



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Napavine

Lewis County

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

Published August 27, 2015

Report No. 1014851





Washington State Auditor's Office

August 27, 2015

Mayor and City Council
City of Napavine
Napavine, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

**City of Napavine
Lewis County
January 1, 2014 through December 31, 2014**

The results of our audit of the City of Napavine are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

**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 Napavine
Lewis County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Napavine
Napavine, 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 Napavine, Lewis County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 20, 2015.

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 opinion 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 20, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Napavine
Lewis County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Napavine
Napavine, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Napavine, Lewis County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 20, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Napavine Lewis County January 1, 2014 through December 31, 2014

Mayor and City Council
City of Napavine
Napavine, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Napavine, Lewis County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Napavine, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the 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 Napavine, as of December 31, 2014, 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 performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2015 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 20, 2015

FINANCIAL SECTION

**City of Napavine
Lewis County
January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

City of Napavine
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 General Fund 001	105 Street Improvement Fund 105
Beginning Cash and Investments				
30810	Reserved	162,254	56,010	19,137
30880	Unreserved	1,427,226	149,169	30,121
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	710,529	696,968	4,520
320	Licenses and Permits	20,882	20,882	-
330	Intergovernmental Revenues	2,197,587	81,667	397,707
340	Charges for Goods and Services	1,031,303	26,377	19,500
350	Fines and Penalties	44,611	23,781	-
360	Miscellaneous Revenues	94,639	76,959	15,024
Total Operating Revenues:		4,099,550	926,635	436,751
Operating Expenditures				
510	General Government	276,132	276,132	-
520	Public Safety	253,117	253,117	-
530	Utilities	514,143	108	-
540	Transportation	160,927	160,927	-
550	Natural and Economic Environment	87,495	65,319	-
560	Social Services	2,454	2,454	-
570	Culture and Recreation	21,753	21,753	-
Total Operating Expenditures:		1,316,020	779,809	-
Net Operating Increase (Decrease):		2,783,530	146,825	436,751
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	169,863	115,796	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	55,541	24,713	5,000
Total Nonoperating Revenues:		225,403	140,509	5,000
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	31,067	26,667	-
591-593	Debt Service	380,920	70,253	-
594-595	Capital Expenditures	2,369,376	18,545	442,140
597	Transfers-Out	59,041	6,500	-
Total Nonoperating Expenditures:		2,840,403	121,965	442,140
Net Increase (Decrease) in Cash and Investments:		168,530	165,369	(389)
Ending Cash and Investments				
50810	Reserved	282,134	167,112	34,522
50880	Unreserved	1,475,876	203,437	14,348

The accompanying notes are an integral part of this statement.

305 Project Planning Fund	401 Water Fund 401	406 Wastewater Fund 406	501 Internal Service Fund 501
61,878	25,228	-	-
14,645	894,375	288,375	50,541
-	-	-	-
9,040	-	-	-
-	-	-	-
-	1,718,213	-	-
-	370,804	614,622	-
-	10,974	9,856	-
57	2,128	471	-
9,097	2,102,119	624,949	-
-	-	-	-
-	-	-	-
-	214,998	299,037	-
-	-	-	-
22,176	-	-	-
-	-	-	-
-	-	-	-
22,176	214,998	299,037	-
(13,079)	1,887,121	325,912	-
-	15,350	38,717	-
-	-	-	-
-	16,786	9,041	-
-	32,136	47,758	-
-	4,400	-	-
-	41,081	269,585	-
-	1,724,228	184,463	-
-	1,000	1,000	50,541
-	1,770,709	455,048	50,541
(13,079)	148,548	(81,378)	(50,540)
48,743	31,757	-	-
14,700	1,036,393	206,997	-

The accompanying notes are an integral part of this statement.

City of Napavine
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

	Total for All Funds (Memo Only)	621 Private- Purpose Trust Funds	622 Municipal Court Trust Fund	631 Agency Funds
308 Beginning Cash and Investments	14,449	13,836	613	-
388 & 588 Prior Period Adjustments, Net	-	-	-	-
310-360 Revenues	-	-	-	-
380-390 Other Increases and Financing Sources	22,020	3,500	1,408	17,112
510-570 Expenditures	-	-	-	-
580-590 Other Decreases and Financing Uses	17,905	-	1,482	16,422
Net Increase (Decrease) in Cash and Investments:	4,116	3,500	(74)	690
508 Ending Cash and Investments	18,565	17,336	539	690

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

CITY OF NAPAVINE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The City of Napavine was incorporated on 11/21/1913 and operates under the laws of the state of Washington applicable to a Mayor-Council form of government. The City of Napavine is a general purpose local government and provides public safety (police), municipal court services, street maintenance & improvement, parks, building permits, inspections, and general administrative services. In addition the city owns and operates water and wastewater services.

The City of Napavine 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.

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 cash reserve basis. This type of fund was eliminated in 2014.

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

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 Napavine also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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

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

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

Fund/Department	Final Appropriated	Actual Expenditures	Variance
General Fund	\$795,025	\$750,158	\$44,867
Substance Abuse Fund	\$5,000	\$0	\$5,000
Park Improvement Fund	\$5,000	\$4,421	\$579
Street Fund	\$226,560	\$194,195	\$32,365
Street Improvement Fund	\$524,405	\$442,140	\$82,265
Project Planning Fund	\$35,000	\$22,176	\$12,824
Water Fund	\$483,795	\$291,934	\$191,861
Water System Improvement Fund	\$200,000	\$7,090	\$192,910

Fund/Department	Final Appropriated	Actual Expenditures	Variance
Water Deposit Trust Fund	\$15,640	\$4,400	\$11,240
LID 2011-1 Construction Fund	\$2,456,810	\$1,707,284	\$749,526
Wastewater Fund	\$643,855	\$594,476	\$49,379
Wastewater System Improvement Fund	\$192,500	\$174,609	\$17,891
Internal Service Fund	\$50,541	\$50,541	\$0
Unemployment Trust Fund	\$15,000	\$0	\$15,000

Budgeted amounts are authorized to be transferred between departments within 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 Police Chief received a wage increase of \$844.49 per month effective October 9, 2014; however this was not approved by the legislative body through an ordinance. Employees working on Public Work's projects had their hours increased to 40 hours per week during the months of September – November during the peak time of three different projects, which was approved by the city's legislative body at the June 10, 2014, City Council Meeting.

In November 2014, Napavine City Council approved a 2014 Budget Amendment with Ordinance 526-A, to make the following changes:

- Increase revenues in the General Fund by \$115,795 and decrease Transfers-In by \$3.76.
- Decrease Transfers-In in the Street Fund by \$4,223.22.
- Increase revenue in the Street Improvement Fund in the sum of \$506,465 and increase appropriations in the sum of \$499,405 as a result of an award by Transportation Improvement Board (TIB) Fuel Tax State Grant to improve 2nd Ave NE between Park Street and E Stella Street.
- Increase revenue in the LID 2011-1 Construction Fund in the amount of \$43,222 and increase appropriations in the amount of \$30,000 for an award from Washington State Department of Health federal pass-through grant.
- Decrease Transfers-In in the Water Fund in the amount of \$8,038.64.
- Decrease Transfers-In in the Wastewater Fund in the sum of \$1,933.90
- Increase appropriations in the Wastewater System Improvement Fund in the sum of \$42,000.
- Decrease Transfers-Out in the Internal Service Fund in the sum of \$14,199.50 and to **CLOSE** this fund.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to five (5) days (40 hours) and is payable upon separation or retirement for non-department heads, or in November of the current year. Department heads may accumulate vacation leave up to thirty (30) days (240 hours) and is payable upon separation or retirement or in November of the current year.

Sick leave may be accumulated up to 240 hours. Upon the end of the year on December 31st, employees may cash out unused sick leave in excess of 240 hours to a maximum of 96 hours at ten percent (10%) of their base wage. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of Operating Fund transfers (397/597), Interfund loans and payments (381/581)

I. Risk Management

The City of Napavine is a member of Cities Insurance Association of Washington (CIAW), which recently changed their name to Clear Risk Solutions. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1988, when 34 cities 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 on December 1, 2014, there are 223 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive, and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members various needs.

The program acquired liability insurance through their Administrator, Canfield that is subject to a per-occurrence self-insured retention of \$100,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers covered insured losses of \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy, with an attachment point of \$3,259,396, to cap the total claims paid by the program in any one policy term.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member with the exception of Pumps & Motors which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on the coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1st beginning with the 2014-2015 policy term. An endorsement was added to the 2013-2014 Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members/brokers with Canfield, who has been contracted to perform program administration, claims adjustment, administration and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2014, were \$1,817,654.59.

J. 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 resolution. 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 as of December 31, 2014, consist of the following:

- The General Fund has restricted funds per RCW's regarding Liquor Board Profits from the privatization of liquor sales are restricted by 20.23% which may be used for public safety total is \$1,018. Also restricted is the criminal justice revenue received as state shared revenues from the State of Washington for Lo-Pop, which may be used for criminal justice non-recurring purposes which is \$3,519; DUI Cities for overtime enforcement in the amount of \$2,568; Criminal Justice Sales Tax for criminal justice purposes is the amount of \$27,108; and the Criminal Justice Special Programs which is restricted for innovative law enforcement strategies, At-Risk Children, Child Abuse programs and Domestic Violence programs which total \$10,042. Total restricted fund balance for the General Fund is \$44,255.

- The city adopted Resolution # 14-07-62 to commit the unused balance of the sale of the Railroad Spur Property for future Capital Needs in the amount of \$105,796.20; to make modifications or changes the City Council must adopt a Resolution authorizing such action.
- The Substance Abuse Fund established by Ordinance #280 was modified in 2010, with Ordinance #470, which restricts the use of this fund. The balance in this fund is \$6,222.
- The Real Estate Excise Tax that is received from the State of Washington is restricted to its use by RCW 82.46.010 for projects recognized in the city's Capital Facilities Plan for Capital Projects. However, with the passage of Washington State House Bill 1953 in 2011, a City or County is allowed to use available REET funds, with certain limitations, for the operation and maintenance of existing Capital Projects. From July 22, 2011, until December 31, 2016, a City may use thirty-five percent (35%) of available funds, for the operations and maintenance of existing Capital Projects. This tax is split between the Park Improvement Fund and Street Improvement Fund. The Park Improvement Fund restricted balance as of December 31, 2014, is \$10,839.
- The Street Improvement Fund committed balance by the city council's adoption of Resolution #14-07-62 based on two Developers Agreements. The first agreement is for Exit 72 Transportation Impact Fees (traffic signals) in the amount of \$19,500 plus interest in the amount of \$22 as of December 31, 2014. The second agreement is also for Exit 72 committing for future street needs per the Developers Agreement in the amount of \$15,000. The grand total of committed funds by resolution is \$34,522.
- The second half of the Real Estate Excise Tax that is received from the State of Washington is recognized in the Project Planning Fund with a restricted balance of \$48,743 as of December 31, 2014.
- The City of Napavine has a loan with USDA Rural Development which requires a fund balance equal to one year's payment in the amount of \$22,710. This reserved amount is established in the USDA Bond Reserve Fund.
- The Water Deposit Trust Fund is deposits for utility service held in trust until customers' accounts are closed. This fund is restricted in its use and the ending balance in this fund is \$11,340.
- The Municipal Court Trust Fund consists of monies held with Napavine Municipal Court for bail bonds and restitution in the amount of \$539 as of December 31, 2014.
- The Agency Fund consisting of pass-through state money from court fines, leasehold excise tax and deposits held. The ending fund balance of \$690 consists of \$400 deposits held for the use of the Community Park and the late payments received for leasehold excise tax which was expended in the prior year.

Note 2 - Property Tax

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

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

The City of Napavine regular levy for the year 2014 was \$2.126099969988 per \$1,000 on an assessed valuation of \$126,606,977 for a total regular levy of \$269,179.09.

Note 3 – Deposits and Investments

Deposits and Investments

It is the City of Napavine'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 and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City of Napavine or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2014 are as follows:

Type of Investment	City's own investments	Total
LGIP (Local Government Investment Pool)	\$368,218.45	\$368,218.45
US Government Securities (US Bank)	\$199,618.67	\$199,618.67
US Government Securities US Bank	\$198,382.08	\$198,382.08
Other:		
Wells Fargo CD	\$5,000.00	\$5,000.00
Umpqua Bank Money Market	\$151,975.96	\$151,975.96
Total Investments	\$923,195.16	\$923,195.16

In 2014, the City of Napavine sold \$400,000 in investments to purchase US Government Securities with Fanny Mae through US Bank for an original face value of \$400,000. As of December 31, 2014, the principal cost is \$397,282 with a market value of \$395,270.60.

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Napavine and summarizes the city's debt transactions for year ended December 31, 2014.

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

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2015	70,146.32	430,908.42	7,655.28	508,710.02
2016	70,146.32	426,920.47	7,655.28	504,722.07
2017	70,146.32	425,225.24		495,371.56
2018	70,146.32	423,530.02		493,676.34
2019	70,146.32	406,642.66		476,788.98
2020-2024	350,731.60	2,007,643.91		2,358,375.51
2025-2029	347,292.16	1,479,634.68		1,826,926.84
2030-2034	299,140.00	622,779.73		921,919.73
2035-2039	299,140.00	101,905.00		401,045.00
2040-2044	299,140.00	-		299,140.00
There After	297,242.66	-		297,242.66
Totals	2,243,418.02	6,325,190.13	15,310.56	8,583,918.71

Note 5 - Interfund Loans

The following table displays interfund loan activity during 2014:

Borrowing Fund	Lending Fund	Balance 1/1/2014	New Loans	Repayments	Balance 12/31/2014
Street Fund	Wastewater System Improvement Fund	\$53,386.60	0	\$26,666.63	\$26,719.97
	TOTALS	<u>\$53,386.60</u>	<u>0</u>	<u>\$26,666.63</u>	<u>\$26,719.97</u>

Note 6 - Pension Plans

Substantially all City of Napavine's full-time and qualifying part-time employees participate in PERS II, PERS III and LEOFF II administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

Note 7 – Health & Welfare

The City of Napavine 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 36.34 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 36.34 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, 2014, 263 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 insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through 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. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. 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 the AWC Board of Directors President and Vice President. 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 200-100-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 PCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). 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 - Other Disclosures

Contingencies and litigations:

The City of Napavine terminated a Union employee in April 2014, which the employee was compensated for vacation accrual earned and was cashed out of 40 hours at the regular rate of pay totaling \$842. The employee filed a grievance with the union, which a PERC hearing was held in September 2014. The employee prevailed and was reinstated to active duty effective May 10, 2014. The settlement agreement stated the employee shall accrue sick leave and vacation accrual retro back to May 10, 2014. Employee was also awarded unpaid wages from May 10, 2014, including any longevity increase due employee, as well as city match in the Deferred Compensation 457 Plan. The total city liability and award that was paid on September 17, 2014, was \$12,666 in wages, retirement and city match deferred compensation program.

Significant commitments or obligations:

The City of Napavine has a commitment to pay for post-employment benefits for employees that belong to LEOFF I. These benefits include medical insurance premiums, out of pocket medical, dental up to \$2,000, nursing care, etc. One retiree received benefits during the year that amounted to medical insurance premiums \$6,161 and hearing aids in the amount of \$5,290 was paid out for those benefits during 2014.

Construction Commitment

The City of Napavine has active construction projects as of December 31, 2014. The projects include:

- Rush Road Water project known as the Rush Rd LID 2011-1
- Second Ave NE street improvement between Park St and Stella Street

At year-end the city's commitments with contractors are as follows:

Project	Spent to date	Remaining Commitment
Rush Rd LID 2011-1	\$1,836,579	\$995,421
Harrington Construction –	Schedule A	
Trenchless Construction	Schedule B and C	
2 nd Ave NE Park to Stella	\$441,947	\$82,458
Waunch Construction		
Grand Pump Station Upgrade Rognlin's Construction	\$133,355.64	Warranty/Unknown

The Rush Rd LID 2011-1 project is funded with a 50/50 loan-grant from Public Works Trust Fund which the grant money is federal funds from the Environmental Protection Agency (EPA) as a pass through from the Department of Commerce. The city adopted Ordinance 497 on March 13, 2012; to form a Local Improvement District 2011-1 (LID 2011-1) with an estimated \$1,416,000 shall be borne by and assessed against the properties benefited by such improvements included in the district. The total debt of the project will not be known until completion of the project, which will be in 2015.

Rognlin's Construction was contracted for the Grand Pump Station Upgrade Project, which was completed December 3, 2014. However there are concerns with the pumps at the Grand Pump Station that need further maintenance. At this time there is no known additional cost to the city, which was funded from the Wastewater System Improvement Fund, a capital projects fund.

The City of Napavine is a member of Cities Insurance Association of Washington, which the city joined January 1, 2004. The Office of Financial Management (OFM) issued a cease and desist order against Cities Insurance Association of Washington (CIAW) for potential unpaid claims liability. The City of Napavine's share of the reassessment is \$6,482.25, with annual payments of \$1,296.45 for five (5) years. The final payment was made in 2014.

Other Disclosures

In 2011 the city entered into an agreement with LeMay Enterprises aka City Sanitary to assume the billing for refuse service. In 2013, the Refuse Fund was closed due to most accounts were paid in full and minimal accounts were still pending receivables. The remaining utility accounts with balances owed for Refuse Service were paid in full in 2014 and the activity was accounted for in the General Fund; which totaled \$109.

During the preparation of the 2014 Financial Report, Notes to Financials it was discovered the Agency Fund has a balance carryover as a result of the deposits received from Napavine Youth Baseball Association from non-compliance in the 2014 Agreement. The city retained the deposits for damage and keys in the amount of \$400 which will be carried over into the 2015 baseball season and contract period. The additional balance in this fund resulted in prior year Leasehold Excise Tax payments into the Agency Fund in the amount of \$289.54 from the 4th Quarter of 2012 and 2013 received in February, and the expenditure expended in the open period of those years. The excess Leasehold Excise tax from prior years will be transferred to the General Fund.

The City of Napavine entered into a Developers Agreement with H&H Napavine 16 LLC for \$19,500 known as "the Impact Mitigation Fee" for future street improvements in the Exit 72 area for traffic control lights. Per this agreement, this deposit is to be separate from the funds of the city for a period of ten (10) years; therefore a separate savings account was opened to separate this fund source from the city's budget. The deposit is a savings account and not an investment account. Any amounts not expended shall be refunded to H&H, together with accrued interest if the Impact Mitigation Fee was paid in cash. However, if the funds are not expended within ten (10) years due to delay attributable to H&H Napavine 16, the funds shall be release or refunded without interest; provided that H&H may voluntarily and in writing waive their right to a refund of the funds for a specified period of time in the interest of providing the designated capital improvements or other capital improvements identified by H&H. The City of Napavine entered into a second Developers Agreement with H&H Napavine 16 in the amount of \$15,000 for sidewalks, curbs, gutters, street lights and drainage; which both of these funds from H & H Napavine 16 LLC are held in the Street Improvement Fund 105.

In June 2015, the City of Napavine was inspected by the Department of Labor and Industries regarding WISHA (Washington Industrial Safety and Health Act) which resulted in 19 violations for hazardous chemicals, safety harness use, eye protection and eye wash center, noise exposure and confined spaces of the city's sewage wet wells, manholes and check valve dry vaults. To date the city has received penalties totaling \$14,000.00. The city is in the process of appealing some violations of the Occupational Safety and/or Health Rules in the sum of \$8,400.00.

City of Napavine
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	GO Bond Nonvoted USDA-RD 8/2009	8/18/2049	1,079,191	-	12,746	1,066,445
263.61	Notes Payable Lending Network 8/2009	8/15/2029	108,045	-	4,502	103,542
259.11	Compensated Absences - General Fund		5,258	4,001	-	9,259
263.51	Capital Lease Hinckleuse 2013	11/30/2016	27,004	-	6,513	20,491
Total General Obligations:			1,219,497	4,001	23,761	1,199,736
Revenue Obligations						
263.82	PWTF 98-791-043 04/03/1998	7/1/2018	75,961	-	15,192	60,768
263.82	USDA RD Loan 56.021 12/1999	12/20/2039	396,513	-	9,904	386,609
263.82	DOE Loan L0200010 03/2004	12/30/2023	22,390	-	2,091	20,299
263.82	PWTF DM10-952-06 12/19/2012	10/1/2034	272,022	1,564,557	-	1,836,579
259.12	Compensated Absences Water Fund		2,520	385	-	2,905
263.82	PWTF 04-691-049 3/18/2005	7/1/2024	609,972	-	55,452	554,520
263.82	City Chehalis RWWTP 2008	12/20/2028	2,912,472	-	208,034	2,704,438
259.12	Compensated Absences Wastewater Fund		2,588	-	502	2,086
Total Revenue Obligations:			4,294,438	1,564,942	291,175	5,568,205
Total Liabilities:			5,513,935	1,568,943	314,936	6,767,941

City of Napavine
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

					Expenditures			Note
					From Pass-Through Awards	From Direct Awards	Total	
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number					
Drinking Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency (via Dept of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	N20609		15,424	-	15,424	1,2
Office Of Water, Environmental Protection Agency (via Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM 10-952-006		1,691,861	-	1,691,861	1,2,3
Total Drinking Water State Revolving Fund Cluster:					1,707,284	-	1,707,284	
Total Federal Awards Expended:					1,707,284	-	1,707,284	

CITY OF NAPAVINE, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014**

Note 1 is required for all entities. Disclose other notes only if applicable to your circumstances.

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Napavine's portion, are more than shown.

NOTE 3 - FEDERAL LOANS

The City of Napavine was approved by the EPA and the PWB to receive a loan totaling \$2,832,000 to improve its drinking water system.

The amount listed for each loan includes the proceeds received during the year and the outstanding loan balance from prior years. Both the current and prior year loans are also reported on the City of Napavine's Schedule of Long-Term Liabilities.

The Federal Loan is a 50% Grant and 50% Loan, which a LID was formed to cover the loan amount shared amongst the property owners in the improvement area which are assessed an amount based on the amount of property they own in the improvement district. The loan amount and the LID assessment will not be known until the completion of the project in 2015.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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