



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Normandy Park

King County

For the period January 1, 2015 through December 31, 2016

Published June 18, 2018

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Office of the Washington State Auditor
Pat McCarthy

June 18, 2018

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

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT 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 Normandy Park
King County
January 1, 2015 through December 31, 2016**

Mayor and City Council
City of Normandy Park
Normandy 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 Normandy Park, King County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated May 14, 2018.

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 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 audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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

Pat McCarthy

State Auditor

Olympia, WA

May 14, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Normandy Park King County January 1, 2015 through December 31, 2016

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Normandy Park, King County, Washington, for the years ended December 31, 2016 and 2015, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Normandy Park, for the years ended December 31, 2016 and 2015, 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 Normandy Park, as of December 31, 2016 and

2015, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. The schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018 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 "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

May 14, 2018

FINANCIAL SECTION

**City of Normandy Park
King County
January 1, 2015 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016
Schedule of Liabilities – 2015

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	202 LTGO Grant Anticipation Note Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	3,794,033	930,641	97,120	8,022
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	3,941,019	3,358,140	86,863	-
320	Licenses and Permits	265,990	244,500	21,490	-
330	Intergovernmental Revenues	336,704	187,595	145,161	-
340	Charges for Goods and Services	1,529,839	674,078	276,500	-
350	Fines and Penalties	50,302	50,302	-	-
360	Miscellaneous Revenues	89,912	59,706	882	32
Total Revenues:		6,213,766	4,574,320	530,896	32
Expenditures					
510	General Government	967,120	967,120	-	-
520	Public Safety	1,415,252	1,415,252	-	-
530	Utilities	371,173	73,812	-	-
540	Transportation	296,730	2,578	294,152	-
550	Natural and Economic Environment	394,306	394,306	-	-
560	Social Services	1,708	1,708	-	-
570	Culture and Recreation	597,932	597,932	-	-
Total Expenditures:		4,044,221	3,452,708	294,152	-
Excess (Deficiency) Revenues over Expenditures:		2,169,545	1,121,613	236,744	32
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	356,000	40,000	100,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	9,412	9,039	373	-
Total Other Increases in Fund Resources:		365,412	49,039	100,373	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	443,260	129,855	-	-
591-593, 599	Debt Service	80,801	-	-	-
597	Transfers-Out	356,000	356,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		880,061	485,855	-	-
Increase (Decrease) in Cash and Investments:		1,654,896	684,797	337,117	32
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	5,449,079	1,615,587	434,237	8,055
Total Ending Cash and Investments		5,449,079	1,615,587	434,237	8,055

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		203 Debt Service Fund	204 Debt Service 2013	320 Capital Improvement Fund	402 Storm Water Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	3,939	5,224	789,624	1,959,463
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	496,017	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	3,948	-
340	Charges for Goods and Services	-	-	-	579,261
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	16	237	20,797	8,241
Total Revenues:		16	237	520,761	587,503
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	297,360
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	297,360
Excess (Deficiency) Revenues over Expenditures:		16	237	520,762	290,142
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	216,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	216,000	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	60,000	16,759	236,646
591-593, 599	Debt Service	-	42,410	38,391	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	102,410	55,150	236,646
Increase (Decrease) in Cash and Investments:		16	113,827	465,612	53,496
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	3,954	119,052	1,255,236	2,012,959
Total Ending Cash and Investments		3,954	119,052	1,255,236	2,012,959

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	202 LTGO Grant Anticipation Note Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	3,505,624	1,237,872	4,764	8,011
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	3,637,673	3,219,711	-	-
320	Licenses and Permits	284,665	259,514	25,152	-
330	Intergovernmental Revenues	502,418	198,005	134,422	-
340	Charges for Goods and Services	1,275,137	697,874	-	-
350	Fines and Penalties	77,134	77,134	-	-
360	Miscellaneous Revenues	76,988	58,171	43	11
Total Operating Revenues:		5,854,015	4,510,409	159,617	11
Operating Expenditures					
510	General Government	1,320,395	1,320,395	-	-
520	Public Safety	1,782,195	1,782,195	-	-
530	Utilities	286,688	95,715	-	-
540	Transportation	382,312	33,272	349,040	-
550	Natural and Economic Environment	512,876	512,876	-	-
560	Social Services	1,467	1,467	-	-
570	Culture and Recreation	508,213	508,213	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		4,794,145	4,254,133	349,040	-
Net Operating Increase (Decrease):		1,059,869	256,276	(189,423)	11
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	56,058	11,279	31,779	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	555,000	100,000	250,000	-
Total Nonoperating Revenues:		611,058	111,279	281,779	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	229,525	650	-	-
594-595	Capital Expenditures	597,984	119,651	-	-
597	Transfers-Out	555,000	555,000	-	-
Total Nonoperating Expenditures:		1,382,509	675,301	-	-
Net Increase (Decrease) in Cash and Investments:		288,418	(307,746)	92,356	11
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	3,794,033	930,117	97,120	8,022
Total Ending Cash and Investments		3,794,033	930,117	97,120	8,022

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		203 Debt Service Fund	204 Debt Service 2013	320 Capital Improvement Fund	402 Storm Water Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	(8,547)	3,045	718,240	1,542,239
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	-	-	417,962	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	137,301	32,688
340	Charges for Goods and Services	-	-	-	577,263
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	57	14	16,254	2,437
Total Operating Revenues:		57	14	571,518	612,389
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	190,973
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		-	-	-	190,973
Net Operating Increase (Decrease):		57	14	571,518	421,416
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	13,000
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	160,000	45,000	-	-
Total Nonoperating Revenues:		160,000	45,000	-	13,000
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	147,571	42,835	38,469	-
594-595	Capital Expenditures	-	-	461,141	17,192
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		147,571	42,835	499,610	17,192
Net Increase (Decrease) in Cash and Investments:		12,486	2,179	71,908	417,224
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	3,939	5,224	790,148	1,959,463
Total Ending Cash and Investments		3,939	5,224	790,148	1,959,463

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	621 TA Wilson Endowment	623 Beaconsfield Stewardship	631 Agency Funds
308	Beginning Cash and Investments	939,122	68,637	47,604	36,256
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	845	277	192	-
380-390	Other Increases and Financing Sources	1,143,201	-	-	491,603
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	1,004,787	-	-	491,144
	Net Increase (Decrease) in Cash and Investments:	139,259	277	192	459
508	Ending Cash and Investments	1,078,381	68,914	47,796	36,715

		635 MPD	636 Agency Funds - MPD
308	Beginning Cash and Investments	779,631	6,994
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	376	-
380-390	Other Increases and Financing Sources	611,619	39,979
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	506,649	6,994
	Net Increase (Decrease) in Cash and Investments:	105,346	32,985
508	Ending Cash and Investments	884,977	39,979

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	621 TA Wilson Endowment	623 Beaconsfield Stewardship	631 Agency Funds
308	Beginning Cash and Investments	731,151	70,316	47,537	35,825
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	166	99	67	-
380-390	Other Increases and Financing Sources	1,275,239	-	-	612,815
510-570	Expenditures	1,778	1,778	-	-
580-590	Other Decreases and Financing Uses	1,065,656	-	-	612,384
	Net Increase (Decrease) in Cash and Investments:	207,971	(1,679)	67	431
508	Ending Cash and Investments	939,122	68,637	47,604	36,256

		635 Normandy Park MPD	636 Agency Funds - MPD
308	Beginning Cash and Investments	577,473	-
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	628,610	33,813
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	426,453	26,819
	Net Increase (Decrease) in Cash and Investments:	202,157	6,994
508	Ending Cash and Investments	779,631	6,994

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

January 1, 2016 through December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The City of Normandy 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 Normandy Park was incorporated on June 8, 1953 and operates under the laws of the state of Washington applicable to a code city with a Council-Manager form of government. The City is a general purpose government and provides law enforcement, community planning, street improvements, storm water maintenance and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City 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'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:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund (001)

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 (100-199)

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

Debt Service Funds (200-299)

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 (300-399)

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 (400-499)

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds (621-629)

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds (630-699)

These funds are used to account assets that City 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 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 adopts biennial appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations for these funds lapse at the fiscal year end.

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

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

	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund (001)	\$ 4,807,081	\$ 3,821,090	\$ 985,991
Special Revenue Funds			
<i>Street Fund (101)</i>	296,070	294,152	1,918
<i>Arts Commission (104)</i>	15,000	13,760	1,240
<i>UIRC Fund (105)</i>	20,000	11,987	8,013
<i>Anti-Drug Res Fund (120)</i>	1,000	-	1,000
<i>Equip Res & Repl Fund (150)</i>	90,000	91,710	(1,710)
Debt Service Funds			
<i>Debt Service Fund (204)</i>	206,170	102,410	103,760
Capital Project Funds			
<i>Capital Improvement Fund (320)</i>	2,146,981	55,150	2,091,831
Enterprise Funds			
<i>Stormwater Utility Fund (402)</i>	2,863,149	534,007	2,329,142
Trust Fund			
<i>TA Wilson Fund (621)</i>	3,400	-	3,400

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's legislative body.

D. Cash

It is the City'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's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 200 hours at year end. During the year it can be accumulated up to 240 hours for the Collective Bargaining Unit (CBU). Compensatory time may be accumulated up to 60 hours for Collective Bargaining Unit (CBU) and 40 hours for employees represented by Teamsters. Both compensatory time and vacation are payable upon separation or retirement.

For non-represented employees, sick leave may accumulate up to 720 hours. Upon retirement only, employees receive payment for unused sick leave at the rate of 35%. In the event of death, unused sick leave is paid out at 100%.

For Collective Bargaining Unit employees, sick leave may accumulate up to 960 hours. Upon retirement only, employees receive payment for unused sick leave at the rate of 30%. In the event of death, unused sick leave is paid out at 100%.

Employees covered under Teamsters are eligible to be paid for 25% of accrued and unused sick to a maximum of 960 hours at termination provided the employee resigns in accordance with the notice requirements under contract.

I. Long-Term Debt See Note 4.

J. Other Financing Sources or Uses

The City's "*Other Financing Sources or Uses*" consist of insurance recovery.

K. Risk Management

The City of Normandy Park 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 168 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, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. 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 \$300 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, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

L. Reserved Fund Balance

The Capital Improvement Fund (320) has a restricted ending balance of \$116,717. These funds are to be used on a park improvement project as set out by the King County Parks Levy. It is anticipated that these funds will be used once sufficient funding is accumulated.

The TA Wilson Fund has a restricted balance ending of \$68,914. This balance will change each year per the endowment agreement to only use no more than 5% of the fund balance each year.

Note 2 - Investments

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

Investments are presented at cost.

Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	<u>Amount</u>
Local Government Investment Pool	\$4,624,733

The State's Local Government Investment Pool is managed by the Washington State Treasurer's Office. The LGIP is not SEC registered but has oversight provided by the following sources: 1) annually audited by the Office of the State Auditor; 2) annually audited by an outside, independent auditor; 3) an Advisory Committee meets quarterly to advise the State Treasurer on issues regarding the LGIP; 4) monthly statement enclosures detailing portfolio breakdown and earnings information sent to participants; and 5) quarterly newsletters that include a compliance report and quarterly financials.

Financial reports are available at the State Treasurer's Office, P.O. Box 40200, Olympia, Washington, 98504-2000.

Note 3 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed periodically during the month.

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

The City's regular levy for the year 2016 was \$1.33 per \$1,000 on an assessed valuation of \$1,366,094,685 for a total regular levy of \$1,811,495.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2016.

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

General Obligation Bonds			
Year	Principal	Interest	Total
2016 \$	60,000	\$ 42,410	\$ 102,410
2017	60,000	41,570	101,570
2018	60,000	40,610	100,610
2019	60,000	39,470	99,470
2020	60,000	38,120	98,120
2021	65,000	36,620	101,620
2022-2026	355,000	150,635	505,635
2027-2031	425,000	76,140	501,140
2032	95,000	4,085	99,085
TOTALS	\$ 1,240,000	\$ 469,660	\$ 1,709,660

Other Debt			
Year	Principal	Interest	Total
2016 \$	48,538	\$ 1,118	\$ 49,656
2017	48,538	932	49,470
2018	48,538	745	49,284
2019	46,661	559	47,220
2020	37,273	373	37,646
2021-2025	37,273	186	37,459
TOTALS	\$ 266,821	\$ 3,914	\$ 270,735

Note 5 - Pension Plans

Substantially all City full-time and qualifying part-time employees participate in Public Employees' Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) or Public Service Employees' Retirement System (PSERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

At June 30, 2016 the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Employer Contribution	Net Pension Liability Ending Balance 12/31/2016	Net Pension Asset Ending Balance 12/31/2016
PERS 1 UAAL	0.006752%	\$ 38,288	\$ 362,614	\$ -
PERS 2 and 3	0.008435%	\$ 48,697	\$ 424,696	\$ -
PSERS 2	0.006497%	\$ 1,386	\$ 2,761	\$ -
LEOFF 1	0.001669%	\$ -	\$ -	\$ (17,195)
LEOFF 2	0.025678%	\$ 39,284	\$ -	\$ (149,351)
Totals		\$ 127,656	\$ 790,071	\$ (166,546)

Note 6 - Other Disclosures

a. Metropolitan Parks District

In 2010, the voters of Normandy Park approved a Metropolitan Parks District (MPD) to be operated by the same council as the City. The MPD is an entity separate from the City however; the City performs the duties for the MPD through an interlocal agreement. The City bills the MPD quarterly for services provided.

b. General Fund Reporting

Further, for the purpose of reporting clarity, the Arts Commission Fund (104), UIRC Fund (105), Anti-Drug Reserve Fund (120) and the Equipment Reserve/Replacement Fund (150) have been rolled into the General Fund (001) as these funds are substantially supported by the General Fund.

c. Other Post Employment Benefits

The City has a commitment to pay for post employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, nursing care, Medicare, etc. One retiree received benefits during the year and \$8,659.85 was paid out for those benefits during the year.

d. Reserve Policy

In the 2009-2010 budget process, management stated a goal of maintaining a \$1,100,000 general fund reserve balance. This balance was management driven and not Council imposed. Due to the financial decline of the economy in 2009, management met with the Finance Committee. It was decided to allow the reserve drop below the \$1,100,000. It is the intention of management to re-establish the reserve in the future.

e. Litigation

The City of Normandy Park and its legal counsel are not aware of any lawsuit currently pending against the City.

f. Related Party

The City of Normandy Park has an agreement with the Friends of Normandy Park Foundation (foundation) for the promotion of tourism, community development and economic development.

The foundation is a separate entity in the State of Washington. The City of Normandy Park is not financially accountable to the foundation, the foundation does not have an ongoing financial interest in the City, and the City is not financially dependent on the foundation.

Notes to the Financial Statements

January 1, 2015 through December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The City of Normandy 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 Normandy Park was incorporated on June 8, 1953 and operates under the laws of the state of Washington applicable to a code city with a Council-Manager form of government. The City is a general purpose government and provides law enforcement, community planning, street improvements, storm water maintenance and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City 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'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:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund (001)

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 (100-199)

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

Debt Service Funds (200-299)

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 (300-399)

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 (400-499)

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds (621-629)

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds (630-699)

These funds are used to account assets that City 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 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 adopts biennial appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations for these funds lapse at the fiscal year end.

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

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

	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund (001)	\$ 5,331,666	\$ 4,870,077	\$ 461,589
Special Revenue Funds			
<i>Street Fund (101)</i>	375,802	349,040	26,762
<i>Arts Commission (104)</i>	20,000	17,400	2,600
<i>UIRC Fund (105)</i>	10,000	22,334	(12,334)
<i>Anti-Drug Res Fund (120)</i>	5,150	2,722	2,428
<i>Equip Res & Repl Fund (150)</i>	53,930	16,901	37,029
Debt Service Funds			
<i>Debt Service Fund (203)</i>	156,500	147,571	8,929
<i>Debt Service Fund (204)</i>	43,010	42,835	175
Capital Project Funds			
<i>Capital Improvement Fund (320)</i>	505,184	499,610	5,574
Enterprise Funds			
<i>Stormwater Utility Fund (402)</i>	1,140,912	208,164	932,748
Trust Fund			
<i>TA Wilson Fund (621)</i>	6,800	1,778	5,022

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's legislative body.

D. Cash

It is the City'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's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 200 hours at year end. During the year it can be accumulated up to 240 hours for the Collective Bargaining Unit (CBU). Compensatory time may be accumulated up to 60 hours for Collective Bargaining Unit (CBU) and 40 hours for employees represented by Teamsters. Both compensatory time and vacation are payable upon separation or retirement.

For non-represented employees, sick leave may accumulate up to 720 hours. Upon retirement only, employees receive payment for unused sick leave at the rate of 35%. In the event of death, unused sick leave is paid out at 100%.

For Collective Bargaining Unit employees, sick leave may accumulate up to 960 hours. Upon retirement only, employees receive payment for unused sick leave at the rate of 30%. In the event of death, unused sick leave is paid out at 100%.

Employees covered under Teamsters are eligible to be paid for 25% of accrued and unused sick to a maximum of 960 hours at termination provided the employee resigns in accordance with the notice requirements under contract.

I. Long-Term Debt See Note 4.

J. Other Financing Sources or Uses

The City's "*Other Financing Sources or Uses*" consist of insurance recovery.

K. Risk Management

The City of Normandy Park 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 179 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, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the

members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

L. Reserved Fund Balance

The Capital Improvement Fund (320) has a restricted ending balance of \$100,009. These funds are to be used on a park improvement project as set out by the King County Parks Levy. It is anticipated that these funds will be used within the next 1-3 years.

The TA Wilson Fund has a restricted balance ending of \$68,637. This balance will change each year per the endowment agreement to only use no more than 5% of the fund balance each year.

Note 2 - Investments

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

Investments are presented at cost.

Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	<u>Amount</u>
Local Government Investment Pool	\$3,529,981

The State's Local Government Investment Pool is managed by the Washington State Treasurer's Office. The LGIP is not SEC registered but has oversight provided by the following sources: 1) annually audited by the Office of the State Auditor; 2) annually audited by an outside, independent auditor; 3) an Advisory Committee meets quarterly to advise the State Treasurer on issues regarding the LGIP; 4) monthly statement enclosures detailing portfolio breakdown and earnings information sent to participants; and 5) quarterly newsletters that include a compliance report and quarterly financials.

Financial reports are available at the State Treasurer's Office, P.O. Box 40200, Olympia, Washington, 98504-2000.

Note 3 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed periodically during the month.

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

The City's regular levy for the year 2015 was \$1.44 per \$1,000 on an assessed valuation of \$1,240,086,777 for a total regular levy of \$1,785,407.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2015.

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

General Obligation Bonds				
Year	Principal	Interest	Total	
2015	\$ 145,000	\$ 44,730	\$	189,730
2016	60,000	42,410		102,410
2017	60,000	41,570		101,570
2018	60,000	40,610		100,610
2019	60,000	39,470		99,470
2020	60,000	38,120		98,120
2021-2025	345,000	162,445		507,445
2026-2030	410,000	92,995		502,995
2031-2035	185,000	12,040		197,040
TOTALS	\$ 1,385,000	\$ 514,390	\$	1,899,390

Other Debt				
Year	Principal	Interest	Total	
2015	\$ 66,667	\$ 1,846	\$	68,513
2016	48,538	1,118		49,656
2017	48,538	932		49,470
2018	48,538	745		49,284
2019	46,661	559		47,220
2020	37,273	373		37,646
2021-2025	37,273	186		37,459
2026-2030	-	-		-
2031-2035	-	-		-
TOTALS	\$ 333,488	\$ 5,760	\$	339,248

Note 5 - Pension Plans

Substantially all City full-time and qualifying part-time employees participate in Public Employees' Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) or Public Service Employees' Retirement System (PSERS) 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's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

At June 30, 2015 the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Employer Contribution	Net Pension Liability Ending Balance 12/31/2015	Net Pension Asset Ending Balance 12/31/2015
PERS 1 UAAL	0.008059%	\$ 37,039	\$ 421,561	\$ -
PERS 2 and 3	0.009686%	\$ 43,148	\$ 346,086	\$ -
PSERS 2	0.022008%	\$ 4,101	\$ 4,017	\$ -
LEOFF 1	0.001651%	\$ -	\$ -	\$ (19,898)
LEOFF 2	0.029378%	\$ 43,060	\$ -	\$ (301,947)
Totals		\$ 127,348	\$ 771,664	\$ (321,845)

Note 6 - Other Disclosures

a. Metropolitan Parks District

In 2010, the voters of Normandy Park approved a Metropolitan Parks District (MPD) to be operated by the same council as the City. The MPD is an entity separate from the City however; the City performs the duties for the MPD through an interlocal agreement. The City bills the MPD quarterly for services provided. In 2014, total revenues (including fund balance)

of the MPD were \$577,473. The MPD received property tax in the amount of \$546,473. The MPD received other charges for services in the amount of \$24,336. The MPD expenditures were \$517,385 for which the MPD reimburses the City of services. This is reflected on Statement C-5 of the MPD Fund #635.

The Normandy Park City Council approved the Transportation Benefit District (TBD) in December 2013. At the 8/11/2015 TBD meeting, the Board passed Resolution No. 3 establishing a \$20 vehicle license fee for the purpose of preserving, maintaining, operating, constructing, or reconstructing the transportation infrastructure within the District and the City of Normandy Park.

b. General Fund Reporting

Further, for the purpose of reporting clarity, the Arts Commission Fund (104), UIRC Fund (105), Anti-Drug Reserve Fund (120) and the Equipment Reserve/Replacement Fund (150) have been rolled into the General Fund (001) as these funds are substantially supported by the General Fund.

c. Other Post Employment Benefits

The City has a commitment to pay for post employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, nursing care, Medicare, etc. One retiree received benefits during the year and \$8,141 was paid out for those benefits during the year.

d. Reserve Policy

In the 2009-2010 budget process, management stated a goal of maintaining a \$1,100,000 general fund reserve balance. This balance was management driven and not Council imposed. Due to the financial decline of the economy in 2009, management met with the Finance Committee. It was decided to allow the reserve drop below the \$1,100,000. It is the intention of management to re-establish the reserve in the future.

e. Litigation

The City has a potential lawsuit liability that would not be covered by insurance. The potential case is as follows:

AT&T Mobility (formerly New Cingular Wireless) v. City of Normandy Park, et al. originally filed litigation in King County against the City of Normandy Park and a number of other Washington cities in 2012. The amount claimed against the City of Normandy Park was \$20,326.62. A number of non-King County cities successfully moved for dismissal based on improper venue. AT&T claims to have reserved the right to appeal that dismissal, but in the meantime it has re-filed its lawsuit against a number of the original city defendants in other courts. No lawsuit has been re-filed against Normandy Park, but it is possible AT&T may do so in the future. The claim would not be covered by insurance. On March 20, 2015 there was a tentative agreement for \$2,027, the amount claimed against Normandy Park for settlement.

The other lawsuit would be covered by the City's insurance. It is as follows:

Benz v. City of Normandy Park and Officer Morella. This is a lawsuit for personal injury. The plaintiff was walking her dog in a city park when a police dog approached her. The plaintiff claims that the police dog lunged at her, striking her in the knee and causing her knee cap to dislocate. The officer in charge of the dog says that the police dog did not lunge, but that plaintiff stepped back and fell, sustaining injuries. The lawsuit was filed on February 25, 2014 and defense has been turned over to Washington Cities Insurance Authority. As of April 27, 2015, this is currently in mediation.

f. Related Party

The City of Normandy Park has an agreement with the Friends of Normandy Park Foundation (foundation) for the promotion of tourism, community development and economic development.

The foundation is a separate entity in the State of Washington. The City of Normandy Park is not financially accountable to the foundation, the foundation does not have an ongoing financial interest in the City, and the City is not financially dependent on the foundation.

**City of Normandy Park
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.87	PWTF	7/1/2021	260,908	-	37,272	223,636
251.11	LTGO 2013	12/1/2032	1,240,000	-	60,000	1,180,000
Total General Obligation Debt/Liabilities:			1,500,908	-	97,272	1,403,636
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Comp. Absences		86,932	9,434	-	96,366
263.92	PSE	12/1/2019	43,138	-	11,265	31,873
264.30	Net Pension Liability		771,664	18,407	-	790,071
Total Revenue and Other (non G.O.) Debt/Liabilities:			901,734	27,841	11,265	918,310
Total Liabilities:			2,402,642	27,841	108,537	2,321,946

**City of Normandy Park
Schedule of Liabilities
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.96	Police Car	12/31/2015	16,711	-	16,251	460
251.11	Long Term General Obligation Debt	12/31/2015	145,000	-	145,000	-
263.87	PWTFL	7/1/2021	298,181	-	37,273	260,908
251.11	LTGO 2013	12/1/2032	1,240,000	-	-	1,240,000
Total General Obligation Debt/Liabilities:			1,699,892	-	198,524	1,501,368
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absence	12/31/2016	97,562	-	10,630	86,932
263.92	PSE Miscellaneous Debt	12/1/2019	54,450	-	13,143	41,307
264.30	Net Pension Liability	12/31/2016	-	771,664	-	771,664
Total Revenue and Other (non G.O.) Debt/Liabilities:			152,012	771,664	23,773	899,903
Total Liabilities:			1,851,904	771,664	222,297	2,401,271

ABOUT THE STATE AUDITOR'S OFFICE

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 to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
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