



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of DuPont

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

Published November 29, 2018

Report No. 1022689





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

November 29, 2018

Mayor and City Council
City of DuPont
DuPont, Washington

Report on Financial Statements

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

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". The signature is written in a cursive, flowing style.

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 DuPont
January 1, 2017 through December 31, 2017**

Mayor and City Council
City of DuPont
DuPont, 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 DuPont, 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 November 20, 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 style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

November 20, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of DuPont January 1, 2017 through December 31, 2017

Mayor and City Council
City of DuPont
DuPont, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of DuPont, 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 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 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 DuPont 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 DuPont, 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 DuPont, 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 Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 November 20, 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

November 20, 2018

FINANCIAL SECTION

City of DuPont 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 Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017

City of DuPont
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 Streets	103 Hotel/Motel Tax Fund
Beginning Cash and Investments					
30810	Reserved	1,284,646	451,273	-	175,367
30880	Unreserved	9,802,125	2,009,320	21,997	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	6,761,248	5,862,084	-	213,204
320	Licenses and Permits	452,356	451,606	750	-
330	Intergovernmental Revenues	719,183	144,027	242,386	-
340	Charges for Goods and Services	4,604,681	415,419	70,133	-
350	Fines and Penalties	89,483	70,250	-	-
360	Miscellaneous Revenues	203,771	105,900	9	1,810
Total Revenues:		12,830,722	7,049,286	313,278	215,014
Expenditures					
510	General Government	1,555,611	1,555,611	-	-
520	Public Safety	4,187,317	4,166,695	-	-
530	Utilities	2,885,798	-	-	-
540	Transportation	662,530	162,124	500,370	-
550	Natural and Economic Environment	823,875	823,875	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	592,497	534,033	-	58,464
Total Expenditures:		10,707,628	7,242,339	500,370	58,464
Excess (Deficiency) Revenues over Expenditures:		2,123,094	(193,053)	(187,092)	156,550
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,158,022	96,088	260,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	88,160	4,859	-	-
381, 395, 398	Other Resources	1,196	1,196	-	-
Total Other Increases in Fund Resources:		1,247,378	102,143	260,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,861,158	57,938	45,713	-
591-593, 599	Debt Service	1,053,457	-	-	-
597	Transfers-Out	1,158,022	521,394	-	96,088
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	62,776	6,550	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,135,414	585,882	45,713	96,088
Increase (Decrease) in Cash and Investments:		(764,941)	(676,791)	27,195	60,462
Ending Cash and Investments					
5081000	Reserved	1,363,479	455,418	-	235,829
5088000	Unreserved	8,958,350	1,328,383	49,192	-
Total Ending Cash and Investments		10,321,829	1,783,801	49,192	235,829

The accompanying notes are an integral part of this statement.

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

		104 Public Safety Mitigation Fund	160 Drug Enforcement Fund	202 LTGO Debt Service Fund	301 Capital Projects Fund
Beginning Cash and Investments					
30810	Reserved	170,453	9,380	-	478,174
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	685,960
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	161,491
340	Charges for Goods and Services	150	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,424	91	1	14,123
Total Revenues:		1,574	91	1	861,574
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	20,622	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		20,622	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(19,048)	91	1	861,574
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	771,129	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	771,129	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	230,581
591-593, 599	Debt Service	-	-	771,130	57,270
597	Transfers-Out	30,668	-	-	509,872
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		30,668	-	771,130	797,723
Increase (Decrease) in Cash and Investments:		(49,716)	91	0	63,851
Ending Cash and Investments					
5081000	Reserved	120,737	9,471	-	542,025
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		120,737	9,471	-	542,025

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

		401 Water	403 Stormwater	501 ER&R
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	3,940,072	2,418,587	1,412,149
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	171,279	-
340	Charges for Goods and Services	2,412,542	1,319,559	386,878
350	Fines and Penalties	19,233	-	-
360	Miscellaneous Revenues	36,662	22,122	21,629
Total Revenues:		2,468,436	1,512,961	408,507
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	1,561,490	1,324,308	-
540	Transportation	-	-	36
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,561,490	1,324,308	36
Excess (Deficiency) Revenues over Expenditures:		906,947	188,652	408,471
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	30,804	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	76,791	6,511	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		107,595	6,511	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	965,113	208,553	353,259
591-593, 599	Debt Service	147,990	77,068	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	56,226	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		1,169,329	285,621	353,259
Increase (Decrease) in Cash and Investments:		(154,787)	(90,458)	55,212
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	3,785,284	2,328,129	1,467,361
Total Ending Cash and Investments		3,785,284	2,328,129	1,467,361

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

	Agency
308 Beginning Cash and Investments	35,642
388 & 588 Prior Period Adjustment, Net	-
310-390 Additions	98,008
510-590 Deductions	71,333
Net Increase (Decrease) in Cash and Investments:	26,675
508 Ending Cash and Investments	62,317

The accompanying notes are an integral part of this statement.

City of DuPont
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

The City of DuPont was incorporated on April 12, 1951, and operates under the laws of the State of Washington applicable to a code city with a mayor/council form of government. The City is a general purpose government with its fiscal year ending December 31. The City provides a broad range of general government services including law enforcement, fire protection, public works, water, and storm utilities.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances 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 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 adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level except the general fund, where budget is adopted at the department 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 with the exception of debt refunding and managerial fund transfers. Amounts paid directly to escrow and not passed through the City are not appropriated. Amounts transferred to managerial funds such as reserves are recorded as expenditures and appropriated although they are eliminated from the financial statements.

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

Fund/Department	Final Appropriated	Actual Expenditures	Variance
General Fund:			
Governance	\$ 695,223	\$ 666,425	\$ 28,798
Support Services	\$ 363,157	\$ 347,559	\$ 15,598
Police Department	\$ 2,103,024	\$ 2,185,443	\$ (82,419)
Fire Department	\$ 2,025,069	\$ 2,107,844	\$ (82,775)
Community Development	\$ 830,692	\$ 544,335	\$ 286,357
Public Works	\$ 954,194	\$ 970,239	\$ (16,045)
Non-Departmental	\$ 1,154,442	\$ 995,300	\$ 159,142
Total General Fund (budget basis)	\$ 8,125,801	\$ 7,817,144	\$ 308,657
<i>Non-budgeted refunding</i>		\$ -	
<i>Total General Fund</i>		\$ 7,817,144	
Street Fund	\$ 1,135,642	\$ 546,084	\$ 589,558
Street Depreciation Fund	\$ 107,360	\$ 11,077	\$ 96,283
Hotel/Motel Tax Fund	\$ 177,108	\$ 154,552	\$ 22,556
Public Safety Mitigation Fund	\$ 124,835	\$ 51,289	\$ 73,546
GO Bond Debt Service Fund	\$ 771,130	\$ 771,130	\$ -
Capital Projects Fund	\$ 798,169	\$ 797,723	\$ 446
Water Utility Fund	\$ 2,563,109	\$ 1,724,138	\$ 838,971
<i>Non-budgeted refunding</i>		\$ 1,006,681	
<i>Total Water Utility Fund</i>		\$ 2,730,819	
Stormwater Utility Fund	\$ 1,241,630	\$ 938,808	\$ 302,822
<i>Non-budgeted refunding</i>		\$ 671,121	
<i>Total Stormwater Utility Fund</i>		\$ 1,609,929	
Equipment Rental/Repl. Fund	\$ 355,162	\$ 353,295	\$ 1,867
Transportation Benefit Dist.	\$ 91,779	\$ 71,333	\$ 20,446
Total All Funds	\$ 15,491,725	\$ 13,236,573	\$ 2,255,152
<i>Non-budgeted refunding</i>		\$ 1,677,802	
<i>Less transfers to managerial funds</i>		\$ -	
Total per financial statements		\$ 14,914,375	

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

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

D. Cash and Investments

See Note 4, *Deposits and Investments*.

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours for all employees of the City except for twenty-four hour shift employees that are members of the DuPont Firefighters Local #3829 which may accumulate vacation leave up to 384 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,680 hours for twenty-four hour shift employees of the DuPont Firefighters Local #3829 and up to 1,280 hours for all other employees. Upon retirement members of the DuPont Employees' Association and the DuPont Police Officers' Association Local 165 receive 25% of their accumulated sick leave up to a maximum of 300 hours, members of the DuPont Firefighters Local #3829 receive 6.25% of their accumulated sick leave. Upon non-retirement separation employees do not receive payment for unused sick leave.

G. Long-Term Debt

See Note 5, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consist of utility and rental deposits received and paid back, retainage paid, state surcharge collected and remitted to the state, and system development charges received. In addition to these the largest amount reported is related to refunding debt proceeds paid to escrow.

I. 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 ordinance of the DuPont City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the following:

Fund	Purpose	Amount
General Fund	Revenue Stabilization	301,595
General Fund	Contingency Reserve	153,823
Hotel/Motel Tax	Tourism	235,829
Public Safety Mitigation	Fire Equipment	120,737
Drug Enforcement	Drug Enforcement	9,471
Capital Projects	Real Estate Excise Tax	542,025
Transportation Benefit District	Transportation Improvement	<u>62,316</u>
Total		<u>\$ 1,425,796</u>

Note 2- Risk Management

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

Note 3 - Property Tax

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1st on property value listed as of the prior May 31st. Assessed values are established by the county assessor at 100 percent of fair market value. A physical revaluation of all property is required every six years.

Taxes are due in two equal installments on April 30th and October 31st. Collections are distributed after the end of the month to the appropriate district by the county treasurer.

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

The City of DuPont's regular tax levy rate for the year 2017 was \$1.176783716645 per \$1,000 on an assessed valuation of \$1,417,913,443 for a total regular levy of \$1,715,648.80. The City's EMS tax levy rate was \$0.485950762991 per \$1,000 on total assessed valuation for a total of \$708,474.15. The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following three reasons:

- a. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
- b. Initiative 747 limits the growth of regular property taxes to one percent per year or the rate of inflation, whichever is lower, after adjustments for new construction. If the assessed valuation increases by more than this legal limit due to revaluation, the levy rate will be decreased.
- c. The City may voluntarily levy taxes below the legal limit.

Special levies approved by the voters are not subject to the above limitations.

Note 4 – Deposits and Investments

It is the City'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 (FDIC) and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name.

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

Type of Investment	City of DuPont Investments	Investments held by the City for the DuPont Transportation Benefit District	Total
Local Government Investment Pool	\$10,033,673	\$58,847	\$10,092,520

Note 5 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of DuPont and summarizes the City's debt transactions for the year ended December 31, 2017.

The debt service requirements, including interest, to amortize general obligations bonds and revenue bonds debt outstanding as of December 31, 2017, are as follows:

Year Ended			
December 31	Principal	Interest	Total
2018	386,445	606,979	993,424
2019	548,463	591,464	1,139,927
2020	530,000	581,150	1,111,150
2021	545,000	565,700	1,110,700
2022	555,000	549,800	1,104,800
2023-2027	3,150,000	2,396,000	5,546,000
2028-2032	3,935,000	1,712,400	5,647,400
2033-2037	4,985,000	837,800	5,822,800
2038	1,120,000	44,800	1,164,800
Total	<u>\$15,754,908</u>	<u>\$7,886,093</u>	<u>\$23,641,001</u>

There are a number of other limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The City received its first draw on a construction Public Works Trust Fund loan during 2000 for \$1,306,771. The final draw of \$91,360.66 was received in 2005. As a result of the City transferring its sewer utility to Pierce County in July of 2008, this loan was split between Pierce County and the City. The City's portion was recorded as a new loan effective October 2008. This loan requires annual principal payments of \$31,445 and 1% interest on the outstanding balance. The outstanding balance on this new loan was \$62,889 as of December 31, 2017.

Debt Refunding

The City issued Certificates of Participation (COPs) on April 7, 2009, for its Civic Center Project in the amount of \$18,005,000. In April 2015, DuPont City Council passed a Bond Ordinance authorizing the refinancing of the Civic Center debt. On June 4, 2015 the first portion of the bonds were issued, redeeming \$8,240,000 of the \$15,960,000 outstanding certificates of participation and issuing \$9,240,000 in LTGO bonds at a significantly lower interest rate. This refunding was undertaken to reduce total debt service payments over the next 23 years by \$2,570,098. On March 23, 2016 the remaining certificates of participation were redeemed issuing \$7,480,000 in general obligation bonds. Although the principal amount of the debt has increased, the overall estimated savings to the City over the life of the debt for the second issuance is \$1,116,249 with a net percentage savings of 15%.

Note 6 – Health and Welfare

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

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

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

Note 7 - Pension Plans

Substantially all of the City's full-time and qualifying part-time employees participate in the PERS and LEOFF retirement plans administered by the Washington State Department of Retirement Systems (DRS), 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
P.O. Box 48380
Olympia, WA 98540-8380

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

The City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

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

	Allocation %	Liability (Asset)
PERS 1 UAAL	0.017422%	\$ 826,687
PERS 1	0.001279%	\$ 60,690
PERS 2/3	0.022409%	\$ 778,606
LEOFF 1	0.009184%	\$ (139,341)
LEOFF 2	0.075534%	\$(1,048,167)

LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Note 8 – Subsequent events

No subsequent events to report.

City of DuPont
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	2015 GO Refunding Bonds	12/1/2038	8,935,000	-	45,000	8,890,000
251.11	2016 GO Refunding Bonds	12/1/2030	7,105,000	-	305,000	6,800,000
Total General Obligation Debt/Liabilities:			16,040,000	-	350,000	15,690,000
Revenue and Other (non G.O.) Debt/Liabilities						
263.12	Washington State Dept of Retirement	11/30/2018	264,157	-	124,157	140,000
259.12	Compensated Absences		250,172	382,946	358,927	274,191
263.88	2008 Public Works Trust Fund	6/1/2019	94,334	-	31,445	62,889
264.30	Pension liabilities		1,944,948	-	278,965	1,665,983
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,553,611	382,946	793,494	2,143,064
Assessment Debt/Liabilities (with commitments)						
253.11	Utility Local Improvement District-Historic Sites	2/1/2021	211,213	-	46,054	165,159
Total Assessment Debt/Liabilities (with commitments):			211,213	-	46,054	165,159
Total Liabilities:			18,804,824	382,946	1,189,548	17,998,223

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