



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
City of Deer Park

For the period January 1, 2017 through December 31, 2017

Published September 20, 2018

Report No. 1022073





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

September 20, 2018

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 black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Deer Park January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**INDEPENDENT AUDITOR'S REPORT 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
January 1, 2017 through December 31, 2017**

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, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 24, 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 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.

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

Pat McCarthy

State Auditor

Olympia, WA

August 24, 2018

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Deer Park
January 1, 2017 through December 31, 2017**

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, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended December 31, 2017. The City’s major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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

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

Pat McCarthy

State Auditor

Olympia, WA

August 24, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Deer Park January 1, 2017 through December 31, 2017

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, for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

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 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 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 Deer Park, for the year ended December 31, 2017, 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, 2017, 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 conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is 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 August 24, 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.



Pat McCarthy

State Auditor

Olympia, WA

August 24, 2018

FINANCIAL SECTION

City of Deer Park January 1, 2017 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017
Notes to the Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017

City of Deer Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	106 Civic Improvement Fund
Beginning Cash and Investments					
30810	Reserved	475,413	53,193	39,382	19,360
30880	Unreserved	3,983,854	994,829	153,648	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	2,116,537	1,817,323	294,944	4,270
320	Licenses and Permits	162,709	152,403	-	-
330	Intergovernmental Revenues	2,136,000	118,612	735,527	-
340	Charges for Goods and Services	2,855,454	85,833	67,700	-
350	Fines and Penalties	39,718	12,013	-	-
360	Miscellaneous Revenues	531,177	111,883	16,313	389
Total Revenues:		7,841,595	2,298,067	1,114,484	4,659
Expenditures					
510	General Government	377,763	377,763	-	-
520	Public Safety	549,802	549,802	-	-
530	Utilities	1,266,061	-	-	-
540	Transportation	1,181,892	300	552,329	-
550	Natural and Economic Environment	220,915	217,915	-	3,000
560	Social Services	14,062	14,062	-	-
570	Culture and Recreation	382,107	258,789	-	-
Total Expenditures:		3,992,603	1,418,631	552,329	3,000
Excess (Deficiency) Revenues over Expenditures:		3,848,993	879,436	562,155	1,659
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	660,039	-	-	-
397	Transfers-In	612,822	-	350,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	31,264	16,892	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,304,125	16,892	350,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,175,524	50,670	683,726	-
591-593, 599	Debt Service	718,681	91,350	-	-
597	Transfers-Out	612,822	397,433	118,949	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	159,418	26,251	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,666,445	565,704	802,675	-
Increase (Decrease) in Cash and Investments:		486,673	330,624	109,480	1,659
Ending Cash and Investments					
5081000	Reserved	326,919	53,393	70,238	21,018
5088000	Unreserved	4,619,020	1,325,253	232,272	-
Total Ending Cash and Investments		4,945,939	1,378,646	302,510	21,018

The accompanying notes are an integral part of this statement.

City of Deer Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		400 Water Operations Fund	401 Wastewater Operations Fund	406 Golf Course	415 Airport Fund
Beginning Cash and Investments					
30810	Reserved	32,258	331,220	-	-
30880	Unreserved	764,648	995,526	179,876	253,603
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	5,506	4,800
330	Intergovernmental Revenues	259,460	-	-	1,022,401
340	Charges for Goods and Services	946,013	1,311,992	-	443,916
350	Fines and Penalties	27,705	-	-	-
360	Miscellaneous Revenues	68,857	15,352	96,480	191,600
Total Revenues:		1,302,035	1,327,344	101,987	1,662,717
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	585,701	680,360	-	-
540	Transportation	-	-	-	495,622
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	123,318	-
Total Expenditures:		585,701	680,360	123,318	495,622
Excess (Deficiency) Revenues over Expenditures:		716,334	646,984	(21,332)	1,167,095
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	660,039	-	-
397	Transfers-In	-	-	-	1,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	153	-	3,852	10,366
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		153	660,039	3,852	11,366
Other Decreases in Fund Resources					
594-595	Capital Expenditures	515,131	694,670	-	1,173,710
591-593, 599	Debt Service	212,734	414,597	-	-
597	Transfers-Out	47,970	47,970	-	500
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	43,634	25,758	3,852	59,922
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		819,469	1,182,995	3,852	1,234,132
Increase (Decrease) in Cash and Investments:		(102,982)	124,028	(21,332)	(55,671)
Ending Cash and Investments					
5081000	Reserved	32,258	150,011	-	-
5088000	Unreserved	661,718	1,300,713	158,544	197,932
Total Ending Cash and Investments		693,976	1,450,724	158,544	197,932

City of Deer Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		501 Equipment Rental Fund	505 Equip Replacement Reserve
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	88,764	552,960
388 / 588	Prior Period Adjustments, Net	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	1,970	28,332
Total Revenues:		1,970	28,332
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	133,641	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		133,641	-
Excess (Deficiency) Revenues over Expenditures:		(131,671)	28,332
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	150,500	111,322
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		150,500	111,322
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	57,618
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	57,618
Increase (Decrease) in Cash and Investments:		18,829	82,036
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	107,593	634,996
Total Ending Cash and Investments		107,593	634,996

City of Deer Park
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	Investment Trust	Agency
308	Beginning Cash and Investments	11,571	3,000	8,571
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	2,060	-	2,060
510-590	Deductions	750	-	750
	Net Increase (Decrease) in Cash and Investments:	1,310	-	1,310
508	Ending Cash and Investments	12,881	3,000	9,881

The accompanying notes are an integral part of this statement.

CITY OF DEER PARK
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

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 local government and provides public and social services, water, sewer, and general administrative services.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

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 follow:

Fund/Department	Final Appropriated	Actual Expenditures	Variance
General Fund	\$2,257,408.00	\$1,879,048.05	378,359.95
General Reserve	\$0.00	\$0.00	\$0.00
6th & Cedar Lte	\$0.00	\$0.00	\$0.00
Street Fund	\$746,799.00	\$753,177.84	(\$6,378.84)
Arterial Street Fund	\$607,000.00	\$601,826.26	\$5,173.74
Facility Capital	\$40,000.00	\$0.00	\$40,000.00
Capital	\$30,000.00	\$13,636.79	\$16,363.21
Civic Improvement	\$3,000.00	\$3,000.00	\$0.00
Airport Maint.	\$50,000.00	\$27,966.40	\$22,033.60
GO Bond Fund	\$91,850.00.00	\$91,650.00	\$200.00
WW State Loan	\$255,550.00	\$231,208.95	\$24,341.05
Water Fund	\$1,000,636.00	\$890,039.55	\$10,596.45
Wastewater Fund	\$1,097,219.00	\$750,188.54	\$855.46
Wastewater Loan	\$196,025.00	\$183,387.64	\$12,637.36
Water Improve.	\$650,000.00	\$515,130.53	\$134,869.47
W/W Improve. Fund	\$2,625,000.00	\$698,569.59	\$1,926,430.41
Golf Course Fund	\$131,000.00	\$127,170.31	\$3,829.69
Airport Fund	\$653,462.00	\$608,442.72	\$45,019.28
Airport Grant Fund	\$1,106,500.00	\$1,093,345.26	\$13,154.74
Equip. Rental Fund	\$150,000.00	\$133,641.31	\$16,358.69
Equip Rental Res.	\$59,200.00	\$57,618.20	\$1581.80

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's legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. 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. Capital assets and inventory are recorded as capital expenditures when purchased.

F. 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 an employee with accrued but unused sick leave in the bank, up to a maximum of seven hundred twenty (720) hours, shall be applied towards an HRA or VEBA account at the time of separation. The Employer will apply the entire balance of accrued but unused sick leave, up to the maximum amount (720) hours towards an HRA or VEBA trust managed by the Gallagher Group. The Employer will not make partial applications to the HRA or VEBA trust for eligible employees. One hundred percent (100%) of available (i.e. accrued but unused) sick leave hours/dollars will be applied.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City of Deer Park's legislative body. When expenditures that meet restrictions are incurred, the City of Deer Park intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the following:

State Loan Debt Service \$74,341.05

\$74,341.05 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. This Loan was paid in full in 2017. 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 roll s up to fund 401 in the final presentation in the financial statements.

Arterial Street Fund \$70,238.28

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 \$21,018.40

Tourism Fund 106 This amount is Hotel/Motel taxes which is regulated by RCW 67.28

General Fund Debt Service \$53,393.02

This fund accounts for the accumulation of resources to pay principal, interest and related costs on general long term debt.

Grand Total Reserved Funds: \$326,919

Note 2- Deposits and Investments

It is the City of Deer Park's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the City of Deer Park or its agent in the City of Deer Park's name.

Investments are reported at cost. Investments by type at December 31, 2017 are as follows:

<u>Type of Investment</u>	<u>City of Deer Park's</u> own investments	<u>Investments held by City of Deer Park</u> Total as an agent for other local governments, individuals or private organizations.	
L.G.I.P.	\$4,240,295.42	\$ _____	\$4,240,295.42
Total	\$4,240,295.42	\$ _____	\$4,240,295.42

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 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 2017 was \$.9342 per \$1,000 on an assessed valuation of \$281,556,327 for a total regular levy of \$263,016.64.

Note 4 – 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, 2017. 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 DOE Lagoon Liner Construction Loan of \$2,959,960 is not included in the below table, as the project is not complete and a repayment schedule is not available.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2017	\$623,364	\$95,317	\$718,681
2018	\$404,125	\$83,862	\$487,987
2019	\$336,813	\$76,547	\$413,360
2020	\$348,667	\$68,951	\$417,618
2021	\$355,620	\$60,799	\$416,419
2022 - 2026	\$1,415,115	\$211,967	\$1,627,082
2027 – 2031	\$560,767	\$118,718	\$679,485
2032 – 2036	\$411,653	\$27,346	\$438,999
TOTALS	<u>\$4,456,124</u>	<u>\$743,507</u>	<u>\$5,199,631</u>

Note 5 - Pension Plans

Substantially all City of Deer Park's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington

State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Public Employees' Retirement System (PERS).

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

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

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

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

At June 30, 2017 (the measurement date of the plans), the City of Deer Park's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, were as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$33,617	.005589	\$265,202
PERS 2/3	\$43,943	.007195	\$249,992

Note 6 - 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 by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2017, 99 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, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property,

comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) and pollution liability coverages are stand-alone policies, 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 \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2017, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

**City of Deer Park
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	LTGO BONDS DEEPARG014	12/31/2036	1,190,000	-	50,000	1,140,000
Total General Obligation Debt/Liabilities:			1,190,000	-	50,000	1,140,000
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	WATER LOAN REV BOND 11/1982	11/30/2022	161,038	-	24,101	136,937
252.11	WASTEWATER REVENUE BOND 5/1996	11/30/2022	330,000	-	50,000	280,000
259.12	COMPENSATED ABSENCES		81,750	34,537	-	116,287
259.12	COMPENSATED ABSENCES		58,591	23,064	-	81,655
263.82	DEPT OF ECOLOGY L1300008 7/2012	12/31/2018	137,254	-	68,147	69,107
263.82	DEPT OF ECOLOGY L1400003 7/2013	4/30/2035	689,985	-	32,309	657,676
263.82	DWSRF REVENUE DEBT 10/2005	10/31/2026	1,718,821	-	171,882	1,546,939
263.82	STATE LOAN SEWER LAGOON 8/1997	8/31/2017	226,924	-	226,924	-
263.82	DEPT OF ECOLOGY EL150052 07/2014	12/31/2037	2,299,921	660,039	-	2,959,960
264.30	NET PENSION LIABILITY		679,268	-	164,074	515,194
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,383,552	717,640	737,437	6,363,755
Total Liabilities:			7,573,552	717,640	787,437	7,503,755

City of Deer Park

Expenditures

CITY OF DEER PARK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 –INDIRECT COST RATE

The City of Deer Park did not charge indirect costs to federal programs and has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov