



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Town of Hunts Point
King County

For the period January 1, 2014 through December 31, 2015

Published March 20, 2017

Report No. 1018781





Office of the Washington State Auditor
Pat McCarthy

March 20, 2017

Mayor and Town Council
Town of Hunts Point
Hunts Point, Washington

Report on Financial Statements

Please find attached our report on the Town of Hunts Point's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

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	4
Independent Auditor’s Report On Financial Statements	7
Financial Section.....	10
About The State Auditor’s Office.....	28

**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**

**Town of Hunts Point
King County
January 1, 2014 through December 31, 2015**

Mayor and Town Council
Town of Hunts Point
Hunts Point, 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 Town of Hunts Point, King County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated March 14, 2017.

We issued an unmodified opinion on the fair presentation of the Town'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 Town using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note , which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 Town's financial statements are free from material misstatement, we performed tests of the Town'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 Town'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 Town'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

March 14, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Hunts Point King County January 1, 2014 through December 31, 2015

Mayor and Town Council
Town of Hunts Point
Hunts Point, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Hunts Point, King County, Washington, for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 Town of Hunts Point 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 Town of Hunts Point, for the years ended December 31, 2015 and 2014, 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 Town 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 Town of Hunts Point, as of December 31, 2015 and 2014, or the changes in financial position or cash flows for the years then ended, due to the

significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming opinions on the financial statements taken as a whole. The accompanying 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 March 14, 2017 on our consideration of the Town’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 Town’s internal control over financial reporting and compliance.



Pat McCarthy
State Auditor
Olympia, WA

March 14, 2017

FINANCIAL SECTION

**Town of Hunts Point
King County
January 1, 2014 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising From Cash Transactions – 2014
Notes to Financial Statements – 2015
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015

Town of Hunts Point
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 Current Expense	102 Street Improvement	302 Capital Improvement
Beginning Cash and Investments					
30810	Reserved	1,751,531	-	711,817	1,039,714
30880	Unreserved	580,114	580,114	-	-
388 & 588	Prior Period Adjustments, Net	337	337	-	-
Operating Revenues					
310	Taxes	888,364	627,281	-	261,083
320	Licenses and Permits	140,122	89,769	50,353	-
330	Intergovernmental Revenues	77,698	67,698	-	10,000
340	Charges for Goods and Services	166,438	166,438	-	-
350	Fines and Penalties	6,955	6,955	-	-
360	Miscellaneous Revenues	56,472	56,472	-	-
Total Operating Revenues:		<u>1,336,048</u>	<u>1,014,613</u>	<u>50,353</u>	<u>271,083</u>
Operating Expenditures					
510	General Government	348,852	348,852	-	-
520	Public Safety	428,473	428,473	-	-
530	Utilities	-	-	-	-
540	Transportation	9,798	9,798	-	-
550	Natural and Economic Environment	121,853	121,853	-	-
560	Social Services	23	23	-	-
570	Culture and Recreation	41,507	41,507	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		<u>950,505</u>	<u>950,505</u>	<u>-</u>	<u>-</u>
Net Operating Increase (Decrease):		<u>385,543</u>	<u>64,107</u>	<u>50,353</u>	<u>271,083</u>
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	3,851	-	-	3,851
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		<u>3,851</u>	<u>-</u>	<u>-</u>	<u>3,851</u>
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	158,395	-	-	158,395
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		<u>158,395</u>	<u>-</u>	<u>-</u>	<u>158,395</u>
Net Increase (Decrease) in Cash and Investments:		<u>230,999</u>	<u>64,107</u>	<u>50,353</u>	<u>116,539</u>
Ending Cash and Investments					
5081000	Reserved	1,918,422	-	762,169	1,156,252
5088000	Unreserved	644,558	644,558	-	-
Total Ending Cash and Investments		<u>2,562,980</u>	<u>644,558</u>	<u>762,169</u>	<u>1,156,252</u>

The accompanying notes are an integral part of this statement.

Town of Hunts Point
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 Current Expense	102 Street Improvement	302 Capital Improvement
Beginning Cash and Investments					
30810	Reserved	1,438,656	3,587	642,449	792,621
30880	Unreserved	542,514	542,514	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	850,798	604,737	-	246,061
320	Licenses and Permits	179,299	109,931	69,368	-
330	Intergovernmental Revenues	21,624	21,624	-	-
340	Charges for Goods and Services	189,499	189,499	-	-
350	Fines and Penalties	6,864	6,864	-	-
360	Miscellaneous Revenues	60,830	60,830	-	-
Total Operating Revenues:		<u>1,308,914</u>	<u>993,486</u>	<u>69,368</u>	<u>246,061</u>
Operating Expenditures					
510	General Government	351,879	351,879	-	-
520	Public Safety	411,966	411,966	-	-
530	Utilities	-	-	-	-
540	Transportation	22,735	22,735	-	-
550	Natural and Economic Environment	143,618	143,618	-	-
560	Social Services	42	42	-	-
570	Culture and Recreation	29,232	29,232	-	-
Total Operating Expenditures:		<u>959,472</u>	<u>959,472</u>	<u>-</u>	<u>-</u>
Net Operating Increase (Decrease):		<u>349,442</u>	<u>34,013</u>	<u>69,368</u>	<u>246,061</u>
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	17,543	-	-	17,543
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	3,587	3,587	-	-
Total Nonoperating Revenues:		<u>21,130</u>	<u>3,587</u>	<u>-</u>	<u>17,543</u>
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	16,511	-	-	16,511
597	Transfers-Out	3,587	3,587	-	-
Total Nonoperating Expenditures:		<u>20,097</u>	<u>3,587</u>	<u>-</u>	<u>16,511</u>
Net Increase (Decrease) in Cash and Investments:		<u>350,474</u>	<u>34,013</u>	<u>69,368</u>	<u>247,093</u>
Ending Cash and Investments					
5081000	Reserved	1,751,531	-	711,817	1,039,714
5088000	Unreserved	580,114	580,114	-	-
Total Ending Cash and Investments		<u>2,331,645</u>	<u>580,114</u>	<u>711,817</u>	<u>1,039,714</u>

The accompanying notes are an integral part of this statement.

Town of Hunts Point
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

	Total for All Funds (Memo Only)	621 Performance Bond Fund Reserves	631 Agency Fund Reserves	
308	Beginning Cash and Investments	22,258	15,750	6,508
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	7,979	-	7,979
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	11,472	5,000	6,472
	Net Increase (Decrease) in Cash and Investments:	(3,493)	(5,000)	1,507
508	Ending Cash and Investments	18,765	10,750	8,015

The accompanying notes are an integral part of this statement.

Town of Hunts Point
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

	Total for All Funds (Memo Only)	621 Performance Bond Fund Reserves	631 Agency Fund Reserves	
308	Beginning Cash and Investments	22,032	15,750	6,282
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	16,476	10,000	6,476
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	16,251	10,000	6,251
Net Increase (Decrease) in Cash and Investments:		225	-	225
508	Ending Cash and Investments	22,258	15,750	6,508

The accompanying notes are an integral part of this statement.

TOWN OF HUNTS POINT

NOTES TO FINANCIAL STATEMENTS

January 1 to December 31, 2015

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

The Town of Hunts Point was incorporated on August 19, 1955, and operates under the laws of the State of Washington applicable to a Town with a Mayor-Council form of government. The Town of Hunts Point is a general-purpose local government and provides general administrative, public safety, fire prevention, street improvement, parks and recreation, health and social services.

The Town of Hunts Point 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 Town of Hunts Point 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: Government-fund operating statements focus on measuring changes in financial position, rather than net income; they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

- General (Current Expense) Fund - 001

This fund is the primary operating fund of the Town of Hunts Point. It accounts for all financial resources except those required/elected to be accounted for other funds.

- Special Revenue Fund - 102

This fund account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the Town of Hunts Point.

- Capital Projects (Improvement) Fund - 302

This fund accounts for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

FIDUCIARY FUND TYPES: Fiduciary funds account for assets held by the Town of Hunts Point in a trustee capacity or as an agent on behalf of others.

- Private-Purpose Trust Fund – 621

This fund reports all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

- Agency Fund - 631

This fund is used to account for assets that the Town of Hunts Point holds for 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 Town of Hunts Point also recognizes expenditures paid during the twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The Town of Hunts Point 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 is used for financial reporting.

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

Fund and Fund No.	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense #001	\$ 972,425	\$ 940,707	\$ (31,718)
Street #101	\$ 13,025	\$ 9,798	\$ (3,227)
Street Improvement #102	\$ 0	\$ 0	\$ 0
Capital Improvement #302	\$ 274,800	\$ 158,395	\$ (116,405)
Performance Bond #621	\$ 5,000	\$ 5,000	\$ 0

Budgeted amounts are authorized to be transferred 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 Town Council.

D. Cash and Investments

See Note 2 - *Deposits and Investments*

E. Capital Assets

Capital assets are long-lived assets of the Town of Hunts Point and are recorded as capital expenditures when purchased.

F. Compensated Absences

For full-time employees, vacation leave accumulates year to year, accrues without limit, and is payable upon separation or retirement. Part-time employees do not receive paid vacation leave. Currently, the Town has no full-time employees.

For full-time employees, sick leave accumulates indefinitely at the rate of one day per month. Part-time employees do not receive paid sick leave. Upon separation or retirement, eligible employees do not receive payment for unused sick leave.

G. Long-Term Debt

For the year ending December 31, 2015, the Town of Hunts Point has no long-term debt.

H. Risk Management

The Town of Hunts Point 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, 2015, 102 municipalities/entities participate in the RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and employee fidelity (crime) coverage is a stand-alone policy that 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 member in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured through Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability insurance policy is purchased from CV Starr. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2015, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA 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.

I. Reserve 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 legislative action. When expenditures that meet restrictions are incurred, the Town of Hunts Point intends to use reserved resources first before using unreserved amounts.

Reservations of Beginning and Ending Cash and Investments in the Town of Hunts Point consist of the following:

- Funds received as contributions to the Town's Tree Mitigation Account are deposited into Current Expense Fund #101 and are restricted by HPMC 8.25.090 to acquiring, maintaining, and preserving wooded areas, and for the planting and maintaining of Tree within the town. On December 31, 2015, the balance of restricted funds of this type totaled \$70,000.
- Funds received in payment of the Town's heavy-truck fee are deposited into Street Improvement Fund #102 and are restricted by HPMC 3.25.040 to repairing or reconstructing town streets. On December 31, 2015, the balance of restricted funds of this type totaled \$762,169.
- Funds received as real-estate excise taxes are deposited into Capital Improvement Fund #302 and are restricted by RCW 82.46.010 and RCW 82.46.035 to funding capital projects that meet certain parameters outlined in those statutes. As of December 31, 2015, the balance of restricted funds of this type totaled \$1,156,252.

NOTE 2 – DEPOSIT AND INVESTMENTS

It is the Town of Hunts Point's policy to invest all temporary cash surpluses. The interest on these investments is posted to Current Expense Fund # 001.

All deposit and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

<u>State of Washington LGIP</u>	<u>\$2,273,013.07</u>
TOTAL	\$2,273,013.07

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 to the Town of Hunts Point throughout the month.

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

The Town of Hunts Point's regular levy for 2015 was \$0.31750 per \$1,000 of value on a taxable value of \$900,074,682 for a regular levy of \$285,771.

NOTE 4 – PENSION PLANS

Substantially all full-time and qualifying part-time employees of the Town of Hunts Point participate in the Public Employees Retirement System (PERS) 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
PO Box 48380
Olympia, WA 98504-8380

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

The Town implemented GASB 68 to account for pension-fund liability in 2015. At June 30, 2015, the Town of Hunts Point's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.000416%	21,761
PERS 2/3	0.000537%	19,187
PSERS 2		
LEOFF 1		
LEOFF 2		
VFFRPF		

TOWN OF HUNTS POINT

NOTES TO FINANCIAL STATEMENTS

January 1 to December 31, 2014

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

The Town of Hunts Point was incorporated on August 19, 1955, and operates under the laws of the State of Washington applicable to a Town with a Mayor-Council form of government. The Town of Hunts Point is a general-purpose local government and provides general administrative, public safety, fire prevention, street improvement, parks and recreation, health and social services. The Town of Hunts Point uses single-entry, cash-basis accounting, which is a departure from generally accepted accounting principles (GAAP).

The Town of Hunts Point 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 Town of Hunts Point are reported in individual funds. Each fund uses a separate set of single-entry self-balancing accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following fund types are used:

GOVERNMENTAL FUND TYPES: Government-fund operating statements focus on measuring changes in financial position, rather than net income; they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

- General (Current Expense) Fund - 001

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

- Special Revenue Fund - 102
This fund account for specific revenues that are restricted or committed to expenditures for specified purposes of the Town of Hunts Point.
- Capital Improvement Fund - 302
This fund accounts for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

FIDUCIARY FUND TYPES: Fiduciary funds account for assets held by the Town of Hunts Point in a trustee capacity or as an agent on behalf of others.

- Private-Purpose Trust Fund – 621
This fund reports all trust arrangements under which principal and income benefit individuals, private organizations or other governments.
- Agency Fund - 631
This fund is used to account for assets that the Town of Hunts Point holds for others in an agency capacity or as an agent on behalf of others.

B. Basis of Accounting

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 Town of Hunts Point also recognizes expenditures paid during the twenty days after the close of the fiscal year for claims incurred during the previous year.

C. Budgets

The Town of Hunts Point 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 is used for financial reporting.

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

Fund and Fund No.	Final Appropriated Amts	Actual Expenditures	Variance
Current Expense #001	\$ 974,140	\$ 936,737	\$ (37,403)
Street #101	\$ 24,670	\$ 22,735	\$ (1,935)
Street Improvement #102	\$ 0	\$ 0	\$ 0
Community Development #106	\$ 3,587	\$ 3,587	\$ 0
Capital Improvement #302	\$ 69,500	\$ 16,511	\$ (52,989)
Performance Bond #621	\$ 10,000	\$ 10,000	\$ 0

Budgeted amounts are authorized to be transferred 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 Town Council.

D. Cash

It is the Town of Hunts Point's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is posted to Current Expense Fund # 001.

E. Deposits

The Town of Hunts Point's deposits and certificates of deposits are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

F. Investments (See Note 2 - Investments)

G. Capital Assets

Capital assets are long-lived assets of the Town of Hunts Point and are recorded as expenditures when purchased.

H. Compensated Absences

For full-time employees, vacation leave accumulates year to year, accrues without limit, and is payable upon separation or retirement. Part-time employees do not receive paid vacation leave. Currently, the Town has no full-time employees.

For full-time employees, sick leave accumulates indefinitely at the rate of one day per month. Part-time employees do not receive paid sick leave.

I. Long-Term Debt (See Note 4 - Long-Term Debt)

J. Risk Management

The Town of Hunts Point 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, 2014, 94 municipalities/entities participate in the RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability,

automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members 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 member is the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RSA 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. For the \$9 million in excess coverage limits, an excess liability insurance policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2014, AWC RMSA carried a retention of \$50,000 and limits up to \$250 million. Since the AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA 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.

K. Reserve Fund Balances

The Town of Hunts Point has one fund with internal restrictions and two with external restrictions.

- Funds received in payment of the Town's heavy-truck fee are deposited into Street Improvement Fund #102 and are restricted by HPMC 3.25.040 to repairing or reconstructing town streets. On December 31, 2014, the balance of restricted funds of this type totaled \$711,817.
- Funds received as grant money from the State of Washington Department of Community, Trade and Economic Development (now the Department of Commerce) were deposited into Community Development Fund #106 and were restricted to work on the Town's Comprehensive Plan Update of 2004. On December 31, 2013, the balance of restricted funds of this type totaled \$3,587. In 2014, these funds were transferred to Current Expenses Fund #001 and expended as part of the Town's Comprehensive Plan Update of 2014.

- Funds received as real-estate-excite taxes are deposited into Capital Improvement Fund #302 and are restricted by RCW 82.46.010 and RCW 82.46.035 to funding certain capital projects. As of December 31, 2014, the balance of restricted funds of this type totaled \$1,009,714.

NOTE 2 – INVESTMENTS

The Town of Hunts Point’s investments are either insured, registered, or held by the Town of Hunts Point or its agent in the Town of Hunts Point’s name.

Investments by type on December 31, 2014, are as follows:

<u>State of Washington LGIP</u>	<u>\$2,035,813.72</u>
TOTAL	\$2,035,813.72

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 to the Town of Hunts Point throughout the month.

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

The Town of Hunts Point’s regular levy for 2014 was \$0.35907 per \$1,000 of value on a taxable value of \$777,525,022 for a regular levy of \$279,186.

NOTE 4 – LONG-TERM DEBT

As of December 31, 2014, the Town of Hunts Point has no long-term debt.

NOTE 5 – PENSION PLANS

Substantially all full-time and qualifying part-time employees of the Town of Hunts Point participate in the Public Employees Retirement System (PERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer defined-benefit and defined-contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Town of Hunts Point’s financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

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

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

NOTE 6 – CLAIMS AND JUDGMENTS

As of December 31, 2014, the Town of Hunts Point had no pending litigation or claims against it.

NOTE 7 – CONTINGENCIES AND LITIGATION

In the opinion of management, the Town of Hunts Point's joint self-insurance pool (AWC RMSA) maintains adequate reserves to satisfy all known or pending claims, with the possible exception of any punitive damage awards.

**Town of Hunts Point
Schedule of Liabilities
For the Year Ended December 31, 2015**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension liability		-	40,948	-	40,948
	Total Revenue and Other (non G.O.) Debt/Liabilities:		-	40,948	-	40,948
	Total Liabilities:		-	40,948	-	40,948

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