



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Duvall

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

*Published August 21, 2023*

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

August 21, 2023

Mayor and City Council  
City of Duvall  
Duvall, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

Mayor and City Council  
City of Duvall  
Duvall, 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 Duvall, 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 August 8, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **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 black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

August 8, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Duvall January 1, 2021 through December 31, 2021**

Mayor and City Council  
City of Duvall  
Duvall, Washington

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

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the City of Duvall, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the financial section of our report.

### **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 Duvall, 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 Duvall, 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.

## **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 an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2023 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 style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

August 8, 2023

## **FINANCIAL SECTION**

### **City of Duvall 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

**City of Duvall**  
**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>102 Transportation Benefit Dist.</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	26,051,021	4,449,289	194,239	174,891
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	6,769,747	4,915,322	326,366	392,899
320	Licenses and Permits	595,250	263,638	22,693	-
330	Intergovernmental Revenues	2,018,062	321,995	162,290	203,931
340	Charges for Goods and Services	8,432,946	398,397	-	-
350	Fines and Penalties	74,299	10,738	-	-
360	Miscellaneous Revenues	1,567,671	66,904	1,124	696
Total Revenues:		19,457,975	5,976,994	512,473	597,526
<b>Expenditures</b>					
510	General Government	1,839,674	790,521	-	-
520	Public Safety	2,549,990	2,511,053	-	-
530	Utilities	4,837,393	-	-	-
540	Transportation	902,903	243,247	522,215	-
550	Natural/Economic Environment	968,530	520,331	-	-
560	Social Services	48,035	32,004	-	-
570	Culture and Recreation	579,337	451,315	-	-
Total Expenditures:		11,725,862	4,548,471	522,215	-
Excess (Deficiency) Revenues over Expenditures:		7,732,113	1,428,523	(9,742)	597,526
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,038,516	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	52,215	225	-	-
Total Other Increases in Fund Resources:		2,090,731	225	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,536,854	24,655	-	273,876
591-593, 599	Debt Service	821,814	-	-	-
597	Transfers-Out	2,038,516	1,608,941	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	225	225	-	-
Total Other Decreases in Fund Resources:		4,397,409	1,633,821	-	273,876
<b>Increase (Decrease) in Cash and Investments:</b>		<b>5,425,435</b>	<b>(205,073)</b>	<b>(9,742)</b>	<b>323,650</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	9,423,273	31,727	-	498,541
50841	Committed	203,522	42,527	-	-
50851	Assigned	17,679,704	-	184,500	-
50891	Unassigned	4,169,957	4,169,957	-	-
<b>Total Ending Cash and Investments</b>		<b>31,476,456</b>	<b>4,244,211</b>	<b>184,500</b>	<b>498,541</b>

The accompanying notes are an integral part of this statement.

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

	<b>104 Building &amp; Permitting Fund</b>	<b>105 American Rescue Plan Act Fund</b>	<b>106 Big Rock Ball Park Fund</b>	<b>107 Sensitive Areas Mitigation Fund</b>	
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	-	-	125,566	40,593
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	308,919	-	-	-
330	Intergovernmental Revenues	625	1,132,631	58,777	-
340	Charges for Goods and Services	751,892	-	60,111	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,766	-	448	94
Total Revenues:		1,064,202	1,132,631	119,336	94
<b>Expenditures</b>					
510	General Government	644,609	-	-	-
520	Public Safety	37,502	1,435	-	-
530	Utilities	-	-	-	-
540	Transportation	34,448	-	-	-
550	Natural/Economic Environment	448,199	-	-	-
560	Social Services	-	16,031	-	-
570	Culture and Recreation	-	-	124,129	-
Total Expenditures:		1,164,758	17,466	124,129	-
Excess (Deficiency) Revenues over Expenditures:		(100,556)	1,115,165	(4,793)	94
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,171,216	-	80,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	2,878	-
Total Other Increases in Fund Resources:		1,171,216	-	82,878	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,070,660</b>	<b>1,115,165</b>	<b>78,085</b>	<b>94</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	27,862	1,115,165	-	-
50841	Committed	-	-	160,995	-
50851	Assigned	1,042,797	-	42,654	40,687
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>1,070,659</b>	<b>1,115,165</b>	<b>203,649</b>	<b>40,687</b>

The accompanying notes are an integral part of this statement.

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

		<u>206 LTGO - Debt Service Fund</u>	<u>303 Facilities CIP Fund</u>	<u>304 Real Estate Excise Tax I Fund</u>	<u>305 Real Estate Excise Tax II Fund</u>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	21,501	-	1,523,820	1,356,702
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	567,580	567,580
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	45,518	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	2	4,034	3,510
Total Revenues:		-	45,520	571,614	571,090
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	45,520	571,614	571,090
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	469,038	67,752	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		469,038	67,752	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	110,347	-	525
591-593, 599	Debt Service	469,038	-	-	-
597	Transfers-Out	-	-	60,692	159,747
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		469,038	110,347	60,692	160,272
<b>Increase (Decrease) in Cash and Investments:</b>		-	<b>2,925</b>	<b>510,922</b>	<b>410,818</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	2,925	2,034,742	1,767,521
50841	Committed	-	-	-	-
50851	Assigned	21,501	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>21,501</b>	<b>2,925</b>	<b>2,034,742</b>	<b>1,767,521</b>

The accompanying notes are an integral part of this statement.

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

		<b>306 Main Street Improvement Fund</b>	<b>307 Street Capital Improvement</b>	<b>308 Parks Capital Improvement</b>	<b>401 Water Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	545,051	1,444,492	1,812,826	6,090,027
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	58,725	315
340	Charges for Goods and Services	-	77,608	216,226	2,389,949
350	Fines and Penalties	-	-	-	63,561
360	Miscellaneous Revenues	1,080	3,292	4,298	602,743
Total Revenues:		1,080	80,900	279,249	3,056,568
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	2,141,053
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	25	-
Total Expenditures:		-	-	25	2,141,053
Excess (Deficiency) Revenues over Expenditures:		1,080	80,900	279,224	915,515
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	119,055	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	119,055	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	149,765	194,111	119,382	239,292
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	87,752	60,692	60,692	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		237,517	254,803	180,074	239,292
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(236,437)</b>	<b>(173,903)</b>	<b>218,205</b>	<b>676,223</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	308,614	1,270,589	2,031,032	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	6,766,250
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>308,614</b>	<b>1,270,589</b>	<b>2,031,032</b>	<b>6,766,250</b>

The accompanying notes are an integral part of this statement.

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

		<u>402 Sewer Fund</u>	<u>404 Storm Drainage Fund</u>	<u>501 Vehicle &amp; Equip Maintenance</u>	<u>502 IT Fund</u>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	5,962,812	1,529,614	400,287	227,917
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	63	30,559	-	2,633
340	Charges for Goods and Services	2,848,901	872,841	332,709	245,534
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	636,923	234,162	4,778	488
Total Revenues:		<u>3,485,887</u>	<u>1,137,562</u>	<u>337,487</u>	<u>248,655</u>
<b>Expenditures</b>					
510	General Government	-	-	-	227,325
520	Public Safety	-	-	-	-
530	Utilities	1,905,151	791,189	-	-
540	Transportation	-	-	102,993	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>1,905,151</u>	<u>791,189</u>	<u>102,993</u>	<u>227,325</u>
Excess (Deficiency) Revenues over Expenditures:		1,580,736	346,373	234,494	21,330
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	131,455
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	10,330	-	38,782	-
Total Other Increases in Fund Resources:		<u>10,330</u>	<u>-</u>	<u>38,782</u>	<u>131,455</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	116,433	-	95,218	211,751
591-593, 599	Debt Service	334,556	-	18,220	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>450,989</u>	<u>-</u>	<u>113,438</u>	<u>211,751</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>1,140,077</u></b>	<b><u>346,373</u></b>	<b><u>159,838</u></b>	<b><u>(58,966)</u></b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	334,555	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	6,768,335	1,875,988	560,122	168,952
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b><u>7,102,890</u></b>	<b><u>1,875,988</u></b>	<b><u>560,122</u></b>	<b><u>168,952</u></b>

The accompanying notes are an integral part of this statement.



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

		<b>503 Building Maintenance Fund</b>
<b>Beginning Cash and Investments</b>		
308	Beginning Cash and Investments	151,394
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	238,778
350	Fines and Penalties	-
360	Miscellaneous Revenues	329
Total Revenues:		239,107
<b>Expenditures</b>		
510	General Government	177,219
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	3,868
Total Expenditures:		181,087
Excess (Deficiency) Revenues over Expenditures:		58,020
<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	1,499
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		1,499
<b>Increase (Decrease) in Cash and Investments:</b>		<b>56,521</b>
<b>Ending Cash and Investments</b>		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	207,918
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<b>207,918</b>

The accompanying notes are an integral part of this statement.

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

		<u>Custodial</u>
308	Beginning Cash and Investments	(3,291)
388 & 588	Net Adjustments	-
310-390	Additions	68,156
510-590	Deductions	62,510
	Net Increase (Decrease) in Cash and Investments:	<u>5,646</u>
508	Ending Cash and Investments	2,354

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

City of Duvall  
**Notes to the Financial Statements**  
For the year ended December 31, 2021

## Note 1 - Summary of Significant Accounting Policies

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The City of Duvall was incorporated in 1913 and operates under the laws of the state of Washington applicable to a non-charter code City. The City is a general-purpose local government and provides public safety, street improvements, parks and recreation, and general governmental services. Additionally, the City of Duvall owns and operates the water distribution system, sewer and sewer treatment systems, and storm water utility system.

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

1. Financial transactions are recognized on a cash basis of accounting as described below.
2. Component units are required to be disclosed but are not included in the financial statements.
3. Government-wide statements, as defined in GAAP, are not presented.
4. All funds are presented, rather than a focus on major funds.
5. The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
6. Supplementary information required by GAAP is not presented.
7. 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.

### 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 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 5 - 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 two years. Capital assets and inventory are recorded as capital expenditures when purchased.

## E. Compensated Absences

### Vacation Leave

Vacation leave may be accumulated and is payable upon separation or retirement. Limitations exist for the first six to twelve months of employment depending upon bargaining group. The accumulation rate also varies depending on bargaining group.

**Non-represented:** Non-represented employees may accumulate a maximum of two years vacation accrual with City Administrator approval. Employees with over 15 years of service may accumulate a maximum of 400 hours. Employees with less than 12 months of service accrue vacation but are ineligible for payout.

**Police Officers Guild:** Police Officers Guild employees may accumulate up to a maximum of 400 hours depending upon years of service. Officers may not carry over more than 240 hours from year to year.

Public Works and Office-Technical Union: Public Works and Office Technical Union employees may accumulate up to a maximum of 400 hours depending upon years of service. Employees may carry over up to 200 hours from year to year (additional hours may be allowed with City Administrator approval). Any hours above 200 are paid out on the employee's anniversary date.

#### Sick Leave

Sick leave may accumulate subject to bargaining group limitations. Upon separation or retirement, any unused sick leave is paid at twenty-five percent of the regular rate of pay in effect at the time of payment to all employees.

Non-represented: Non-represented employees may accumulate up to 60 days (480 hours). After five years, employees may buy out, at twenty-five percent of their current rate of pay, up to 60 hours a year in excess of a 40-hour minimum. After ten years, employees may buy out up to 80 hours a year in excess of a 40-hour minimum, at twenty-five percent of their current pay rate.

Police Officers Guild: Police Officers Guild employees may accumulate up to 960 hours. At the end of each year, guild employees may buy out sick leave in excess of 480 hours, payable at twenty-five percent of their current regular straight-time hourly pay rate.

Public Works and Office Technical Union: Public Works and Office Technical Union employees have no maximum limit on accrued sick leave. After five years, employees may buy out hours in excess of 480 at twenty-five percent of their current pay rate.

#### Compensatory Time

Compensatory time may be accumulated subject to bargaining group limitations. Compensatory time is time off in lieu of pay at the rate of one and one-half hours for each overtime pay hour worked.

Non-Represented: Non represented employees may accumulate up to 80 hours, which may be paid out at separation. FLSA exempt employees do not qualify for this leave.

Police Officers Guild: Police Officers Guild employees may accumulate up to 120 hours annually and at any time may opt to receive cash reimbursement for any unused time accrued.

Public Works and Office Technical Union: Public Works and Office Technical Union employees may accumulate up to 100 hours. At the end of each calendar year, unused compensatory time is cashed out and paid in the first paycheck in January.

#### Banked Holiday

All employees receive eight hours of holiday pay for each holiday, including floating holidays (personal days). If an employee works a flexible schedule and a holiday falls on their day off, the employee receives eight hours of "banked holiday" to be used another time. Banked holiday hours can be rolled over from year to year and are paid out upon termination. Floating holidays must be used up by the end of the year and have no monetary value if unused.

Payments for compensated absences are recognized as expenditures when paid.

## F. Long-Term Debt

See Note 4 - Debt Service Requirements.

## G. Restricted and Committed Portions of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when subject to restrictions on use imposed by external parties or due to internal commitments established by resolution or ordinance. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Restricted and Committed portions of Ending Cash and Investments consist of:

General Fund Restricted - \$31,727

Affordable Housing Sales & Use Tax - \$16,866

Restricted in use by RCW 82.14.530, Affordable Housing Sales Tax revenue collected is restricted in use for providing affordable housing options for those with income at or below 60 percent. Cities with populations under 100,000 may use the sale tax collected to provide rental assistance.

Drug Seizure Account - \$9,861

Restricted in use by RCW 10.105.010, drug enforcement funds are collected through drug related confiscation and can be used only for costs incurred for drug investigation.

Police Donation - \$5,000

Restricted in use for Police Department use by donor intent.

Tree Mitigation - \$1,575

Tree mitigation revenue is committed by DMC 14.40.070 for the purchase and planting of new trees that meet the requirements of DMC 14.40.070 New development sites – Priorities and standards for supplemental trees. This revenue is reported in the **General Fund**.

Information Technology Surcharge - \$40,952

Committed for use by Ordinance 1207, a five percent information technology surcharge is collected on permit fees and applications to be used for improving information technology. This revenue is reported in the **General Fund**.

Transportation Benefit District Sales Tax Restricted - \$498,541

Restricted in use by Chapter 36.73 RCW, **Transportation Benefit District Fund** revenues are generated from a voted 0.2% sales tax for use on City transportation improvements projects, or the operation, preservation and maintenance of those projects.

School Impact Fees Restricted - \$27,862

Restricted in use by RCW 82.02.050, school impact fees must be used for “school facilities” that are addressed by a capital facilities plan element of a comprehensive plan. School districts are responsible for expending the impact fees but are not authorized to collect the fees. School impact fees are reported in the **Building and Permitting Fund**.

American Rescue Plan Act Restricted - \$1,115,162

Federal award grant revenues that are restricted in use by the State and Local Fiscal Recovery Funds Interim Final Rule and Final rule. The City has substantial discretion to use the award funds if the use fits into one of the following categories:

1. To respond to the COVID-19 public health emergency or its negative economic impacts;

2. To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the recipient that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
3. For the provision of government services, to the extent of the reduction in revenue of such recipient due to the COVID–19 public health emergency, relative to revenues collected in the most recent full fiscal year of the recipient prior to the emergency; or
4. To make necessary investments in water, sewer, or broadband infrastructure.

Activity Fees Committed - \$160,995

Committed per Resolution 18-16, 50% of **Big Rock Ballfield Fund** activity fees must be held for the repair and replacement of ballfield turf.

Real Estate Excise Tax I Restricted- \$2,034,742

Real Estate Excise Tax II Restricted - \$1,767,521

Restricted in use by RCW 82.43.010, Real Estate Excise Tax I and Real Estate Excise Tax II (REET I & REET II) must be used to finance capital projects that are specified in the City’s comprehensive plan or for housing relocation assistance under RCW 59.18.440 and 59.18.450. Restricted amounts are the ending balances of the **REET I** and **REET II** funds.

Bond Proceeds Restricted - \$311,539

The \$308,614 ending fund balance of the **Main Street Improvement Fund** and the \$2,925 ending fund balance of the **Facilities CIP Fund** are the remaining bond proceeds from the Main Street which is restricted in use by the Bond covenant. Resolution 22-07 further delineates the use of the remaining proceeds to specific projects.

The **Facilities CIP Fund** ending fund balance of \$2,925 consists of restricted bond proceeds transferred from the Main Street Improvement Fund for use on the Police Building Renovations Project.

Street Impact Fees Restricted - \$1,270,589

Restricted by RCW 82.02.050 for the development of transportation facilities that constitute system improvements. Street impact fees are the ending balance of the **Street Capital Improvement Fund** balance.

Park Impact Fees Restricted - \$1,868,952

Park impact fees are restricted in use by RCW 82.02.050 for the development of parks, open space, passive recreation parks, linear trail parks, and recreational facilities to serve new growth and development in Duvall. Park Impact Fees are part of the **Park Capital Improvement Fund** balance. \$1,101,002 of the restricted park impact fee balance is held in a joint escrow account per a developer agreement. As agreed upon park improvements are made, the developer will withdraw funds from the account and the City will report the improvements as a capital expenditure. If the agreed upon improvements are not made, the City may move funds from the escrow account to a City bank account.

Park Levy Proceeds Restricted - \$162,079

Park levy proceeds are part of the **Park Capital Improvement Fund** ending fund balance. Park levy proceeds are restricted in use by King County Proposition No. 1 Parks Levy, a six-year levy passed by voters in 2019. Park levy proceeds can be used for improving parks and trails and acquiring lands.

Department of Ecology Loan Reserve Restricted - \$ 334,555

In 2006 the City executed a loan agreement with the Department of Ecology to upgrade its wastewater facility plant. The reserve balance amount of \$334,555, which is reported as the restricted in the ending fund balance of the **Sewer Fund**, is required by the loan agreement until spent down with the final payments in 2024 and 2025.

## Note 2 – Budget Compliance

### A. Budgets

The City adopts biennial appropriated budgets for the funds listed in the table on the following page. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at end of the biennium.

Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. However, for financial reporting purposes, the following funds are rolled up and reported as one fund:

- The 002 Contingency Fund and 103 Strategic Fund are rolled up into the 001 General Fund
- The 407 Water CIP Fund is rolled up into the 401 Water Fund
- The 408 Sewer CIP Fund is rolled up into the 402 Sewer Fund
- The 409 Storm Drainage CIP Fund is rolled up into the 404 Storm Drainage Fund

The appropriated and actual expenditures for the legally adopted budgets are shown in Table 1 below.

**Table 1: Budgeted Expenditures to Actual**

Fund	Description	Budgeted Expenditures	2021 Actual	Remaining
001	General Fund	\$13,211,963	\$6,590,072	\$6,621,891
002	Contingency Fund	\$0	\$0	\$0
101	Street Fund	\$1,183,417	\$522,212	\$661,205
102	Transportation Benefit District	\$610,736	\$273,876	\$336,860
103	Strategic Fund	\$0	\$0	\$0
104	Building and Permitting	\$4,937,993	\$1,164,759	\$3,773,234
105	American Rescue Plan Act	\$72,000	\$17,466	\$54,534
106	Big Rock Ball Park Maintenance	\$339,871	\$124,131	\$215,740
107	Sensitive Areas Mitigation Fund	\$31,200	\$0	\$31,200
206	2016 LTGO - Main St Debt Svc	\$974,914	\$469,038	\$505,876
303	Facilities CIP Fund	\$990,020	\$110,346	\$879,674
304	Real Estate Excise Tax Fund 1	\$121,482	\$60,692	\$60,790
305	Real Estate Excise Tax Fund 2	\$348,982	\$160,272	\$188,710
306	Main Street Improvement Fund	\$483,000	\$237,517	\$245,483
307	Street CIP Fund	\$1,768,837	\$254,803	\$1,514,034
308	Parks CIP Fund	\$409,107	\$180,098	\$229,009
401	Water Fund	\$5,038,023	\$2,460,167	\$2,577,856
402	Sewer Fund	\$7,244,720	\$1,996,977	\$5,247,743
404	Storm Drainage Fund	\$1,898,194	\$788,010	\$1,110,184
407	Water CIP Fund	\$2,774,645	\$320,177	\$2,454,468
408	Sewer CIP Fund	\$5,040,142	\$359,162	\$4,680,980
409	Storm Drainage CIP Fund	\$371,558	\$3,178	\$368,380
501	Equipment Fund	\$612,545	\$216,432	\$396,113
502	IT Fund	\$943,490	\$439,075	\$504,415
503	Building Maintenance Fund	\$474,018	\$182,584	\$291,434
<b>Total</b>		<b>\$49,880,857</b>	<b>\$16,931,045</b>	<b>\$32,949,812</b>



Budgeted amounts are authorized to be transferred between any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City’s legislative body.

The City added three new funds in 2021; **104 Building & Permitting Fund** to track revenues and expenditures related to permitting activity, **105 American Rescue Plan Act**, to track the City’s State and Local Fiscal Recovery Funds, and **303 Facilities CIP Fund** to track capital improvement projects associated with the City’s facilities.

The original 2021/2022 biennial budget and amendments can be found in Table 2 on the following page. The variance between Ordinance 1274, the adopted 2021/2022 Biennial Budget, and Ordinance 1290, the amended 2021/2022 Biennial Budget can be found in the “2021 Budget Adjustments” column.

**Table 2: Changes to Budget by Ordinance**

Fund	Description	2021/2022 Ord. 1274	2021/2022 Ord. 1290	2021 Budget Adjustments
001	General Fund	\$11,142,253	\$13,211,963	\$2,069,710
002	Contingency Fund	\$0	\$0	\$0
101	Street Fund	\$1,144,077	\$1,183,417	\$39,340
102	Transportation Benefit District	\$573,000	\$610,736	\$37,736
103	Strategic Fund	\$0	\$0	\$0
104	Building and Permitting	\$3,642,395	\$4,937,993	\$1,295,598
105	American Rescue Plan Act	\$0	\$72,000	\$72,000
106	Big Rock Ball Park Maintenance	\$308,326	\$339,871	\$31,545
107	Sensitive Areas Mitigation Fund	\$31,200	\$31,200	\$0
206	2016 LTGO - Main St Debt Svc	\$974,914	\$974,914	\$0
303	Facilities CIP Fund	\$870,000	\$990,020	\$120,020
304	Real Estate Excise Tax Fund 1	\$451,482	\$121,482	-\$330,000
305	Real Estate Excise Tax Fund 2	\$678,982	\$348,982	-\$330,000
306	Main Street Improvement Fund	\$544,000	\$483,000	-\$61,000
307	Street CIP Fund	\$1,720,778	\$1,768,837	\$48,059
308	Parks CIP Fund	\$378,982	\$409,107	\$30,125
401	Water Fund	\$5,032,021	\$5,038,023	\$6,002
402	Sewer Fund	\$4,361,725	\$7,244,720	\$2,882,995
404	Storm Drainage Fund	\$1,912,172	\$1,898,194	-\$13,978
407	Water CIP Fund	\$2,634,311	\$2,774,645	\$140,334
408	Sewer CIP Fund	\$1,332,799	\$5,040,142	\$3,707,343
409	Storm Drainage CIP Fund	\$359,282	\$371,558	\$12,276
501	Equipment Fund	\$558,465	\$612,545	\$54,080
502	IT Fund	\$992,273	\$943,490	-\$48,783
503	Building Maintenance Fund	\$236,205	\$474,018	\$237,813
<b>Total</b>		<b>\$39,879,645</b>	<b>\$49,880,857</b>	<b>\$10,001,212</b>

Major budget amendments include:

- An increase of approximately \$1.17 million in transfers out from the **General Fund** to the new Building and Permitting Fund to move 2019/2020 building and permitting revenues less expenditures.

- An increase of \$216,264 in transfers out from the **General Fund** to the Strategic Fund to set aside a portion of 2019/2020 sales tax from construction.
- An increase of approximately \$1.27 million in impact fee distribution expenditures in the **Building and Permitting Fund** to reflect an anticipated increase in permits and related impact fee revenues.
- A \$330,000 decrease in transfers out from both the **REET I and REET II** funds to the Facilities CIP Fund due to the receipt of a Washington State grant.
- An increase of \$3 million in transfers from the **Sewer Fund** to the Sewer CIP Fund for the Sewer Train Upgrades and UV Replacements project.
- An increase of approximately \$3.67 million in the **Sewer CIP Fund** for the Sewer Train Upgrades and UV Replacements project.
- An increase of approximately \$236,000 in the **Building Maintenance Fund** to reflect the actual cost of a citywide facilities study.

### Note 3 – COVID-19 Pandemic

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In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as 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.

In 2021, the City received \$1,132,631 in funding from the American Rescue Plan Act (ARPA). A similar amount is expected in 2022. The City is still working on a plan to spend its ARPA funding in accordance with Department of the Treasury Interim Final Rule guidelines.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the City is unknown at this time.

### Note 4 – Health and Welfare

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#### Association of Washington Cities

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

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

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage.

Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

## Note 5 – Long Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Duvall and summarizes the cities debt transactions for year ended December 31, 2021.

The debt service requirements for general obligation bonds, a Washington State Revolving Loan, and Washington State Local Program Loan are as follows:

**Table 3: Debt Service Requirements**

Year	Principal	Interest	Total
2022	736,698	85,513	822,211
2023	748,974	73,386	822,360
2024	761,290	60,969	822,259
2025	611,370	48,261	659,631
2026	225,235	36,393	261,628
2027-2031	1,185,431	90,267	1,275,698
<b>Total</b>	<b>4,268,999</b>	<b>394,790</b>	<b>4,663,788</b>

## Note 6 – Deposits and Investments

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

**Table 4: Deposits and Investments by Account**

Account	City's Own Deposits & Investments	Deposits held by the City as a custodian for other local governments or private organizations	Total
WA FD Bank Checking	\$570,134	\$2,354	\$572,488
WA FD Savings	\$2,825,638		\$2,825,638
U.S. Government Securities	\$6,012,669		\$6,012,669
State Local Government Investment Pool	\$20,955,150		\$20,955,150
First American Trust Escrow	\$1,101,002		\$1,101,002
Controlled Substance Checking	\$9,861		\$9,861
Petty Cash Revolving Funds	\$2,000		\$2,000
<b>Total Cash and Investments</b>	<b>\$31,476,454</b>	<b>\$2,354</b>	<b>\$31,478,808</b>

It is the City'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 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).

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City’s deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the City or its agent in the government’s name.

## Note 7 – Pension Plans

### State Sponsored Pension Plans

Substantially all City 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) and Law Enforcement Officers and Fire Fighters (LEOFF).

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 may be obtained by writing to:

Department of Retirement Systems  
 Communications Unit  
 P.O. Box 48380  
 Olympia, WA 98504-8380

Also, the DRS 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’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

**Table 5: Pension Liabilities and (Assets)**

	Employer Contributions	Allocation %	Liability (Asset)
<b>PERS 1</b>	\$ 123,292	0.016552%	\$ 202,139
<b>PERS 2/3*</b>	\$ 201,606	0.021283%	\$ (2,120,129)
<b>LEOFF 2*</b>	\$ 69,111	0.034669%	\$ (2,013,719)

\*Assets - not reported on the Schedule 09

### LEOFF Plan 2

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior

service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

## Note 8 - Property Tax

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

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

The City's regular levy for the year 2021 was \$1.32971 per \$1,000 on an assessed valuation of \$1,534,857,512 for a total regular levy of \$2,034,361.

## Note 9 – Risk Management

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### Washington Cities Insurance Authority

The City of Duvall is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 166 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

## Note 10 - Other Disclosures

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### Significant Commitments or Obligations

The City has a moratorium on the receipt and processing of any subdivision application, applications for building permits and any other application for other permits of any type which requires a new connection to the City sewer system or which increases the assessed equivalent residential unit (ERU) and loading on the system.

The estimated cost to increase sewer capacity is \$6,017,850, which will be spent over the next few years. The 2021/2022 budget includes \$3,665,000 for the project. Projected sewer charges for services and general facility charge revenues are expected to cover the remaining cost of the projected.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
251.11	General Obligation Bond Main Street Project	12/1/2031	2,320,000	-	185,000	2,135,000
251.11	General Obligation Bond Big Rock Ball Field	12/1/2025	1,055,000	-	200,000	855,000
263.96	Local Government Loan (Dump Truck)	6/1/2029	131,627	-	11,937	119,690
<b>Total General Obligation Debt/Liabilities:</b>			<b>3,506,627</b>	<b>-</b>	<b>396,937</b>	<b>3,109,690</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Revenue Debt, Compensated Absences		450,337	-	65,028	385,309
263.82	Washington State Revolving Fund Loan	6/30/2025	1,486,832	-	327,523	1,159,309
264.30	Net Pension Liability		793,877	-	591,738	202,139
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>2,731,046</b>	<b>-</b>	<b>984,289</b>	<b>1,746,757</b>
<b>Total Liabilities:</b>			<b>6,237,673</b>	<b>-</b>	<b>1,381,226</b>	<b>4,856,447</b>



## 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.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)