



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Duvall

For the period January 1, 2020 through December 31, 2020

Published December 13, 2021

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

December 13, 2021

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 condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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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, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 7, 2021.

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.

As discussed in Note 3 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 3.

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, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

December 7, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Duvall **January 1, 2020 through December 31, 2020**

Mayor and City Council
City of Duvall
Duvall, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Duvall, for the year ended December 31, 2020, 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 state law 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 Duvall has prepared these financial statements to meet the financial reporting requirements of state law 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 Duvall, and its changes in cash and investments, for the year ended December 31, 2020, 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 Duvall, as of December 31, 2020, or the changes in financial position or cash flows thereof 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.

Matter of Emphasis

As discussed in Note 3 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in

response to this matter are also described in Note 3. Our opinion is not modified with respect to this matter.

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 December 7, 2021 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

December 7, 2021

FINANCIAL SECTION

City of Duvall January 1, 2020 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
Notes to the Financial Statements – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020

City of Duvall
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 GENERAL FUND	101 STREET FUND	102 TRANSPORTATI ON BENEFIT
Beginning Cash and Investments					
308	Beginning Cash and Investments	19,212,697	2,790,103	152,295	-
388 / 588	Net Adjustments	10,031	10,031	-	-
Revenues					
310	Taxes	5,591,355	4,307,558	310,017	174,874
320	Licenses and Permits	1,147,630	1,132,046	15,584	-
330	Intergovernmental Revenues	1,212,637	552,167	488,157	-
340	Charges for Goods and Services	9,973,933	2,247,167	-	-
350	Fines and Penalties	27,487	17,824	-	-
360	Miscellaneous Revenues	4,130,337	104,597	779	18
Total Revenues:		22,083,379	8,361,359	814,537	174,892
Expenditures					
510	General Government	2,275,580	1,918,096	-	-
520	Public Safety	2,685,770	2,685,770	-	-
530	Utilities	4,600,663	-	-	-
540	Transportation	1,068,492	210,377	822,696	-
550	Natural/Economic Environment	1,141,222	1,138,855	-	-
560	Social Services	85,952	85,952	-	-
570	Culture and Recreation	412,342	305,673	-	-
Total Expenditures:		12,270,021	6,344,723	822,696	-
Excess (Deficiency) Revenues over Expenditures:		9,813,358	2,016,636	(8,159)	174,892
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,351,577	-	71,250	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	22,974	4,020	-	-
Total Other Increases in Fund Resources:		1,374,551	4,020	71,250	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,185,166	-	21,146	-
591-593, 599	Debt Service	817,734	-	-	-
597	Transfers-Out	1,351,577	366,365	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	5,135	5,135	-	-
Total Other Decreases in Fund Resources:		4,359,612	371,500	21,146	-
Increase (Decrease) in Cash and Investments:		6,828,297	1,649,156	41,945	174,892
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	7,344,331	151,994	-	174,891
50841	Committed	73,254	-	-	-
50851	Assigned	15,507,357	1,171,216	194,239	-
50891	Unassigned	3,126,079	3,126,079	-	-
Total Ending Cash and Investments		26,051,021	4,449,289	194,239	174,891

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, 2020

		106 BIG ROCK BALL PARK FUND	107 SENSITIVE AREAS MITIGATION	206 LTGO - DEBT SERVICE FUND	304 REAL ESTATE EXCISE TAX 1 FUND
Beginning Cash and Investments					
308	Beginning Cash and Investments	88,091	40,190	16,284	1,222,431
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	399,453
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	44,726	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	794	402	-	12,933
Total Revenues:		45,520	402	-	412,386
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	106,669	-	-	-
Total Expenditures:		106,669	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(61,149)	402	-	412,386
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	98,624	-	488,397	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		98,624	-	488,397	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	483,179	-
597	Transfers-Out	-	-	-	110,997
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	483,179	110,997
Increase (Decrease) in Cash and Investments:		37,475	402	5,218	301,389
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	1,523,820
50841	Committed	73,254	-	-	-
50851	Assigned	52,312	40,593	21,501	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		125,566	40,593	21,501	1,523,820

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, 2020

		305 REAL ESTATE EXCISE TAX 2 FUND	306 MAIN STREET IMPROVEMENT	307 STREET CAPITAL IMPROVEMENT	308 PARKS CAPITAL IMPROVEMENT
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,031,060	1,158,023	1,188,128	1,013,457
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	399,453	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	11,084	116,724
340	Charges for Goods and Services	-	-	582,615	900,000
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	11,021	11,478	11,746	10,345
Total Revenues:		410,474	11,478	605,445	1,027,069
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	2,367	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	2,367	-	-
Excess (Deficiency) Revenues over Expenditures:		410,474	9,111	605,445	1,027,069
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	55,675	560,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	55,675	560,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,335	62,083	323,258	732,025
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	81,497	560,000	81,497	55,675
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		84,832	622,083	404,755	787,700
Increase (Decrease) in Cash and Investments:		325,642	(612,972)	256,365	799,369
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,356,702	545,051	1,444,492	1,812,826
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,356,702	545,051	1,444,492	1,812,826

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, 2020

		401 WATER FUND	402 SEWER FUND	404 STORM DRAINAGE FUND	501 VEHICLE & EQUIP MAINTENANCE
Beginning Cash and Investments					
308	Beginning Cash and Investments	4,936,987	3,601,324	1,150,617	441,228
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	15,640	1,300
340	Charges for Goods and Services	2,188,019	2,605,465	807,792	182,576
350	Fines and Penalties	9,663	-	-	-
360	Miscellaneous Revenues	1,597,236	2,090,182	270,673	4,466
Total Revenues:		3,794,918	4,695,647	1,094,105	188,342
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	2,021,847	1,863,705	715,111	-
540	Transportation	-	-	-	35,419
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,021,847	1,863,705	715,111	35,419
Excess (Deficiency) Revenues over Expenditures:		1,773,071	2,831,942	378,994	152,923
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	77,631	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	18,954	-	-	-
Total Other Increases in Fund Resources:		96,585	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	716,619	58,269	-	175,947
591-593, 599	Debt Service	-	334,555	-	-
597	Transfers-Out	-	77,631	-	17,915
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		716,619	470,455	-	193,862
Increase (Decrease) in Cash and Investments:		1,153,037	2,361,487	378,994	(40,939)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	334,555	-	-
50841	Committed	-	-	-	-
50851	Assigned	6,090,027	5,628,257	1,529,614	400,287
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		6,090,027	5,962,812	1,529,614	400,287

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, 2020

		502 IT FUND	503 BUILDING MAINTENANCE FUND
Beginning Cash and Investments			
308	Beginning Cash and Investments	226,031	156,448
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	27,565
340	Charges for Goods and Services	282,509	133,064
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	2,141	1,526
Total Revenues:		284,650	162,155
Expenditures			
510	General Government	282,761	74,723
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		282,761	74,723
Excess (Deficiency) Revenues over Expenditures:		1,889	87,432
Other Increases in Fund Resources			
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:		-	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	92,484
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	92,484
Increase (Decrease) in Cash and Investments:		1,889	(5,052)
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	227,917	151,394
50891	Unassigned	-	-
Total Ending Cash and Investments		227,917	151,394

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, 2020

		<u>Custodial</u>
308	Beginning Cash and Investments	9,970
388 & 588	Net Adjustments	(10,031)
310-390	Additions	206,676
510-590	Deductions	209,906
	Net Increase (Decrease) in Cash and Investments:	(3,230)
508	Ending Cash and Investments	(3,291)

The accompanying notes are an integral part of this statement.

City of Duvall
Notes to the Financial Statements
For the year ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

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:

- 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 presented using classifications that are similar to the ending balance classification 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 the final pay rate.

Compensation time

Compensation 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. Annually, on their anniversary date, employees may receive cash payment for unused time accrued.

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 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 - \$151,994

Affordable Housing Sales & Use Tax - \$5,777

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.

School Impact Fees - \$136,358

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.

Drug Seizure Account - \$9,859

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.

Transportation Benefit District Sales Tax Restricted - \$174,891

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.

Activity Fees Committed - \$73,254

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- \$1,523,820

Real Estate Excise Tax II Restricted - \$1,356,702

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 - \$545,051

The ending fund balance of the **Main Street Improvement Fund** is the remaining bond proceeds from the Main Street which is restricted in use by the Bond covenant. Resolution 20-30 further delineates the use of the remaining proceeds to specific projects.

Street Impact Fees Restricted - \$1,444,492

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 - \$1,695,642

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. \$900,000 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 - \$117,184

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 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 2019/2020 Budget is the City's first biennial budget. Prior to the 2019/2020 budget, the City adopted its budget on an annual basis.

The City adopts appropriated budgets for the funds listed in the table below. 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 is 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, 410 Bond Redemption Fund and the 411 Bond Reserve Fund are 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 on the following page.

Table 1: Budgeted Expenditures to Actual

Fund	Description	Budgeted			Total	Remaining
		Expenditures*	2019 Actual	2020 Actual		
001	General Fund	\$ 13,318,166	\$ 5,641,807	\$ 6,899,916	\$ 12,541,723	\$ 776,442
002	Contingency Fund	-	\$ -	-	\$ -	\$ -
101	Street Fund	1,752,895	\$ 884,316	843,843	\$ 1,728,159	\$ 24,736
102	Transportation Benefit District	-	\$ -	-	\$ -	\$ -
106	Big Rock Ball Park Maintenance	250,735	\$ 117,556	106,669	\$ 224,225	\$ 26,510
107	Sensitive Areas Mitigation Fund	-	\$ -	-	\$ -	\$ -
206	2016 LTGO - Main St Debt Svc	958,878	\$ 475,520	483,179	\$ 958,699	\$ 179
304	Real Estate Excise Tax Fund 1	194,200	\$ 83,203	110,997	\$ 194,200	\$ -
305	Real Estate Excise Tax Fund 2	179,857	\$ 90,613	84,832	\$ 175,445	\$ 4,411
306	Main Street Improvement Fund	687,000	\$ 54,188	624,450	\$ 678,638	\$ 8,362
307	Street CIP Fund	526,190	\$ 91,846	404,755	\$ 496,600	\$ 29,589
308	Parks CIP Fund	961,191	\$ 157,674	787,700	\$ 945,374	\$ 15,816
401	Water Fund	4,225,657	\$ 2,133,085	1,996,181	\$ 4,129,266	\$ 96,391
402	Sewer Fund	4,534,932	\$ 2,468,515	1,903,455	\$ 4,371,970	\$ 162,962
404	Storm Drainage Fund	1,546,279	\$ 750,333	713,474	\$ 1,463,808	\$ 82,472
407	Water CIP Fund	966,833	\$ 144,005	742,283	\$ 886,288	\$ 80,545
408	Sewer CIP Fund	696,352	\$ 342,978	353,073	\$ 696,051	\$ 302
409	Storm Drainage CIP Fund	4,000	\$ 2,109	1,633	\$ 3,741	\$ 259
410	Bond Redemption Fund	20,847	\$ -	20,847	\$ 20,847	\$ 0
411	Bond Reserve Fund	274,580	\$ 400	274,180	\$ 274,580	\$ 0
501	Equipment Fund	675,093	\$ 405,668	229,281	\$ 634,950	\$ 40,143
502	IT Fund	546,638	\$ 251,585	282,762	\$ 534,348	\$ 12,290
503	Building Maintenance Fund	304,993	\$ 128,172	167,209	\$ 295,381	\$ 9,612
Total		\$ 32,625,316	\$ 14,223,573	\$ 17,030,721	\$ 31,254,294	\$ 1,371,022

The City's adopted budget includes ending fund balance. The "Budgeted Expenditures" column in Table 1 is the amended appropriated amount without the ending fund balance. Total appropriated amounts, which include ending fund balance, can be found in the "Changes to Budget by Ordinance" table on the next page.

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 original 2019/2020 budget and amendments can be found in Table 2 on the following page. The variance between Ordinance 1251, the final budget amendment in 2019, and Ordinance 1273, the final budget amendment of 2020 is shown in the "2020 Budget Adjustments" column.

Table 2: Changes to Budget by Ordinance

Fund	Description	2019/2020	2019/2020	2019/2020	2019/2020	2020 Budget Adjustments
		Original Ord. 1248	Amended Ord. 1251	Amended Ord. 1264	Amended Ord. 1273	
001	General Fund	\$13,238,148	\$13,440,999	\$13,238,145	\$16,114,138	\$ 2,673,139
002	Contingency Fund	\$ 494,527	\$ 494,814	497,314	552,430	\$ 57,616
101	Street Fund	\$ 1,823,311	\$ 1,866,305	1,877,056	1,917,904	\$ 51,599
102	Transportation Benefit District	\$ -			165,000	\$ 165,000
106	Big Rock Ball Park Maintenance	\$ 383,168	\$ 403,624	373,124	348,124	\$ (55,500)
107	Sensitive Areas Mitigation Fund	\$ 40,324	\$ 40,378	40,578	40,578	\$ 200
206	2016 LTGO - Main St Debt Svc	\$ 960,829	\$ 960,829	980,200	980,200	\$ 19,371
304	Real Estate Excise Tax Fund 1	\$ 1,583,364	\$ 1,568,574	1,579,574	1,721,574	\$ 153,000
305	Real Estate Excise Tax Fund 2	\$ 1,292,699	\$ 1,383,759	1,393,759	1,535,759	\$ 152,000
306	Main Street Improvement Fund	\$ 1,011,071	\$ 1,218,097	1,224,097	1,224,097	\$ 6,000
307	Street CIP Fund	\$ 2,358,493	\$ 1,942,677	1,596,052	1,556,727	\$ (385,950)
308	Parks CIP Fund	\$ 965,582	\$ 1,156,281	1,324,835	1,883,335	\$ 727,054
401	Water Fund	\$ 7,885,997	\$ 7,975,652	7,572,152	7,649,434	\$ (326,218)
402	Sewer Fund	\$ 7,208,519	\$ 7,472,929	7,710,325	7,880,325	\$ 407,396
404	Storm Drainage Fund	\$ 2,279,197	\$ 2,332,973	2,387,411	2,426,051	\$ 93,078
407	Water CIP Fund	\$ 2,364,952	\$ 2,301,417	2,629,048	2,967,828	\$ 666,411
408	Sewer CIP Fund	\$ 1,976,949	\$ 1,709,322	2,049,822	2,514,482	\$ 805,160
409	Storm Drainage CIP Fund	\$ 415,094	\$ 375,213	463,816	488,816	\$ 113,603
410	Bond Redemption Fund	\$ 21,110	\$ 22,156	20,847	20,847	\$ (1,309)
411	Bond Reserve Fund	\$ 274,106	\$ 274,472	274,580	274,580	\$ 108
501	Equipment Fund	\$ 832,982	\$ 841,564	1,035,210	1,035,210	\$ 193,646
502	IT Fund	\$ 727,192	\$ 759,724	762,224	762,224	\$ 2,500
503	Building Maintenance Fund	\$ 376,761	\$ 417,376	446,741	446,741	\$ 29,365
Total		\$48,514,374	\$48,959,133	\$49,476,908	\$54,506,404	\$ 5,547,271

The amounts budgeted above are expenditures plus ending fund balance. Major changes to the budget from 2019 to 2020 include:

- An increase of \$1.642 million in the **General Fund** for school impact fee expenditures, paid to the Riverview School District, which were formerly reported in the City's Custodial Fund.
- An increase of approximately \$370,000 in the **General Fund** for COVID related expenditures.
- The **Transportation Benefit District** received its first revenues in 2020. The ending fund balance was budgeted.
- The budget for the ending fund balance of the **Big Rock Ballfield** was decreased due to lack of ballfield revenue due to the COVID outbreak.
- **REET I & II** ending fund balance was increased due to higher than anticipated tax revenue from property sales.
- Budgeted traffic impact fee revenues were decreased by \$846,000 in the **Street CIP Fund**, grant revenues were increased by \$391,000, and capital project expenditures were increased by \$354,000.
- The City purchased a new park property in 2020, increasing budgeted expenditures in the **Parks CIP Fund** by \$745,000.
- The budget for charges for services revenue in the **Water Fund** was reduced by \$140,000 and the \$140,000 budget for Seattle Public Utility (SPU) General Facilities Charges expenditure was moved to the City's custodial fund, since that revenue stream is charged on behalf of SPU, decreasing fund balance.

- The Bond Redemption and Bond Reserve Funds were closed. \$217,400 of the ending balance for these funds was remitted and budgeted as a transfer in for the **Sewer Fund**. The budget for sewer charges for services revenue was increased by \$170,000.
- Budgeted general facilities charges revenue was increased by \$574,000 in the **Water CIP Fund**.
- Budgeted general facilities charges revenue was increased by \$745,000 in the **Sewer CIP Fund**.
- Budgeted general facilities charges revenue was increased by \$100,000 in the **Storm Drainage CIP Fund**.
- \$140,000 in loan proceeds revenue was added to the **Equipment Fund** for the purchase of a dump truck.

Note 3 – COVID-19 Pandemic

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. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In 2020, the City received \$364,774 in CARES Act grant funding and a \$5,000 local grant to help mitigate the cost of the pandemic. The City also applied for \$56,342 in Federal Emergency Management Agency (FEMA) assistance through the Washington State Department of Military which was approved by FEMA in May of 2021.

In addition, the City expects to receive \$2.26 million in funding through the American Rescue Plan Act (ARPA). 50% of the ARPA funding is expected in 2021, and 50% is expected in 2022. The City is working on a plan to spend its ARPA allotment 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

Association of Washington Cities

The City of Duvall 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, 2020, 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 ASG Risk Management. 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, 2020.

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
2021	724,460	97,353	821,813
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
2026-2030	1,170,666	120,684	1,291,350
2031	240,000	5,976	245,976
Total	4,993,459	492,143	5,485,601

Note 6 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2020 are as follows:

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

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	\$ 136,477	\$ (3,291)	\$ 133,186
WA FD Savings	1,524,170		1,524,170
U.S. Government Securities	4,297,703		4,297,703
Pacific Premier	4,993,266		4,993,266
State Local Government Investment Pool	14,187,508		14,187,508
First American Trust Escrow	900,037		900,037
Controlled Substance Checking	9,859		9,859
Petty Cash Revolving Funds	2,000		2,000
Total Cash and Investments	\$ 26,051,020	\$ (3,291)	\$ 26,047,729

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.

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 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 98504-8380

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

At June 30, 2020 (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)
PERS 1	\$ 110,913	0.015304%	\$ 540,314
PERS 2/3	\$ 182,642	0.019826%	\$ 253,563
LEOFF 2*	\$ 68,984	0.035264%	\$ (719,334)

*Asset - 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

The King 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 2020 was \$1.32191 per \$1,000 on an assessed valuation of \$1,470,525,425 for a total regular levy of \$1,938,561.

Note 9 – Risk Management

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 163 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 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 sub-limits. 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 \$300 million per occurrence subject to aggregates and sub-limits. 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 sub-limits.

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

Accounting Change

In accordance with the implementation of GASB Statement No. 84 Fiduciary Activities, certain funds previously reported in the City's Deposit Fund no longer qualify to be reported in that fund. This resulted in a prior period adjustment in the General Fund of \$10,031.

**City of Duvall
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	General Obligation Bond Main Street Project	12/1/2031	2,500,000	-	180,000	2,320,000
251.11	General Obligation Bond Big Rock Ball Field	12/1/2025	1,250,000	-	195,000	1,055,000
263.96	Local Government Loan (Dump Truck)	6/1/2029	139,824	-	8,197	131,627
Total General Obligation Debt/Liabilities:			3,889,824	-	383,197	3,506,627
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Revenue Debt, Compensated Absences		423,746	26,591	-	450,337
263.82	Washington State Revolving Fund Loan	6/20/2025	1,812,721	-	325,889	1,486,832
264.30	Net Pension Liability		848,455	-	54,578	793,877
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,084,922	26,591	380,467	2,731,046
Total Liabilities:			6,974,746	26,591	763,664	6,237,673

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. 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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