plan is limited to full-time and fully compensated firefighters who were hired prior to the establishment of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) on March 1, 1970.

Through the LEOFF Act, the State undertook to provide the bulk of police and fire pensions; however, the municipalities continue to be responsible for all or part of pension benefits for employees hired before March 1, 1970. Firefighters hired before, but not retired on March 1, 1970, received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City. The City also pays the customary and reasonable cost of necessary medical expenses of the retiree for life.

Pre-LEOFF supplemental pension payments are based upon formulas using the City's current compensation levels attached to the employee's rank at retirement. In the event the pension paid by the State falls short of what the retiree should receive based upon the formula, the City pays the difference. Should the retiree receive more from the State than would result from the application of the formula, no adjustments or paybacks are requested. The system/plan is shown as a trust fund in the financial statement of the City.

As of December 31, 2020, membership consisted of one (1) pre-LEOFF firefighter retirees.

**Funding Policy.** Under the State law, the Firefighter's Pension Plan is funded from regular property tax levies at \$0.225 per \$1,000 assessed valuation, interest earnings, and City contributions required to meet projected future pension obligations.

All costs associated with the pre-LEOFF firefighter retirees are accounted for in the Firemen's Pension Trust Fund.

In 2020, the Firemen's Pension Trust Fund received a total of \$35,446 contributions as follows:

|   | <u>2020</u> |
|---|-------------|
| <b>Contributions:</b>                         |             |
| Contribution from General Fund – Property Tax | \$ 34,235   |

|                     |                  |
|---------------------|------------------|
| Investment Interest | <u>1,211</u>     |
| Total Funding       | <u>\$ 35,446</u> |

A formal actuarial valuation study has not been done in recent years; however, based on the supplemental pension benefits paid over the last ten years coupled with consideration of the ages of the remaining plan members, the estimated funding requirements for future supplemental pension benefits as of December 31, 2020 is estimated at \$1,247. This future pension obligation amount is not reported on the Schedule of Liabilities, as the Firemen’s Pension Fund/Plan has net pension asset as illustrated below.

The total cash and investment balance in the Firemen’s Pension Fund as of December 31, 2020 is \$277,705.

City of Port Townsend Firemen’s Pension Trust Fund Assets (Liabilities)  
As of December 31, 2020

|  |                   |
|--|-------------------|
|  | <u>2020</u>       |
| Total Fund Asset (Cash & Investments)                  | \$ 277,705        |
| Less Estimated Future Supplemental Pension Obligations | <u>(1,247)</u>    |
| Net Fund Asset Available for Costs of Medical Benefits | <u>\$ 276,458</u> |

C. Defined Contribution Pension Plans

The Revised Code of Washington (RCW) chapter 41.50.770 authorizes all local governments to establish deferred compensation plans for the benefits of their employees in conformity with the requirements of Section 457 or Section 401(a) of the Internal Revenue Code.

The city offers employees the option to contribute to either a deferred compensation plan administered by the Washington Department of Retirement Systems (DRS) or one administered by the International City/County Management Association (ICMA).

The city makes 50% matching contributions up to 4% of an employee’s base salary for those in the Police Officer’s Union. The city also makes a matching contribution up to 5% of City Councilmembers’ compensation.

In 2020, the city contributed \$24,745 in matching contributions to employee’s deferred compensation plans.

**NOTE 7 – RISK MANAGEMENT**

The City of Port Townsend is a member of the Washington Cities Insurance Authority (WCIA). Utilizing

Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

## **NOTE 9 – INTERFUND LOANS**

In 2019, the City Council authorized, through Resolution 19-093 on December 2, 2019, an interfund loan from the Transmission Line Replacement Fund to the Community Services Fund regarding resolution 19-054 on June 13, 2019 authorizing a contract with BERK Consulting, Inc. to develop a parks, recreation, and open space (PROS) plan for the City of Port Townsend. This interfund loan will be repaid by future appropriations to the Community Services Fund, no later than December 31, 2022. This is the only outstanding interfund loan as of December 31, 2020.

| <b>Loan Reference</b> | <b>Borrowing Fund</b>   | <b>Lending Fund</b>     | <b>Balance<br/>1/1/2020</b> | <b>New Loans</b> | <b>Repayments</b> | <b>Balance<br/>12/31/2020</b> |
|-----------------------|-------------------------|-------------------------|-----------------------------|------------------|-------------------|-------------------------------|
| Parks PROS Plan       | Community Services Fund | Transmission Line (417) | \$ 90,000                   | \$ -             | \$ 30,000         | \$ 60,000                     |
|                       |                         | <b>TOTAL</b>            | <b>\$ 90,000</b>            | <b>\$ -</b>      | <b>\$ 30,000</b>  | <b>\$ 60,000</b>              |

**NOTE 10 – SELF INSURANCE**

The City of Port Townsend self-insures for unemployment through the State of Washington’s Employment Security Department. When a former employee files for and obtains unemployment coverage with the State of Washington, the City of Port Townsend is direct-billed their portion of the unemployment benefit costs.

In 2013, the City of Port Townsend established an Unemployment Self Insurance Fund. As of December 31, 2020, the fund had a balance of \$25,590 as compared to the prior year ending Fund balance of \$25,474.

**NOTE 11 – MANAGEMENT FUNDS**

To assist in managing the City of Port Townsend’s finances, the city has established management funds for accounting purposes. The management fund activities are rolled into one fund for reporting purposes.

The following funds include managerial fund activity that is reported in one fund:

- Water and Sewer Utility Fund
- Storm Utility Fund
- General Government Capital Improvement Project Fund

**NOTE 12 – OTHER POST EMPLOYMENT BENEFITS**

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, 2020, the plan had seven members, all retirees. As of December 31, 2020, the city’s total OPEB liability was \$3,197,793, as calculated using the alternative measurement method. For the year ended December 31, 2020, the city paid \$48,064 in benefits.

**NOTE 13 – CONSTRUCTION COMMITMENT**

The City of Port Townsend has active construction project as of December 31, 2020. Total construction commitment as of the end of the year totaled \$816,455. A summary table of those commitments is below:

| TABLE OF CONSTRUCTION COMMITMENTS - 2020 |                     |               |                    |                  |                    |
|--|---------------------|---------------|--------------------|------------------|--------------------|
| PROJECT                                  | CONTRACTOR          | PROJECT PHASE | CONTRACT AMOUNT    | PAID TO DATE     | REMAINING CONTRACT |
| Rainier Regional Stormwater Facility     | AHBL                | Construction  | 282,535            | 268,615          | 13,920             |
| Rainier Regional Stormwater Facility     | Van Aller Surveying | Construction  | 11,084             | 7,360            | 3,724              |
| Rainier Regional Stormwater Facility     | Krazan & Associates | Construction  | 18,059             | -                | 18,059             |
| Rainier Regional Stormwater Facility     | Seton Construction  | Construction  | 633,089            | 135,604          | 497,485            |
| Sewer Outfall Replacement                | CH2MHill Engineers  | Design        | 544,727            | 389,251          | 155,476            |
| Gaines Street Pump Station               | CH2MHill Engineers  | Design        | 145,651            | 82,480           | 63,171             |
| Discovery Road Bike-Ped                  | SCJ, Inc.           | Design        | 159,978            | 95,358           | 64,620             |
|  |                     | <b>TOTAL</b>  | <b>\$1,795,123</b> | <b>\$978,668</b> | <b>\$816,455</b>   |

**NOTE 14 – HEALTH & WELFARE**

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

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

As of December 31, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington)



are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

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

#### **NOTE 15 – COMPONENT UNIT(S), JOINT VENTURES, AND RELATED PARTIES**

The Fort Worden Public Development Authority (The Authority) was established by Ordinance 3108 enacted by the City on September 8, 2009. That Ordinance adopted the Authority's Charter, granting it the power to manage, promote, develop, secure funding, and enhance the Fort Worden State Park



including undertaking, assisting with, and otherwise facilitating the implementation of a Lifelong Learning Center at the Park.

The Authority is a public corporation authorized under the provisions of RCW 35.21.735 – 35.21.759. It is a separate legal entity that is independent from the City. RCW 35.21.750 provides that “...liabilities incurred by such public corporation, commission, or authority shall be satisfied exclusively from the assets and properties of such public corporation, commission, or authority and no creditor or other person shall have any right of action against the city, town, or county creating such corporation, commission or authority on account of any debts, obligations, or liabilities of such public corporation, commission, or authority.”

The Authority is governed by a Board of Directors. A nominating committee of the Authority solicits, reviews and recommends Board Members. As the Chartering Agency, the City appoints Board Members. The City Council also can remove Board members by resolution. The Authority maintains independent financial reports. Financial reports are provided annually to the City Manager and City Council and an independent audit is required annually.

In 2020, the City provided \$25,000 of support to the Authority from the Lodging Tax Fund (approved by the Lodging Tax Advisory Committee and the City Manager) to fund joint marketing of the Fort Worden Lifelong Learning Center and the City of Port Townsend.

#### **NOTE 16 – COVID-19 PANDEMIC**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In 2020, the city experienced reductions in revenues; however, these reductions were mostly offset by the actions taken by management in instituting temporary furloughs, hiring freezes of certain positions and budget reductions in discretionary spending. State and Federal funding has also become available to assist local governments with this emergency.

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

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

| <u>ID. No.</u>  | <u>Description</u>                       | <u>Due Date</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|--|-----------------|--------------------------|------------------|-------------------|-----------------------|
| <b>General Obligation Debt/Liabilities</b>                  |  |                 |                          |                  |                   |                       |
| 251.11  | 2012 Refunding Bond                      | 12/1/2025       | 1,660,000                | -                | 525,000           | 1,135,000             |
| 251.22  | 2015 Bond                                | 12/1/2031       | 2,640,000                | -                | 200,000           | 2,440,000             |
| 251.11  | 2017a Non-Taxable Bond (Refunding Bond)  | 12/1/2035       | 9,155,000                | -                | -                 | 9,155,000             |
| 251.11  | 2017b Taxable Bond (Refunding Bond)      | 12/1/2025       | 1,060,000                | -                | -                 | 1,060,000             |
| 251.11  | 2018 Taxable Bond                        | 5/22/2040       | 808,104                  | -                | 27,035            | 781,069               |
| 251.11  | 2020 Bond                                | 12/1/2040       | 3,658,350                | -                | 301,450           | 3,356,900             |
| <b>Total General Obligation Debt/Liabilities:</b>           |  |                 | <b>18,981,454</b>        | <b>-</b>         | <b>1,053,485</b>  | <b>17,927,969</b>     |
| <b>Revenue and Other (non G.O.) Debt/Liabilities</b>        |  |                 |                          |                  |                   |                       |
| 263.88  | 2001 PWTF Loan Sewer (WW Outfall)        | 6/1/2021        | 55,276                   | -                | 55,276            | -                     |
| 263.88  | 2002 PWTF Loan Water (Morgan Hill)       | 6/1/2022        | 133,404                  | -                | 66,702            | 66,702                |
| 263.82  | 2002 SRF DOE Wastewater                  | 9/8/2024        | 196,950                  | -                | 55,992            | 140,958               |
| 263.88  | 2012 PWTF Loan City Lake                 | 6/1/2031        | 578,947                  | -                | 52,632            | 526,315               |
| 263.82  | 2012 DWSRF (LT2)                         | 10/1/2036       | 2,472,911                | -                | 154,557           | 2,318,354             |
| 263.88  | 2012 PWTF Loan (LT2 )                    | 6/1/2031        | 1,231,135                | -                | 111,921           | 1,119,214             |
| 263.88  | 2013 PWTF Loan UV Disinfection           | 6/1/2032        | 2,957,571                | -                | 246,464           | 2,711,107             |
| 263.88  | 2013 PWTF Loan 5MG Reservoir             | 6/1/2032        | 900,750                  | -                | 75,062            | 825,688               |
| 263.82  | 2014 DWSRF Loan 5 MG Reservoir           | 10/1/2037       | 3,765,189                | -                | 221,482           | 3,543,707             |
| 263.82  | 2015 DWSRF LT2 Loan - Wtr Trmnt Facility | 10/1/2037       | 3,006,684                | -                | 176,864           | 2,829,820             |
| 263.82  | 2017 DOE Wastewater Loan*                | 1/31/2041       | 210,126                  | -                | -                 | 210,126               |
| 263.84  | 2015 CERB Loan                           | 7/31/2038       | 595,548                  | 523,460          | 47,791            | 1,071,217             |
| 252.11  | 2020 Revenue Bond                        | 12/1/2040       | 1,914,980                | -                | 80,180            | 1,834,800             |
| 259.12  | Compensated Absences                     |                 | 521,486                  | 562,215          | 643,866           | 439,835               |
| 264.30  | Net Pension Liability                    |                 | 1,896,949                | -                | 1,482,316         | 414,633               |
| 264.40  | OPEB Liabilities                         |                 | 3,197,793                | 267,378          | 178,077           | 3,287,094             |
| <b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b> |  |                 | <b>23,635,699</b>        | <b>1,353,053</b> | <b>3,649,182</b>  | <b>21,339,570</b>     |
| <b>Total Liabilities:</b>                                   |  |                 | <b>42,617,153</b>        | <b>1,353,053</b> | <b>4,702,667</b>  | <b>39,267,539</b>     |

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

| <u>ID. No.</u>  | <u>Description</u>   | <u>Due Date</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|--|-----------------|--------------------------|------------------|-------------------|-----------------------|
| <b>General Obligation Debt/Liabilities</b>                  |  |                 |                          |                  |                   |                       |
| 251.11  | 2010 Bond  | 12/1/2030       | 2,950,000                | -                | 2,950,000         | -                     |
| 251.11  | 2012 Refunding Bond  | 12/1/2025       | 2,175,000                | -                | 515,000           | 1,660,000             |
| 251.22  | 2015 Bond  | 12/1/2031       | 2,835,000                | -                | 195,000           | 2,640,000             |
| 251.11  | 2017a Non-Taxable Bond (Refunding Bond)                            | 12/1/2035       | 9,155,000                | -                | -                 | 9,155,000             |
| 251.11  | 2017b Taxable Bond (Refunding Bond)                                | 12/1/2025       | 1,060,000                | -                | -                 | 1,060,000             |
| 251.11  | 2018 Taxable Bond  | 5/22/2040       | 834,000                  | -                | 25,896            | 808,104               |
| 251.11  | 2020 Bond  | 12/1/2040       | -                        | 3,658,350        | -                 | 3,658,350             |
| <b>Total General Obligation Debt/Liabilities:</b>           |  |                 | <b>19,009,000</b>        | <b>3,658,350</b> | <b>3,685,896</b>  | <b>18,981,454</b>     |
| <b>Revenue and Other (non G.O.) Debt/Liabilities</b>        |  |                 |                          |                  |                   |                       |
| 263.62  | 2019 BAN Line of Credit (Formerly 2014 BAN)                        | 6/1/2021        | 870,000                  | -                | 870,000           | -                     |
| 263.62  | 2016 Utility Capital Revenue Bond Anticipation Note Line of Credit | 3/1/2021        | 1,862,500                | -                | 1,862,500         | -                     |
| 263.88  | 2001 PWTF Loan Sewer (WW Outfall)                                  | 6/1/2021        | 110,553                  | -                | 55,277            | 55,276                |
| 263.88  | 2002 PWTF Loan Water (Morgan Hill)                                 | 6/1/2022        | 200,105                  | -                | 66,701            | 133,404               |
| 263.82  | 2002 SRF DOE Wastewater  | 9/8/2024        | 244,288                  | -                | 47,338            | 196,950               |
| 263.88  | 2012 PWTF Loan City Lake   | 6/1/2031        | 631,578                  | -                | 52,631            | 578,947               |
| 263.82  | 2012 DWSRF (LT2)   | 10/1/2036       | 2,627,468                | -                | 154,557           | 2,472,911             |
| 263.88  | 2012 PWTF Loan (LT2 )  | 6/1/2031        | 1,343,057                | -                | 111,922           | 1,231,135             |
| 263.88  | 2013 PWTF Loan UV Disinfection                                     | 6/1/2032        | 3,204,035                | -                | 246,464           | 2,957,571             |
| 263.88  | 2013 PWTF Loan 5MG Reservoir                                       | 6/1/2032        | 975,813                  | -                | 75,063            | 900,750               |
| 263.82  | 2014 DWSRF Loan 5 MG Reservoir                                     | 10/1/2037       | 3,986,670                | -                | 221,481           | 3,765,189             |
| 263.82  | 2015 DWSRF LT2 Loan - Wtr Trmnt Facility                           | 10/1/2037       | 3,183,547                | -                | 176,863           | 3,006,684             |
| 263.82  | 2017 DOE Wastewater Loan   | 1/31/2041       | 225,091                  | 189,035          | 204,000           | 210,126               |
| 263.84  | 2015 CERB Loan   | 7/31/2038       | 489,860                  | 152,087          | 46,399            | 595,548               |
| 252.11  | 2020 Revenue Bond  | 12/1/2040       | -                        | 1,914,980        | -                 | 1,914,980             |
| 259.12  | Compensated Absences   |                 | 473,073                  | 568,853          | 520,440           | 521,486               |
| 264.30  | Net Pension Liability  |                 | 2,046,363                | 770,854          | 920,268           | 1,896,949             |
| 264.40  | OPEB Liabilities   |                 | 2,771,711                | 589,207          | 163,125           | 3,197,793             |
| <b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b> |  |                 | <b>25,245,712</b>        | <b>4,185,016</b> | <b>5,795,029</b>  | <b>23,635,699</b>     |
| <b>Total Liabilities:</b>                                   |  |                 | <b>44,254,712</b>        | <b>7,843,366</b> | <b>9,480,925</b>  | <b>42,617,153</b>     |

## 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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