



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Deer Park

For the period January 1, 2021 through December 31, 2021

*Published September 29, 2022*

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

September 29, 2022

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

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

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### City of Deer Park January 1, 2021 through December 31, 2021

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

##### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

##### Federal Awards

##### Internal Control over Major Programs:

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

We issued an unmodified opinion on the City’s compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
11.300	Economic Development Cluster – Investments for Public Works and Economic Development Facilities
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
66.468	Drinking Water State Revolving Fund Cluster – Capitalization Grants for Drinking Water State Revolving Funds

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

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2021-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### City of Deer Park January 1, 2021 through December 31, 2021

#### **2021-001 The City's internal controls were inadequate for ensuring compliance with federal procurement requirements.**

<b>CFDA Number and Title:</b>	20.205 – Highway Planning and Construction; 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
<b>Federal Grantor Name:</b>	U.S. Department of Transportation, Federal Highway Administration; U.S. Environmental Protection Agency
<b>Federal Award/Contract Number:</b>	STPR-Z932 (005); DWL24937
<b>Pass-through Entity Name:</b>	Washington State Department of Transportation; Washington State Department of Health
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$0

#### ***Description of Condition***

##### *Highway Planning and Construction Cluster*

The objectives of the Highway Planning and Construction Cluster are to: (1) assist states in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the National Highway System (NHS), including interstate highways and most other public roads; (2) provide aid for the repair of federal-aid highways following disasters; (3) foster safe highway design, and replace or rehabilitate structurally deficient or functionally obsolete bridges; and (4) to provide for other special purposes. During fiscal year 2021, the City spent \$1,542,528 in federal funding for road improvement projects.

### *Capitalization Grants for Drinking Water State Revolving Funds*

The Drinking Water State Revolving Fund (DWSRF) program is a federal-state partnership to help maintain safe drinking water. Created by the 1996 Amendments to the Safe Drinking Water Act (Act), the program provides financial support to water systems and to state safe water programs. States can use capitalization grant funds to establish a revolving loan to assist public water systems, finance the costs of infrastructure needed to achieve or maintain compliance with the Act's requirements, and protect the Act's public health objectives. During fiscal year 2021, the City spent \$1,697,888 in federal funding for a water system improvement project.

### *Procurement procedures*

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal regulations also require recipients to follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR § 200.318-327. The procedures must reflect the most restrictive of applicable federal requirements, state laws or local policies. When using federal funds to procure goods and services, governments must apply the more restrictive requirements by obtaining quotes or following a competitive procurement process, depending on the estimated cost of the procurement activity.

Although the City had a written procurement policy at the time of procurement, it did not conform to the most restrictive methods and thresholds for procuring public works projects. Additionally, the City's policy did not include other required procedures for procuring transactions, such as obtaining quotations for small purchases, requesting proposals for architectural and engineering services, piggybacking, contract cost and price analysis, bonding requirements, and more.

We consider these deficiencies in internal controls to be a material weakness that led to material noncompliance.

This issue was not reported as a finding in the prior audit.

### *Cause of Condition*

Employees said that due to slow communication within the City because of COVID-19, they were unable to update the procurement policies to comply with

Uniform Guidance requirements until October 2021. Additionally, the City Council wanted a legal review of policies before approving them, which was delayed because of the attorney's high workload resulting from COVID-19.

### ***Effect of Condition***

Although the City's policies did not conform to Uniform Guidance, our testing found the City complied with federal requirements for competitive solicitation of public works contractors. However, without updated written procurement procedures, the City is at greater risk of noncompliance with the most restrictive procedures requirements when procuring contractors with federal funds.

### ***Recommendation***

We recommend the City communicate its updated written procurement policies to employees and ensure they follow them so all procurement activities comply with Uniform Guidance.

### ***City's Response***

*The City's original Purchasing Policy was adopted on January 4, 2012, with Resolution 2012-004. It is noted in your proposed finding 2021-001, the issue of a policy complying was not previously listed for a finding, but it was in the 2019 audit and as we recall was discussed during exit meetings of 2020 regarding the 2019 Audit.*

*Further as noted under Cause of Condition above, the City did in fact adopt resolution 2021-005 on October 20, 2021, that was submitted to our then Auditor for approval prior to Council action. Records and email for October 11, 2021, are available upon request. Resolution 2021-005 was submitted and approved by Council on October 20, 2021. Also, per the Financial Statements and Federal Single Audit Report submitted by the Washington State Auditor for the period January 1, 2020, through December 31, 2020. On page six of this report is the Summary Schedule of Prior Audit Findings. This prior Audit Finding was for federal procurement requirements, please note at the bottom of the page for Corrective Action that issue has been fully corrected.*

*These resolutions previously adopted and approved by Auditor Staff, coupled with the effects of the condition, which note a "risk" of noncompliance, rather than any noncompliance, addresses the proposed actions by the City.*



### ***Auditor's Remarks***

The basis of this finding is the City's lack of sufficient procurement policies at the time the City procured the public works projects. While the City may have updated its policies after procurement, Federal Standards require they be in place at the time of procurement. We made similar recommendations in the 2019 audit and asked for the City's reported status on correcting the issue in 2020.

We reaffirm our finding and will follow up on the recommendation in a future audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures.

## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **City of Deer Park January 1, 2021 through December 31, 2021**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Deer Park, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 22, 2022.

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 state law 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.

### **REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 above 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 or significant deficiencies may exist that were not identified.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated September 22, 2022.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 cursive script that reads "Pat McCarthy". The signature is written in dark ink and is positioned above the printed name.

Pat McCarthy, State Auditor

Olympia, WA

September 22, 2022

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

**City of Deer Park**  
**January 1, 2021 through December 31, 2021**

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

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

### Opinion on Each Major Federal Program

We have audited the compliance of the City of Deer Park, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify deficiencies in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2021-001 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

### City's Response to Findings

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

September 22, 2022



# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Deer Park January 1, 2021 through December 31, 2021**

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

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the City of Deer Park, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

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

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Deer Park, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

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

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Deer Park, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Matter of Emphasis**

As discussed in Note 8 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 8. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management 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 state law and the BARS manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2022 on our consideration of the City's internal control over financial reporting and on the 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 the effectiveness of the City's 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 22, 2022

## **FINANCIAL SECTION**

### **City of Deer Park January 1, 2021 through December 31, 2021**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2021  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021  
Notes to the Financial Statements – 2021

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

Schedule of Liabilities – 2021  
Schedule of Expenditures of Federal Awards – 2021  
Notes to the Schedule of Expenditures of Federal Awards – 2021

**City of Deer Park**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>106 Civic Improvement Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	8,189,380	2,775,044	707,610	25,526
388 / 588	Net Adjustments	(115,758)	-	-	-
<b>Revenues</b>					
310	Taxes	3,409,760	2,825,144	580,187	4,429
320	Licenses and Permits	265,814	227,614	-	-
330	Intergovernmental Revenues	6,524,910	3,228,384	1,595,959	-
340	Charges for Goods and Services	4,318,615	97,165	50,800	-
350	Fines and Penalties	15,151	11,685	-	-
360	Miscellaneous Revenues	525,725	111,185	17,799	26
Total Revenues:		15,059,975	6,501,177	2,244,745	4,455
<b>Expenditures</b>					
510	General Government	591,752	591,752	-	-
520	Public Safety	716,716	716,716	-	-
530	Utilities	1,722,771	-	-	-
540	Transportation	2,252,467	57,492	921,557	-
550	Natural/Economic Environment	378,074	372,574	-	5,500
560	Social Services	13,989	13,989	-	-
570	Culture and Recreation	415,909	406,753	-	-
Total Expenditures:		6,091,678	2,159,276	921,557	5,500
Excess (Deficiency) Revenues over Expenditures:		8,968,297	4,341,901	1,323,188	(1,045)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	3,730,738	583,989	-	-
397	Transfers-In	1,065,900	45,000	400,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	4,185	555	-	-
Total Other Increases in Fund Resources:		4,800,823	629,544	400,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	10,482,184	3,649,050	1,730,654	-
591-593, 599	Debt Service	657,899	92,100	-	-
597	Transfers-Out	1,065,900	446,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	4,525	565	-	-
Total Other Decreases in Fund Resources:		12,210,508	4,187,715	1,730,654	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,558,612</b>	<b>783,730</b>	<b>(7,466)</b>	<b>(1,045)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	751,363	55,493	102,792	24,481
50841	Committed	-	-	-	-
50851	Assigned	6,079,725	640,087	597,347	-
50891	Unassigned	2,801,143	2,863,194	-	-
<b>Total Ending Cash and Investments</b>		<b>9,632,231</b>	<b>3,558,774</b>	<b>700,139</b>	<b>24,481</b>

**City of Deer Park**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>400 Water Operations Fund</b>	<b>401 Wastewater Operations Fund</b>	<b>406 Golf Course</b>	<b>415 Airport Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	1,067,207	2,276,282	142,345	308,782
388 / 588	Net Adjustments	(49,029)	(28,662)	-	(38,067)
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	33,400	4,800
330	Intergovernmental Revenues	-	609,101	-	1,091,466
340	Charges for Goods and Services	1,259,618	1,550,285	-	1,014,721
350	Fines and Penalties	3,357	-	-	109
360	Miscellaneous Revenues	78,612	3,316	61,392	252,758
Total Revenues:		1,341,587	2,162,702	94,792	2,363,854
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	905,773	816,998	-	-
540	Transportation	-	-	-	1,098,119
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	9,156	-
Total Expenditures:		905,773	816,998	9,156	1,098,119
Excess (Deficiency) Revenues over Expenditures:		435,814	1,345,704	85,636	1,265,735
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	3,146,749	-	-	-
397	Transfers-In	-	584,900	-	36,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	3,630	-	-	-
Total Other Increases in Fund Resources:		3,150,379	584,900	-	36,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	3,509,590	194,609	-	1,185,544
591-593, 599	Debt Service	230,902	334,897	-	-
597	Transfers-Out	-	584,900	-	35,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	3,960	-	-	-
Total Other Decreases in Fund Resources:		3,744,452	1,114,406	-	1,220,544
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(158,259)</b>	<b>816,198</b>	<b>85,636</b>	<b>81,191</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	218,586	350,011	-	-
50841	Committed	-	-	-	-
50851	Assigned	641,333	2,713,808	227,981	413,957
50891	Unassigned	-	-	-	(62,051)
<b>Total Ending Cash and Investments</b>		<b>859,919</b>	<b>3,063,819</b>	<b>227,981</b>	<b>351,906</b>

**City of Deer Park**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>501 Equipment Rental Fund</b>	<b>505 Equip Replacement Reserve</b>
<b>Beginning Cash and Investments</b>			
308	Beginning Cash and Investments	130,579	756,005
388 / 588	Net Adjustments	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	125,500	220,526
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	637
Total Revenues:		125,500	221,163
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	175,299	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		175,299	-
Excess (Deficiency) Revenues over Expenditures:		(49,799)	221,163
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	-
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	-	212,737
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	212,737
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(49,799)</b>	<b>8,426</b>
<b>Ending Cash and Investments</b>			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	80,781	764,431
50891	Unassigned	-	-
<b>Total Ending Cash and Investments</b>		<b>80,781</b>	<b>764,431</b>

The accompanying notes are an integral part of this statement.



**City of Deer Park**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>Investment Trust</b>	<b>Custodial</b>
308	Beginning Cash and Investments	10,870	3,000	7,870
388 & 588	Net Adjustments	115,758	-	115,758
310-390	Additions	291,426	-	291,426
510-590	Deductions	371,687	-	371,687
	Net Increase (Decrease) in Cash and Investments:	(80,261)	-	(80,261)
508	Ending Cash and Investments	46,365	3,000	43,365

*The accompanying notes are an integral part of this statement.*

**CITY OF DEER PARK**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

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

The City of Deer Park was incorporated on June 24, 1908 and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City of Deer Park is a general-purpose local government and provides public and social services, water, sewer, and general administrative services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. 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 a custodian on behalf of others.

### Investment Trust Funds

These funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust.

### Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 4, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 720 hours. Upon separation or retirement an employee with accrued but unused sick leave in the bank, up to a maximum of seven hundred twenty (720) hours, shall be applied towards an HRA or VEBA account at the time of separation. The Employer will apply the entire balance of accrued but unused sick leave, up to the maximum amount (720) hours towards an HRA or VEBA trust managed by the Gallagher Group. The Employer will not make partial applications to the HRA or VEBA trust for eligible employees. One hundred percent (100%) of available (i.e. accrued but unused) sick leave hours/dollars will be applied. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 3, *Long-Term Debt*.

G. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of \$751,363.00.

A total of \$751,363 is restricted as of December 31, 2021 as follows:

State Loan Debt Service \$274,341

Fund 403 was designated as the state revolving reserves fund to be used as a reserve for state revolving loan number EL150052 that was obtained to facilitate the wastewater Lagoon Relining in 2014. The loan reserve within this fund shall be equivalent to at least the average annual debt service on the state revolving loan. Fund 403 rolls up to the 401 Wastewater Fund in the final presentation in the financial statements.

Water Debt Service Fund \$32,258

W/W Rev Debt Svc Fund \$75,670

The reserve funds 201 and 202 shall be equivalent to at least the average annual debt service payment. Fund 201 rolls up to fund 400 and fund 202 roll s up to fund 401 in the final presentation in the financial statements.

Arterial Street Fund \$102,792

Arterial Street Fund 102 Impact Fees regulated by RCW 82.02.070. Fund 102 rolls up to fund 101 in the final presentation in the financial statements.

Tourism Fund \$24,481

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

Water Improvement Fund \$186,328

Water Improvement Fund 404 This amount is Water Rights Acquisition Fees which is an internal restriction regulated by DPMC 13.12.070. Fund 404 rolls up to fund 400 in the final presentation in the financial statements.

LTGO Bond Fund \$55,493

Fund 204 was created as a special fund of the City for the sole purpose of paying principal and interest on the bonds. Fund 204 rolls up to fund 001 in the final presentation in the financial statements.

## **Note 2 – Budget Compliance**

### **A. Budgets**

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	3,145,775	2,605,239	540,536
General Reserve Fund	0	0	0
6th & Cedar Lte	5,992,100	3,689,246	2,302,854
Street Fund	1,040,218	929,961	110,257
Arterial Street Fund	2,115,000	1,722,252	392,748
Facility Capital Improve	56,000	51,904	4,096
Capital Improvement	0	0	0
Civic Improvement	5,500	5,500	0
Airport Maint. Reserve	0	0	0
WW State Loan	0	0	0
Water Fund	1,138,438	1,137,925	513
Wastewater Fund	1,447,458	1,396,970	50,488
Wastewater Loan Fund	334,900	334,898	2
Water Improve. Fund	3,792,600	3,512,300	280,300
W/W Improve. Fund	727,400	199,535	527,865
Golf Course Fund	41,500	9,156	32,344
Airport Fund	1,140,334	1,133,119	7,215
Airport Grant Fund	1,530,000	1,185,544	344,456
Equip. Rental Fund	185,000	175,298	9,702
Equip Rental Res. Fund	262,000	212,737	49,263
Golf Course Reserve	0	0	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 City of Deer Park's legislative body.

### **Note 3 – Long Term Debt**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Deer Park and summarizes the City of Deer Park's debt transactions for year ended December 31, 2021. Regarding the Water Loan Revenue Bond No. 010589801 beginning and ending balances, and the actual amount paid in interest and principal varies slightly in minor amounts with the amortization schedule due to the timing (number of days) of the issuance of the statement billing and the lender's subsequent receipt of the check. Also, Loan EL150052 07/2014 ending balance the actual amount paid in principal and interest is different as an Amendment was needed to close out the project and establish a final Loan Repayment Schedule.

Loan PWTFPR 18-96103-060 is a design only loan of \$257,946 for the Sixth St. Reservoir and under State Funding Program was combined with SRF Capital Construction Loan Project for construction of Water Tank in 2021-2022. Per guidelines, 5 year loan converted to 20 year payback with amortization schedule and payments to be received in 2021.

Loan DWL24937 balance of \$3,182,782 reflects reimbursements received in 2021 less a principal payment of \$2863 also in 2021 for the construction phase of the Sixth St. Reservoir. Payments and amortization table started in September 2021. The beginning balance of \$0 for the DWSRF DWL-24937 loan was updated from the ending balance in the prior year of \$15,105, as the first draw from this loan occurred in fiscal year 2021.

CERB Loan S19-790AO-168. Cedar Road Loan from CERB total received in 2020 and 2021 was \$636,216. The payment date is determined by the date of the first draw. If disbursement is between Jan 1 and June 30 payment is due July 31 the year following the first disbursement. If first disbursement is between July 1 and Dec 31, the payment is due Jan 31 of the year following the first disbursement. The first disbursement from CERB Loan S19-790AO-168 occurred on September 1, 2020. Repayment to start in January 2022. The beginning balance of \$52,227 for the CERB loan was updated from the ending balance in the prior year of \$57,560 to be reported based on the amount of the draws.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2022	\$714,737	\$227,563	\$942,300
2023	\$666,226	\$196,060	\$862,286
2024	\$671,560	\$184,809	\$856,369
2025	\$677,014	\$173,439	\$850,453
2026	\$687,591	\$161,343	\$848,934
2027- 2031	\$2,707,627	\$624,606	\$3,332,233
2032- 2036	\$2,701,737	\$308,338	\$3,010,075
2037- 2041	\$1,339,560	\$70,658	\$1,410,218
	<hr/>	<hr/>	<hr/>

TOTALS	\$10,166,054	\$1,946,816	\$12,112,869
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Total principal payments above does not agree to total ending debt balance on the Schedule of Liabilities. This is due to the CERB Loan and DWSRF Loans on the Schedule of Liabilities only reporting the total amount currently drawn on the loans and not the total approved loan amount. This variance totals \$722,930.

#### **Note 4 – Deposits and Investments**

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2021 are as follows:

<u>Type of Deposit or Investment</u>	City of Deer Park own deposits and investments	Deposits/Investment held by City as Custodian for other local governments	Total
Bank deposits	\$ 2,957,797	\$46,365	\$3,004,162
Local Government Investment Pool	\$6,674,434	\$0	\$6,674,434
Total	\$9,632,231	\$46,365	\$9,678,596

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

#### **Investments in the State Local Government Investment Pool (LGIP)**

The City of Deer Park is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov)

#### **Note 5 - Pension Plans**

##### **A. State Sponsored Pension Plans**

Substantially all City of Deer Park's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Public



Employees' Retirement System (PERS).

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

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

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

Also, the DRS (ACFR) Annual Comprehensive Financial Report may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2021 (the measurement date of the plans), the City of Deer Park's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, were as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$38,344	.005148	\$62,869
PERS 2/3	\$62,605	.006609	(\$658,363)

#### **Note 6 - Property Tax**

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

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

The City of Deer Park's regular levy for the year 2021 was \$1.1122 per \$1,000 on an assessed valuation of \$444,886,839 for a total regular levy of \$494,809.79.

## **NOTE 7 – Risk Management**

The City of Deer Park is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2021, 105 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, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier. Pollution, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and 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 National League of Cities Mutual Insurance Company (NLC MIC) 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 Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2021, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides 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 8 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The City of Deer Park proactively implemented safety measures, and operations have continued with staff working on site. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. To date, the City has not experienced any direct financial impacts due to the pandemic.

The length of time these measures will be in place, and the full extent of the direct or indirect financial impact on the City of Deer Park is unknown at this time.

#### **NOTE 9- Other Disclosures**

In 2019 the City was required to move its excise, leasehold and airport fuel taxes from their enterprise funds to the 631 fiduciary fund. At the end of the year there was a transfer required from the enterprise funds to the fiduciary fund to cover the remittances of these taxes. The same process was required in 2020. However, in 2020 the city started collecting landscaping deposits for temporary C/O's. These deposits were going into the same 631 fiduciary fund as the taxes so at the end of 2020 the ending fund balance was \$7800.00 which is where it should have been. Year 2021 comes, and the same process is in place but now the C/O deposits are being returned and the taxes are being remitted. The transfers from the enterprise funds to the fiduciary fund are being done and everything looks good until the end of the year and the ending balance is now (\$72,393). Upon breaking down years 2019, 2020, and 2021 it was noticed that the excise, leasehold, and fuel transfers were not completed in 2020. A net adjustment was done in the amount of \$115,758.05 to bring the 631 fiduciary fund back into balance.

**City of Deer Park  
Schedule of Liabilities  
For the Year Ended December 31, 2021**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	LTGO Bonds Deeparg014 04/2014	12/26/2036	985,000	-	55,000	930,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>985,000</b>	<b>-</b>	<b>55,000</b>	<b>930,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	Water Loan Rev. Bond 11/1982	11/30/2022	56,417	-	29,294	27,123
252.11	Wastewater Rev Bond 5/1996	11/30/2022	110,000	-	65,000	45,000
259.12	Compensated Absences		133,382	4,993	-	138,375
259.12	Compensated Absences		98,791	5,974	-	104,765
263.84	CERB Loan S19-790AO-168	1/31/2040	52,227	583,989	-	636,216
263.84	DWSRF DWL-24937	10/1/2040	-	3,185,645	2,863	3,182,782
263.88	PWTFPR18-96103-060 11/2018	6/1/2039	257,945	-	13,576	244,369
263.84	Dept. of Ecology L-1400003 07/2013	4/1/2035	557,589	-	34,443	523,146
263.84	DWSRF Revenue Debt. 10/2005	10/1/2026	1,030,158	-	171,693	858,465
263.84	Dept. of Ecology EL150052 07/2014	12/1/2037	3,153,354	-	157,331	2,996,023
264.30	Net Pension Liability		301,611	-	238,742	62,869
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>5,751,474</b>	<b>3,780,601</b>	<b>712,942</b>	<b>8,819,133</b>
<b>Total Liabilities:</b>			<b>6,736,474</b>	<b>3,780,601</b>	<b>767,942</b>	<b>9,749,133</b>

**City of Deer Park**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>Economic Development Cluster</b>								
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF (via US Dept. of Commerce)	Investments for Public Works and Economic Development Facilities	11.300	07-01-07525	2,877,717	-	2,877,717	-	2
	<b>Total Economic Development Cluster:</b>			<b>2,877,717</b>	<b>-</b>	<b>2,877,717</b>	<b>-</b>	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0022-030- 2021	-	32,000	32,000	-	2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0022-029- 2021	-	13,000	13,000	-	2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0022-026	-	156,702	156,702	-	2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0022-027- 2020	-	1,064,750	1,064,750	-	2
	<b>Total CFDA 20.106:</b>			<b>-</b>	<b>1,266,452</b>	<b>1,266,452</b>	<b>-</b>	
<b>Highway Planning and Construction Cluster</b>								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STPR-Z932 (005)	1,542,528	-	1,542,528	-	2
	<b>Total Highway Planning and Construction Cluster:</b>			<b>1,542,528</b>	<b>-</b>	<b>1,542,528</b>	<b>-</b>	
<b>Drinking Water State Revolving Fund Cluster</b>								

The accompanying notes are an integral part of this schedule.

**City of Deer Park**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

	Expenditures					Passed through to Subrecipients	Note
	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total
	ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA State Dept. of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWL24937	1,697,888	-	1,697,888
		<b>Total Drinking Water State Revolving Fund Cluster:</b>			<b>1,697,888</b>	<b>-</b>	<b>1,697,888</b>
		<b>Total Federal Awards Expended:</b>			<b>6,118,133</b>	<b>1,266,452</b>	<b>7,384,585</b>

*The accompanying notes are an integral part of this schedule.*

CITY OF DEER PARK  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 – FEDERAL INDIRECT COST RATE

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

NOTE 3 – PROGRAM COSTS

The amounts shown as current year expenditures represent only federal grant portion of the program costs. Entire program costs, including the City of Deer Park's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



City of Deer Park

316 E. Crawford • P.O. Box F • Deer Park Washington 99006

509 276-8802 • Fax 509 276-5764 • [www.CityofDeerParkWa.com](http://www.CityofDeerParkWa.com)

## **CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE**

### **City of Deer Park**

**January 1, 2021 through December 31, 2021**

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2021-001	<b>Finding caption:</b> The City's internal controls were inadequate for ensuring compliance with federal procurement requirements.
<b>Name, address, and telephone of City contact person:</b> Debra Cragun 316 E. Crawford, Deer Park, WA 99006 (509) 276-4865	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The City's original Purchasing Policy was adopted on January 4, 2012, with Resolution 2012-004. It is noted in your proposed finding 2021-001, the issue of a policy complying was not previously listed for a finding, but it was in the 2019 Audit and as we recall was discussed during exit meetings of 2020 regarding the 2019 Audit.</i> <i>Further as noted under Cause of Condition, the City did in fact adopt resolution 2021-005 on October 20, 2021, that was submitted to our then Auditor for approval prior to Council action. Records and email for October 11, 2021, are available upon request. Resolution 2021-005 was submitted and approved by Council on October 20, 2021. Also, per the Financial Statements and Federal Single Audit Report submitted by the Washington State Auditor for the period January 1, 2020, through December 31, 2020. On page 6 of this report is the Summary Schedule of Prior Audit Findings. This prior Audit Finding was for federal procurement requirements, please note at the bottom of the page for Corrective Action that issue has been fully corrected.</i>	



*These resolutions previously adopted and approved by Auditor Staff, coupled with the effects of the condition, which note a “risk” of noncompliance, rather than any noncompliance, addresses the proposed actions by the City.*

**Anticipated date to complete the corrective action:** October 20, 2021

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

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