



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

# **Financial Statements Audit Report**

## **City of DuPont**

**For the period January 1, 2018 through December 31, 2018**

**Published November 7, 2019**

**Report No. 1024964**





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

November 7, 2019

Mayor and City Council  
City of DuPont  
DuPont, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of DuPont  
January 1, 2018 through December 31, 2018**

Mayor and City Council  
City of DuPont  
DuPont, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of DuPont, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 30, 2019.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

October 30, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of DuPont January 1, 2018 through December 31, 2018

Mayor and City Council  
City of DuPont  
DuPont, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of DuPont, for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1, the City of DuPont has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of DuPont, and its changes in cash and investments, for the year ended December 31, 2018, on the basis of accounting described in Note 1.

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

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of DuPont, as of December 31, 2018, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## Other Matters

### *Supplementary and Other Information*

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

October 30, 2019

## **FINANCIAL SECTION**

### **City of DuPont January 1, 2018 through December 31, 2018**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2018  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018  
Notes to Financial Statements – 2018

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

Schedule of Liabilities – 2018

**City of DuPont**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Fund</u>	<u>101 Street Fund</u>	<u>103 Hotel/Motel Tax Fund</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	1,363,480	455,418	-	235,829
30880	Unreserved	8,958,349	1,328,383	49,192	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	7,993,923	6,356,405	-	274,828
320	Licenses and Permits	1,040,843	1,039,193	1,650	-
330	Intergovernmental Revenues	996,854	322,181	603,442	-
340	Charges for Goods and Services	6,813,032	1,207,939	100,208	-
350	Fines and Penalties	73,264	55,480	-	-
360	Miscellaneous Revenues	391,306	194,641	19	3,507
Total Revenues:		<u>17,309,222</u>	<u>9,175,839</u>	<u>705,319</u>	<u>278,335</u>
<b>Expenditures</b>					
510	General Government	1,981,885	1,962,937	-	-
520	Public Safety	4,766,283	4,690,073	-	-
530	Utilities	3,982,007	-	-	-
540	Transportation	1,100,649	222,643	878,006	-
550	Natural and Economic Environment	960,050	960,050	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	1,088,065	958,738	-	129,327
Total Expenditures:		<u>13,878,939</u>	<u>8,794,441</u>	<u>878,006</u>	<u>129,327</u>
Excess (Deficiency) Revenues over Expenditures:		3,430,283	381,398	(172,687)	149,008
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,344,967	319,633	225,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	83,783	11,021	-	-
381, 395, 398	Other Resources	316,780	125,229	-	-
Total Other Increases in Fund Resources:		<u>1,745,530</u>	<u>455,883</u>	<u>225,000</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	470,449	-	-	-
591-593, 599	Debt Service	1,048,698	-	-	-
597	Transfers-Out	1,344,967	554,199	-	129,633
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	90,148	5,052	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>2,954,262</u>	<u>559,251</u>	<u>-</u>	<u>129,633</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>2,221,551</b>	<b>278,030</b>	<b>52,313</b>	<b>19,375</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	2,165,841	570,767	-	255,204
5088000	Unreserved	10,377,538	1,491,064	101,505	-
<b>Total Ending Cash and Investments</b>		<b>12,543,379</b>	<b>2,061,831</b>	<b>101,505</b>	<b>255,204</b>

The accompanying notes are an integral part of this statement.

**City of DuPont**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>104 Public Safety Mitigation Fund</b>	<b>160 Drug Enforcement Fund</b>	<b>202 UTGO Fund</b>	<b>301 Capital</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	120,737	9,471	-	542,025
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	1,362,690
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	21,879
340	Charges for Goods and Services	120,632	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,200	174	-	7,655
Total Revenues:		122,832	174	-	1,392,224
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	76,210	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		76,210	-	-	-
Excess (Deficiency) Revenues over Expenditures:		46,622	174	-	1,392,224
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	769,530	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	2,919
381, 395, 398	Other Resources	-	-	-	191,551
Total Other Increases in Fund Resources:		-	-	769,530	194,470
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	246,975
591-593, 599	Debt Service	-	-	769,530	54,824
597	Transfers-Out	96,135	-	-	565,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	2,919
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		96,135	-	769,530	869,718
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(49,513)</b>	<b>174</b>	<b>-</b>	<b>716,976</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	71,224	9,645	-	1,259,001
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>71,224</b>	<b>9,645</b>	<b>-</b>	<b>1,259,001</b>

**City of DuPont**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<u>401 Water</u>	<u>403 Storm Water Management</u>	<u>501 ER&amp;R Fund</u>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	-	-
30880	Unreserved	3,785,284	2,328,129	1,467,361
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	49,352	-
340	Charges for Goods and Services	2,486,214	2,455,073	442,966
350	Fines and Penalties	17,784	-	-
360	Miscellaneous Revenues	69,386	41,883	71,841
Total Revenues:		<u>2,573,384</u>	<u>2,546,308</u>	<u>514,807</u>
<b>Expenditures</b>				
510	General Government	-	-	18,948
520	Public Safety	-	-	-
530	Utilities	2,184,200	1,797,807	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		<u>2,184,200</u>	<u>1,797,807</u>	<u>18,948</u>
Excess (Deficiency) Revenues over Expenditures:		389,184	748,501	495,859
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	30,804	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	60,134	9,709	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		<u>90,938</u>	<u>9,709</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	446	-	223,028
591-593, 599	Debt Service	147,436	76,908	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	82,177	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		<u>230,059</u>	<u>76,908</u>	<u>223,028</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>250,063</b>	<b>681,302</b>	<b>272,831</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	-	-	-
5088000	Unreserved	4,035,347	3,009,431	1,740,192
<b>Total Ending Cash and Investments</b>		<b>4,035,347</b>	<b>3,009,431</b>	<b>1,740,192</b>

**City of DuPont**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<u>Agency</u>
308	Beginning Cash and Investments	62,317
388 & 588	Prior Period Adjustment, Net	-
310-390	Additions	97,427
510-590	Deductions	101,491
	Net Increase (Decrease) in Cash and Investments:	<u>(4,064)</u>
508	Ending Cash and Investments	58,253

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

**City of DuPont**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018**

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

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

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES

General Fund

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

Special Revenue Funds

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

#### Debt Service Funds

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

#### Capital Projects Funds

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

### PROPRIETARY FUND TYPES

#### Enterprise Funds

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

#### Internal Service Funds

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

### FIDUCIARY FUND TYPES:

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

#### Agency Funds

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

### B. Basis of Accounting and Measurement Focus

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

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

### C. Cash and Investments

See Note 4, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

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

Sick leave can be accumulated up to 1,680 hours for twenty-four hour shift employees of the DuPont Firefighters Local #3829 and up to 1,280 hours for all other employees. Upon separation members of the DuPont Employees' Association and the DuPont Firefighters Local #3829 will be receive a percentage of unused sick leave, up to 100% of the cap using this scale:

Years of Service	Buy Back Maximum
0-5 Years	\$0
5-10 Years	\$5,000
10-15 Years	\$10,000
15+ Years	\$15,000

Upon retirement members of the DuPont Police Officers' Association Local 165 receive 25% of their accumulated sick leave up to a maximum of 300 hours, if they separate upon non-retirement, employees do not receive payment for unused sick leave.

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

G. Other Financing Sources or Uses

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

H. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of the following:

<b>Fund</b>	<b>Purpose</b>	<b>Amount</b>
General Fund	Revenue Stabilization	\$379,424
General Fund	Contingency Reserve	191,343
Hotel/Motel Tax	Tourism	255,204
Public Safety Mitigation	Public Safety Debt Service	71,225
Drug Enforcement	Drug Enforcement	9,644
Capital Projects	Capital Projects	1,259,000
Transportation Benefit District	Transportation Improvement	<u>58,253</u>
	Total	<u>\$ 2,224,093</u>

**Note 2- Budget**

In 2017, the City adopted an annual appropriated budget for all funds for fiscal year 2018. In 2018, the City adopted a biennial budget for fiscal years 2019-2020 and will continue to adopt biennial budgets going forward. These budgets are appropriated at the fund level except the general fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual or biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting with the exception of debt refunding and managerial fund transfers. Amounts paid directly to escrow and not passed through the City are not appropriated. Amounts transferred to managerial funds such as reserves are recorded as expenditures and appropriated although they are eliminated from the financial statements.

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

Fund/Department	Final Appropriated	Actual Expenditures	Variance
<b>General Fund:</b>			
Governance	\$ 766,067	\$ 780,665	\$ (14,598)
Support Services	\$ 457,201	\$ 454,867	\$ 2,334
Police Department	\$ 2,335,682	\$ 2,297,692	\$ 37,990
Fire Department	\$ 2,416,352	\$ 2,369,456	\$ 46,896
Community Development	\$ 971,950	\$ 927,428	\$ 44,522
Public Works	\$ 1,505,645	\$ 1,558,254	\$ (52,609)
Non-Departmental	\$ 1,003,489	\$ 956,619	\$ 46,870
<b>Total General Fund (budget basis)</b>	<b>\$ 9,456,386</b>	<b>\$ 8,575,901</b>	<b>\$ 111,405</b>
<i>Non-budgeted refunding</i>		\$ 769,080	
<i>Total General Fund</i>		\$ 9,344,981	
Street Fund	\$ 987,030	\$ 878,007	\$ 109,023
Street Depreciation Fund	\$ 20,000	\$ 8,707	\$ 11,293
Hotel/Motel Tax Fund	\$ 293,295	\$ 258,960	\$ 34,335
Public Safety Mitigation Fund	\$ 181,635	\$ 172,344	\$ 9,291
Glacier NW Settlement Fund	\$ 55,000	\$ -	\$ 55,000
Drug Enforcement Fund	\$ -	\$ -	\$ -
GO Bond Debt Service Fund	\$ 769,530	\$ 769,530	\$ -
Capital Projects Fund	\$ 919,270	\$ 869,718	\$ 49,552
Water Utility Fund	\$ 2,358,576	\$ 2,266,821	\$ 91,755
<i>Non-budgeted refunding</i>		\$ 147,436	
<i>Total Water Utility Fund</i>		\$ 2,414,257	
Stormwater Utility Fund	\$ 1,877,977	\$ 1,797,808	\$ 80,169
<i>Non-budgeted refunding</i>		\$ 76,908	
<i>Total Stormwater Utility Fund</i>		\$ 1,874,716	
Equipment Rental/Repl. Fund	\$ 327,084	\$ 241,976	\$ 85,108
Transportation Benefit Dist.	\$ 101,825	\$ 101,491	\$ 334
<b>Total All Funds</b>	<b>\$ 17,347,608</b>	<b>\$ 15,941,263</b>	<b>\$ 1,406,345</b>
<i>Non-budgeted refunding</i>		\$ 993,424	
<i>Less transfers to managerial funds</i>		\$ (107,000)	
<b>Total per financial statements</b>		<b>\$ 16,827,687</b>	

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

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

### **Note 3- Risk Management**

The City of DuPont is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2018, 100 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) and pollution liability and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2018; AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

#### **Note 4 - Property Tax**

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

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

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

The City of DuPont's regular tax levy rate for the year 2018 was \$1.148689366701 per \$1,000 on an assessed valuation of \$1,500,124,864 for a total regular levy of \$1,723,177.48. The City's EMS tax levy rate was \$0.500000000000 per \$1,000 on total assessed valuation for a total of \$750,062.43. The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following three reasons:

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

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

**Note 5 – Deposits and Investments**

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government’s name.

Investments are reported at fair value. Investments by type at December 31, 2018 are as follows:

Type of Investment	City of DuPont Investments	Investments held by the City for the DuPont Transportation Benefit District	Total
Local Government Investment Pool	\$10,234,734	\$39,925	\$10,274,659

**Note 6 – Debt Service Requirements**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of DuPont and summarizes the City’s debt transactions for the year ended December 31, 2018.

The debt service requirements, including interest, to amortize general obligations bonds and revenue bonds debt outstanding as of December 31, 2018, are as follows:

Year Ended			
December 31	Principal	Interest	Total
2019	606,395	605,258	1,211,654
2020	554,749	591,683	1,146,432
2021	570,744	575,238	1,145,982
2022	581,778	558,304	1,140,082
2023	607,854	535,028	1,142,882
2024-2028	3,431,986	2,289,421	5,721,408
2029-2033	4,150,000	1,555,000	5,705,000
2034-2038	5,185,000	638,400	5,823,400
<b>Total</b>	<b><u>\$15,688,507</u></b>	<b><u>\$7,348,331</u></b>	<b><u>\$23,036,838</u></b>

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

The City received its first draw on a construction Public Works Trust Fund loan during 2000 for \$1,306,771. The final draw of \$91,360.66 was received in 2005. As a result of the City transferring its sewer utility to Pierce County in July of 2008, this loan was split between Pierce County and the City. The City's portion was recorded as a new loan effective October 2008. This loan requires annual principal payments of \$31,445 and 1% interest on the outstanding balance. The outstanding balance on this new loan was \$31,445 as of December 31, 2018. This loan will be paid in full in 2019.

### Debt Refunding

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

### Note 7 – Health and Welfare

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

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

As of December 31, 2018, 257 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield,

Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. 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 8 - Pension Plans**

Substantially all of the City's full-time and qualifying part-time employees participate in the PERS and LEOFF retirement plans administered by the Washington State Department of Retirement

Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

At June 30, 2018 (the measurement date of the plans), the City’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	0.016605%	\$ 741,585
PERS 1	0.000206%	\$ 9,200
PERS 2/3	0.021419%	\$ 365,710
LEOFF 1	0.009512%	\$ (172,691)
LEOFF 2	0.063687%	\$(1,292,985)

LEOFF Plan 1

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

LEOFF Plan 2

The City 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 9 – Other Post-Employment Benefits**

The City will administer the DuPont Firefighters Local #3829's post-employment retirement incentive, a defined benefit plan. Eligible employees may receive an "early retirement incentive," in the form of a monthly contribution or stipend to assist with qualified retirement health care expenses. To qualify for the incentive, an "eligible employee" is in good standing with the department, has completed a minimum 10 years' service with the DuPont Fire Department, and retiring at or after age 53 through age 60. Employees may apply for the incentive at the time of early retirement. Stipend will be at a rate equivalent to the monthly premium of the City's lowest cost medical plan offered, deposited in a lump sum annually, to a qualified retiree health reimbursement arrangement (RHRA) or equivalent qualified plan up to the age of 65. At this time, there have been no employee's utilizing this plan. In 2018, the City of DuPont did not contribute any funds into this account.

#### **Note 10 – Transportation Benefit District**

The DuPont Transportation Benefit District was established on January 8, 2013, and operates under the laws of the State of Washington applicable to a special purpose district. The District is a special purpose government with its fiscal year ending December 31. The District provides for the preservation and maintenance of the City of DuPont's transportation infrastructure to protect the City's long-term investments in that infrastructure and to reduce the risk of transportation facility failures and improve safety. During 2018, the City received \$96,348 from the collection of \$20.00 vehicle license fees and \$1,079 in interest income. \$101,492 was expended during the year on transportation projects.

#### **Note 11 – Subsequent events**

As noted on the Long Term Debt Schedule, the City entered into a Capital Lease for Fire Apparatus in the amount of \$288,599. No payments were made on this lease in 2018, the first lease payment is due with delivery of the vehicles on July 15, 2019.

On March 12, 2019, the City passed Ordinance number #19-1058 authorizing the issuance of \$10,000,000 in Revenue Bonds for the construction of a new Public Works Building, automated water meter reading system and water reservoir maintenance. After payment of issuance costs, the City received \$9,949,491.80. The first payment is due December 1, 2019.

**City of DuPont  
Schedule of Liabilities  
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
251.11	2015 GO Refunding Bonds	12/1/2038	8,890,000	-	45,000	8,845,000
251.11	2016 GO Refunding Bonds	12/1/2030	6,800,000	-	310,000	6,490,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>15,690,000</b>	<b>-</b>	<b>355,000</b>	<b>15,335,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.12	Washington State Dept of Retirement	11/30/2018	140,000	-	140,000	-
259.12	Compensated Absences		274,191	574,751	485,785	363,157
263.88	2008 Public Works Trust Fund	6/1/2019	62,889	-	31,445	31,444
264.30	Pension liabilities		1,665,983	-	549,488	1,116,495
263.52	2018 Purchase and Lease Agreement	7/15/2028	-	288,599	-	288,599
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>2,143,063</b>	<b>863,350</b>	<b>1,206,718</b>	<b>1,799,695</b>
<b>Assessment Debt/Liabilities (with commitments)</b>						
253.11	Utility Local Improvement District-Historic Sites	2/1/2021	165,159	-	46,054	119,105
<b>Total Assessment Debt/Liabilities (with commitments):</b>			<b>165,159</b>	<b>-</b>	<b>46,054</b>	<b>119,105</b>
<b>Total Liabilities:</b>			<b>17,998,222</b>	<b>863,350</b>	<b>1,607,772</b>	<b>17,253,799</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>