

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**City of Deer Park**  
**Spokane County**

Audit Period  
**January 1, 2013 through December 31, 2013**

**Report No. 1012247**

Issue Date  
**July 21, 2014**



**Washington State Auditor**  
**Troy Kelley**

Independence • Respect • Integrity



## Washington State Auditor Troy Kelley

July 21, 2014

Mayor and City Council  
City of Deer Park  
Deer Park, Washington

### *Report on Financial Statements and Federal Single Audit*

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

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

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

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Spokane County  
January 1, 2013 through December 31, 2013**

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# Federal Summary

## City of Deer Park Spokane County January 1, 2013 through December 31, 2013

The results of our audit of the City of Deer Park are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

#### ***Internal Control Over Financial Reporting:***

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

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

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

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

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City qualified as a low-risk auditee under OMB Circular A-133.

# **Independent Auditor's 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 Deer Park  
Spokane County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Deer Park  
Deer Park, 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 Deer Park, Spokane County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated June 24, 2014.

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 or permitted by Washington State statutes 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.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

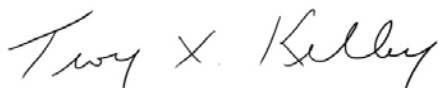
## ***COMPLIANCE AND OTHER MATTERS***

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

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

## ***PURPOSE OF THIS REPORT***

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



**TROY KELLEY**  
STATE AUDITOR

June 24, 2014

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**City of Deer Park  
Spokane County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Deer Park  
Deer Park, Washington

## ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of the City of Deer Park, Spokane County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

June 24, 2014

# **Independent Auditor's Report on Financial Statements**

## **City of Deer Park Spokane County January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Deer Park  
Deer Park, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the City of Deer Park, Spokane County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

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

### ***Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)***

As described in Note 1, the City of Deer Park has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Deer Park, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

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

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

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Deer Park, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

### ***Other Matters***

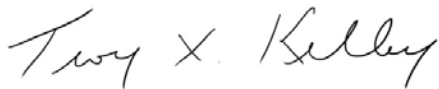
#### ***Supplementary and Other Information***

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

June 24, 2014

## **Financial Section**

**City of Deer Park  
Spokane County  
January 1, 2013 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013  
Notes to the Financial Statements – 2013

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2013  
Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	101 Street Fund	106 Civic Improvement Fund
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	381,831	0	0	18,353
30880	Beg Fund Bal-Unreserved	3,321,017	315,609	213,352	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	1,647,032	1,416,656	221,899	8,477
320	Licenses & Permits	90,226	90,226	0	0
330	Intergovernmental Revenues	2,035,861	56,130	824,625	0
340	Charges for Goods and Services	2,001,975	53,124	2,800	0
350	Fines & Penalties	45,241	17,504	0	0
360	Miscellaneous Revenues	529,374	78,429	3,815	37
<b>Total Operating Revenues:</b>		<b>6,349,709</b>	<b>1,712,070</b>	<b>1,053,139</b>	<b>8,514</b>
<b>Operating Expenditures</b>					
510	General Government	396,888	396,888	0	0
520	Public Safety	469,726	469,726	0	0
530	Utilities	842,086	28,071	0	0
540	Transportation	1,162,241	0	446,462	0
550	Natural and Economic Environment	113,125	108,850	0	2,808
560	Social Services	17,884	17,884	0	0
570	Culture And Recreation	242,098	207,508	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>3,244,048</b>	<b>1,228,929</b>	<b>446,462</b>	<b>2,808</b>
<b>Net Operating Increase (Decrease):</b>		<b>3,105,661</b>	<b>483,143</b>	<b>606,677</b>	<b>5,706</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	240,386	8,178	207	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	665,132	0	200,000	0
<b>Total Nonoperating Revenues:</b>		<b>905,518</b>	<b>8,178</b>	<b>200,207</b>	
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	322,011	11,202	207	0
591-593	Debt Service	521,653	0	0	0
594-595	Capital Expenditures	2,332,094	20,569	760,978	0
597	Transfers-Out	665,132	457,361	134,325	0
<b>Total Nonoperating Expenditures:</b>		<b>3,840,891</b>	<b>489,132</b>	<b>895,510</b>	
<b>Increase (Decrease) in Cash and Investments</b>		<b>170,288</b>	<b>2,188</b>	<b>-88,626</b>	<b>5,706</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	490,525	0	102,987	24,059
50880	End Fund Balance-Unreserved	3,382,612	317,796	21,738	0

The accompanying notes are an integral part of this Statement.

BARS Code		400 Water Operations Fund	401 Wastewater Operations Fund	406 Golf Course	411 Art Commission Fund
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	32,258	331,220	0	0
30880	Beg Fund Bal-Unreserved	722,728	1,198,205	71,528	28,911
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	719,012	0	0
340	Charges for Goods and Services	666,156	974,615	0	2,200
350	Fines & Penalties	27,737	0	0	0
360	Miscellaneous Revenues	69,320	6,104	71,788	46
<b>Total Operating Revenues:</b>		<b>763,212</b>	<b>1,699,731</b>	<b>71,788</b>	<b>2,246</b>
<b>Operating Expenditures</b>					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	361,577	452,438	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	26,888	7,701
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>361,577</b>	<b>452,438</b>	<b>26,888</b>	<b>7,701</b>
<b>Net Operating Increase (Decrease):</b>		<b>401,636</b>	<b>1,247,293</b>	<b>44,900</b>	<b>-5,455</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	85,921	131,877	3,852	1,520
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	217,651	0
<b>Total Nonoperating Revenues:</b>		<b>85,921</b>	<b>131,877</b>	<b>221,503</b>	<b>1,520</b>
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	36,611	20,334	221,503	1,320
591-593	Debt Service	216,172	305,482	0	0
594-595	Capital Expenditures	69,817	1,056,072	0	0
597	Transfers-Out	36,473	36,473	0	0
<b>Total Nonoperating Expenditures:</b>		<b>359,073</b>	<b>1,418,361</b>	<b>221,503</b>	<b>1,320</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>128,484</b>	<b>-39,191</b>	<b>44,900</b>	<b>-5,255</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	32,258	331,220	0	0
50880	End Fund Balance-Unreserved	851,211	1,159,014	116,428	23,657

The accompanying notes are an integral part of this Statement.



BARS Code		415 Airport Fund	501 Equipment Rental Fund	505 Equip Replacement Reserve
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	-91,157	64,081	797,761
38800/58800	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	436,093	0	0
340	Charges for Goods and Services	303,080	0	0
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	286,726	400	12,709
Total Operating Revenues:		1,025,899	400	12,709
Operating Expenditures				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Utilities	0	0	0
540	Transportation	593,375	122,404	0
550	Natural and Economic Environment	1,466	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		594,841	122,404	
Net Operating Increase (Decrease):		431,058	-122,004	12,709
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	8,831	0	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	1,000	108,500	137,981
Total Nonoperating Revenues:		9,831	108,500	137,981
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	30,834	0	0
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	205,409	0	219,249
597	Transfers-Out	500	0	0
Total Nonoperating Expenditures:		236,743		219,249
Increase (Decrease) in Cash and Investments		204,146	-13,504	-68,559
Ending Cash and Investments				
50810	End Fund Bal-Reserved	0	0	0
50880	End Fund Balance-Unreserved	112,989	50,577	729,202

The accompanying notes are an integral part of this Statement.

## FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	602 Cable T.V. Trust Fund	631 Agency Funds	632 Municipal Court Suspense Fund
308	Beginning Cash and Investments	4,295	3,000	1,190	105
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	0	0	0	0
380-390	Other Increases and Financing Sources	977	0	977	0
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	325	0	325	0
Increase (Decrease) in Cash and Investments		652	0	652	0
508	Ending Cash and Investments	4,947	3,000	1,842	105

The accompanying notes are an integral part of this Statement.

**CITY OF DEER PARK**  
**Notes to the Financial Statements**  
**January 1, 2013 Through December 31, 2013**

**Note 1 - Summary of Significant Accounting Policies**

The City of Deer Park reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Deer Park was incorporated on June 24, 1908 and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City of Deer Park is a general purpose government and provides public and social services, water, sewer, and general administrative services. The City of Deer Park uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. Fund Accounting**

The accounts of the City of Deer Park are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Deer Park's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Deer Park:

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund**

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

**Special Revenue Funds**

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

**Debt Service Funds**

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

**Capital Projects Funds**

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

**PROPRIETARY FUND TYPES:**

**Enterprise Funds**

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

**Internal Service Funds**

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

## FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Deer Park in a trustee capacity or as an agent on behalf of others.

### Agency Funds

These funds are used to account assets that the City of Deer Park holds for others in an agency capacity.

## B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## C. Budgets

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$1,736,375.00	\$1,697,491.55	\$38,883.45
General Reserve Fund	\$0.00	\$0.00	\$0.00
Street Fund	\$621,736.00	\$580,993.99	\$40,742.01
Arterial Street Fund	\$1,300,687.00	\$760,978.45	\$539,708.55
Facility Capital Improve	\$40,000.00	\$8,151.05	\$31,848.95
Capital Improvement	\$15,600.00	\$12,417.72	\$3,182.28
Civic Improvement	\$2,900.00	\$2,808.04	\$91.96
Airport Maint. Reserve	\$0.00	\$0.00	\$0.00
GO Bond Fund	\$0.00	\$0.00	\$0.00
Arts Commission Fund	\$12,135.00	\$9,021.23	\$3,113.77
Water Fund	\$732,587.00	\$700,833.34	\$31,753.66
Wastewater Fund	\$827,297.00	\$813,487.26	\$13,809.74
Wastewater Loan Fund	\$305,482.00	\$305,481.52	\$.48
Water Improve. Fund	\$79,000.00	\$69,817.09	\$9,182.91
W/W Improve. Fund	\$1,110,000.00	\$1,057,829.49	\$52,170.51
Golf Course Fund	\$254,303.00	\$248,391.14	\$5,911.86
Airport Fund	\$566,196.00	\$551,163.27	\$15,032.73
Airport Grant Fund	\$326,200.00	\$325,421.15	\$778.85
Equip. Rental Fund	\$150,425.00	\$122,403.95	\$28,021.05
Equip Rental Res. Fund	\$219,250.00	\$219,249.05	\$.95

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

Ordinance 2012-918 established the original budget for 2013. The original budget for fund 102, Arterial Streets was \$308,000. Ordinance 2013-926, amending the original budget showed an original budget of \$0 and the amended amount as \$992,687. Due to this error there is a variance between the final budgeted amount per ordinance and the amount reported above for Arterial streets by \$308,000.

In 2010 the City of Deer Park purchased the Deer Park Golf Course at auction. The purchase was paid for with funds from 002 General Reserve Fund in the amount of \$500,000, 305 Capital Improvement Fund \$108,630 and an Interfund Loan from 404 Water Improvement Fund in the amount of \$250,000 and 405 Wastewater Improvement Fund in the amount of \$441,370. This Interfund Loan plus interest was repaid in full by December 31, 2013.

1. In 2012 the U.S. Department of Transportation (DOT) implemented a new department-wide electronic grant payment system: Delphi eInvoicing System. This system will provide a web based standardized portal for grantees to electronically request grant payments and monitor payment status. All airport sponsors, whether they were seeking manual reimbursement, or were previously submitting grant payment requests through Electronic Clearing House Operation (ECHO), will be required to transition to the new system. The City of Deer Park transitioned to Delphi eInvoicing system on November 1, 2012. Along with this transition came a change to the City of Deer Park regarding the final grant payment and requisite 10% sponsor retainage. As a result, the FAA must not approve any payment requests within the final 10% of available grant funds until all sponsor financial closeout documentation is received. This means: The City of Deer Park had to cover the costs of the final 10% until the FAA received the final closeout documentation. This left the Airport Grant Fund's Ending Balance (\$106,532.37) at December 31, 2012. Due to the requirement to roll up fund balances this amount is different than the amount in the financial statements. The City received its' OK to seek reimbursement for final payment in March 2013. Final reimbursement request was submitted on April 3, 2013. On April 5, 2013 the final reimbursement of \$313,194.00 was received leaving an Ending Balance in the Airport Grant Fund of \$4,817.12.

D. Cash

It is the City of Deer Park's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City of Deer Park deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation.

F. Investments See Note 3.

G. Capital Assets

The capital assets of the City of Deer Park are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may be accumulated up to 720 hours. Upon separation or retirement employees do receive payment for unused sick leave.

I. Long-Term Debt See Note 6

J. Other Financing Sources or Uses

Interfund transactions are classified as follows:

Transfers to support the operations of other funds are recorded as “Operating Transfers” and classified with “Other Financing Sources or Uses.”

Non-Revenues and Non-Expenditures

The city’s non-revenues and non-expenditures consist of Interfund loan proceeds and repayments, agency collections and disbursements.

K. Risk Management

The City of Deer Park is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2013, 91 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA pays out of its own funds all claims up to its Self-Insured Retention (SIR) of \$250,000 and, thereafter, purchases liability re-insurance through Berkley Public Entity of \$750,000. For the additional \$9 million in coverage limits, an excess liability policy is purchased from CV Starr. The excess property coverage is purchased through Lexington Insurance Company using the Pool’s broker, Arthur J. Gallagher Risk Management Services. AWC RMSA has a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

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

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

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

#### L. Reserved Fund Balance

The City's Reserved Fund Balances consist of the following:

State Loan Debt Service	\$255,550.00	
\$255,550.00		Fund 403 was designated as the state revolving reserves fund to be used as a reserve for state revolving loan number L9500023 that was obtained to facilitate the wastewater facilities plan improvements program. The loan reserve within this fund shall be equivalent to at least the average annual debt service on the state revolving loan. Fund 403 rolls up to the 401 Wastewater Fund in the final presentation in the financial statements.
Water Debt Service Fund	\$32,258.00	
W/W Rev Debt Svc Fund	\$75,670.00	
		The reserve funds 201 and 202 shall be equivalent to at least the average annual debt service payment. Fund 201 rolls up to fund 400 and fund 202 rolls up to fund 401 in the final presentation in the financial statements.
Arterial Street Fund	\$102,987.40	
\$102,987.40		Arterial Street Fund 102 Impact Fees regulated by RCW82.02.070. Fund 102 rolls up to fund 101 in the final presentation in the financial statements.
Tourism Fund	\$24,059.41	
\$24,059.41		Tourism Fund 106 This amount is Hotel/Motel taxes which is regulated by RCW 67.28
Grand Total Reserved Funds:	\$490,524.81	

#### **Note 3 - Investments**

The City of Deer Park's investments are either insured, registered or held by the City of Deer Park or its agent in the City of Deer Park's name.

Investments are presented at cost.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	<u>City of Deer Park's</u> <b>own investments</b>	<u>Investments held by City of Deer Park Total</u> as an agent for other local governments, individuals or private organizations.	
L.G.I.P.	<u>\$3,481,913.21</u>	\$ _____	<u>\$3,481,913.21</u>
Total	<u>\$3,481,913.21</u>	\$ _____	<u>\$3,481,913.21</u>

#### **Note 4 - Property Tax**

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

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

The City of Deer Park's regular levy for the year 2013 was \$0.9333 per \$1,000 on an assessed valuation of \$244,235,106 for a total regular levy of \$227,945.35.

### Note 5 - Interfund Loans

The following table displays interfund loan activity during 2013:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2013</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2013</u>
406	404	\$ <u>"84,507"</u>	\$ <u>0</u>	\$ <u>"84,50"</u>	\$ <u>0.00</u>
406	405	\$ <u>129,927</u>	\$ <u>0</u>	\$ <u>129,927</u>	\$ <u>0.00</u>
	TOTALS	\$ <u>214,434</u>	\$ <u>0</u>	\$ <u>214,434</u>	\$ <u>0.00</u>

### Note 6 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Deer Park and summarizes the City of Deer Park's debt transactions for year ended December 31, 2013. Regarding the Water Loan Revenue Bond 11/1982's ending balance the actual amount paid in interest and principal varies slightly in minor amounts with the amortization schedule due to the timing (number of days) of the issuance of the statement billing and the lender's subsequent receipt of the check.

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

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2013		\$103,128	\$ 418,525	\$ 521,653
2014		\$100,728	\$ 418,539	\$ 519,267
2015		\$103,328	\$ 418,553	\$ 521,881
2016		\$105,628	\$ 417,693	\$ 523,321
2017		" \$102,553	\$ "416,834	\$ 519,387
2018-2022		\$491,555	\$ 898,218	\$1,389,773
2023-2027		\$ 0.00	\$ 704,851	\$ 704,851
2028-2032			\$ 8,728	\$ 8,728
2033			\$ 1,746	\$ 1,746
	\$ _____			
TOTALS		\$ <u>1,006,920</u>	\$ <u>3,703,687</u>	\$ <u>4,710,607</u>

### Note 7 - Pension Plans

Substantially all City of Deer Park's full-time and qualifying part-time employees participate in the statewide local government retirement system administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Deer Park's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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



**Note 8 - Other Disclosures**

The City of Deer Park's petty cash and change funds do not appear on the 2012 financial statements due to the fact that when they were established there was a check issued to generate the cash but the cash was not deposited back into the financial system. In June 2013 this has been corrected. The Change Funds have been re-deposited back into the financial system and reflected in the 2013 financial statements.

## City of Deer Park

Schedule of Liabilities  
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
Revenue Obligations							
	259.12	Compensated Absences		75,396	3,821	0	79,217
	259.12	Compensted Absences		51,385	3,499	0	54,884
	252.11	Water Loan Revenue Bond	11/30/2022	246,478	0	19,829	226,649
	263.82	DWSRF Rev Debt	10/31/2026	2,406,350	0	171,882	2,234,468
	252.11	Wastewater Rev Bonds	11/30/2022	505,000	0	40,000	465,000
	263.82	Dept. of Ecology L1300008	12/31/2018	234,808	0	0	234,808
	263.82	Dept. of Ecology L13S0007	9/30/2033	25,719	0	0	25,719
	263.82	State Loan Sewer Lagoon	8/31/2017	1,040,058	0	189,922	850,136
Total Revenue Obligations:				4,585,194	7,320	421,633	4,170,881
Total Liabilities:				4,585,194	7,320	421,633	4,170,881

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Office Of Community Planning And Development, Department Of Housing And Urban Development/Spokane County Housing and Community Development	Community Development Block Grants/Entitlement Grants	14.218	12-17	197,958		197,958	2
Federal Aviation Administration (faa), Department Of Transportation/	Airport Improvement Program	20.106	3-53-0022-020		313,194	313,194	2
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	STPR-Z323(003)	590,490		590,490	2
Office Of Water, Environmental Protection Agency/Department of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L13S0007	36,048		36,048	4
Office Of Water, Environmental Protection Agency/Department of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1300008	126,293		126,293	4
Total CFDA 66.458				162,341	0	162,341	
Total Federal Awards Expended:				950,789	313,194	1,263,983	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

CITY OF DEER PARK  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 - BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the City of Deer Park's financial statements. The City of Deer Park uses cash basis of accounting.

**NOTE 2 – PROGRAM COSTS**

The amounts shown as current year expenditures represent only federal grant portion of the program costs. Entire program costs, including the City of Deer Park's portion, may be more than shown.

**NOTE 3 – REVOLVING LOAN – PROGRAM INCOME**

The City of Deer Park does not have a revolving loan program for low income housing. The amount of loan funds disbursed to program participants for the year was \$0.00 and is presented in this schedule. The amount of principal and interest received in loan repayment for the year was \$0.00.

**NOTE 4 – FEDERAL LOANS**

The City of Deer Park received federal loans in 2013. Payment for the federal loans received in 2013 will begin in September and December, 2014. Loans are reported on the City of Deer Park's Schedule of Long Term Debt.

**NOTE 5 – NONCASH AWARDS**

The City received no non-cash federal awards in 2013.

**NOTE 6 – NONCASH AWARDS – EQUIPMENT**

The City of Deer Park did not received equipment and supplies purchased with federal Homeland Security funds by the State of Washington.

**NOTE 7 – INDIRECT COST RATE**

The City received no indirect costs of federal awards in 2013.

**NOTE 8 – AMOUNTS AWARDED TO SUBRECIPIENTS**

The City had no expenditures for any program passed through to a subrecipient.

**NOTE 9 – AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009**

The City had no expenditures funded by ARRA in 2013.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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**Chief of Staff**  
**Director of Performance and State Audit**  
**Director of Local Audit**  
**Deputy Director of State Audit**  
**Deputy Director of Local Audit**  
**Deputy Director of Local Audit**  
**Deputy Director of Performance Audit**  
**Deputy Director of Quality Assurance**  
**Deputy Director of Communications**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Troy Kelley**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Kelly Collins, CPA**  
**Jan M. Jutte, CPA, CGFM**  
**Sadie Armijo**  
**Mark Rapozo, CPA**  
**Lou Adams, CPA**  
**Barb Hinton**  
**Thomas Shapley**  
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