



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

**Financial Statements and Federal Single Audit
Report**

City of Sultan

Snohomish County

For the period January 1, 2013 through December 31, 2013

Published September 22, 2014

Report No. 1012640





**Washington State Auditor
Troy Kelley**

September 22, 2014

Mayor and City Council
City of Sultan
Sultan, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Sultan'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,

TROY KELLEY
STATE AUDITOR

Table of Contents

**City of Sultan
Snohomish County
January 1, 2013 through December 31, 2013**

Federal Summary	4
Schedule Of Prior Federal Audit Findings.....	6
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	7
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	15
About The State Auditor’s Office.....	34

Federal Summary

**City of Sultan
Snohomish County
January 1, 2013 through December 31, 2013**

The results of our audit of the City of Sultan 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 each of its major federal programs.

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 were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

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 qualified as a low-risk auditee under OMB Circular A-133.

Schedule of Prior Federal Audit Findings

City of Sultan Snohomish County January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the City of Sultan. The State Auditor's Office has reviewed the status as presented by the City.

Audit Period: January 1, 2012 - December 31, 2012	Report Ref. No.: 1010597	Finding Ref. No.: 1	CFDA Number(s): 20.205
Federal Program Name and Granting Agency: U.S. Department of Transportation		Pass-Through Agency Name: Department of Transportation	
Finding Caption: The City's internal controls were inadequate to ensure compliance with Davis Bacon federal requirements.			
Background: In fiscal year 2012, the City spent \$534,610 in Highway Planning and Construction grant funds to extend the Sultan Basin Road. When a grantee commissions any federally subsidized construction project over \$2,000, the federal government requires that it make sure that all project contractors and subcontractors pay laborers the higher of federal or state prevailing wage rates under the Davis-Bacon Act. The grantee must include a clause in its construction contract describing these regulations, obtain certified payrolls from contractors and subcontractors weekly, and verify that all contractors paid the correct wage rate. The City contracted with an engineering firm to oversee the project. The engineering firm did not obtain and review all certified payroll reports for contractors and subcontractors in a timely manner. In addition, the City did not have an internal control process in place to monitor the actions of the engineering firm to ensure compliance with Davis-Bacon Act requirements.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>City adopted a policy on September 12, 2013 to require the Public Works Director to review all documents associated with Davis-Bacon.</i>			

**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 Sultan
Snohomish County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Sultan
Sultan, 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 Sultan, Snohomish County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 3, 2014.

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 or permitted 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.

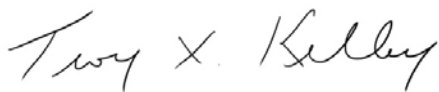
COMPLIANCE AND OTHER MATTERS

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.



TROY KELLEY
STATE AUDITOR

September 3, 2014

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 Sultan
Snohomish County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Sultan
Sultan, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Sultan, Snohomish 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, 2013. 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, 2013.

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.

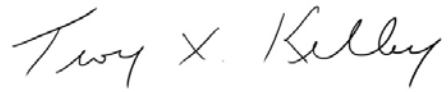
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 3, 2014

Independent Auditor's Report on Financial Statements

**City of Sultan
Snohomish County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Sultan
Sultan, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Sultan, Snohomish County, Washington, for the year ended December 31, 2013, 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 Sultan has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and 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 Sultan, for the year ended December 31, 2013, 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 Sultan, as of December 31, 2013, 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 September 3, 2014 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.



TROY KELLEY
STATE AUDITOR

September 3, 2014

Financial Section

**City of Sultan
Snohomish County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 GENERAL FUND	101 STREET FUND	103 CEMETERY FUND
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	3,085,347	393,415	51,898	1,790
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	1,521,981	1,262,052	66,683	0
320	Licenses & Permits	106,945	102,181	1,722	0
330	Intergovernmental Revenues	870,904	163,582	96,586	0
340	Charges for Goods and Services	3,240,341	45,266	0	34,784
350	Fines & Penalties	28,450	17,742	0	0
360	Miscellaneous Revenues	292,513	84,198	13	14
Total Operating Revenues:		6,061,134	1,675,021	165,003	34,798
Operating Expenditures					
510	General Government	393,290	392,544	0	0
520	Public Safety	1,040,245	1,038,467	0	0
530	Utilities	2,081,437	0	0	30,172
540	Transportation	196,945	0	196,945	0
550	Natural and Economic Environment	185,884	185,884	0	0
560	Social Services	1,063	1,063	0	0
570	Culture And Recreation	63,789	63,789	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		3,962,653	1,681,746	196,945	30,172
Net Operating Increase (Decrease):		2,098,481	-6,726	-31,942	4,626
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	187,069	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	519,012	165,376	0	0
Total Nonoperating Revenues:		706,081	165,376		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	404	404	0	0
591-593	Debt Service	950,541	0	0	0
594-595	Capital Expenditures	1,255,302	114,162	3,853	0
597	Transfers-Out	446,111	18,053	9,854	0
Total Nonoperating Expenditures:		2,652,358	132,620	13,707	
Increase (Decrease) in Cash and Investments		152,204	26,030	-45,649	4,626
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	3,237,512	419,445	6,249	6,417

The accompanying notes are an integral part of this Statement.

BARS Code		104 CR EQUIPMENT FUND	107 DRUG ENFORCEMENT FUND	108 IMPACT FEE FUND	112 PARK IMPACT FEE FUND
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	475,879	2,052	0	75,691
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	1,837	300
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	1,017	0	4	162
Total Operating Revenues:		1,017		1,841	462
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	1,778	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			1,778		
Net Operating Increase (Decrease):		1,017	-1,778	1,841	462
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	116,000	0	0	0
Total Nonoperating Revenues:		116,000			
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	274	0	0
Total Nonoperating Expenditures:			274		
Increase (Decrease) in Cash and Investments		117,017	-2,052	1,841	462
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	592,896	0	1,841	76,153

The accompanying notes are an integral part of this Statement.

BARS Code		117 TIMBER RIDGE SETTLEMENT FUND	203 LIMITED GO TAX BOND FUND	205 POLICE GO BOND FUND	207 LID GUARANTY AND BOND FUND
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	351,012	414	22,632	361,269
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	101,662	29,537	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	683	223	97	130,668
Total Operating Revenues:		683	101,885	29,633	130,668
Operating Expenditures					
510	General Government	0	302	302	142
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			302	302	142
Net Operating Increase (Decrease):		683	101,583	29,331	130,526
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	35,000	0	114,137
Total Nonoperating Revenues:			35,000		114,137
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	134,775	33,353	304,528
594-595	Capital Expenditures	31,252	0	0	0
597	Transfers-Out	0	0	0	3,547
Total Nonoperating Expenditures:		31,252	134,775	33,353	308,075
Increase (Decrease) in Cash and Investments		-30,569	1,808	-4,021	-63,412
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	320,444	2,222	18,612	297,857

The accompanying notes are an integral part of this Statement.

BARS Code		301 CAPITAL PROJECT FUND - REET 1	302 CAPITAL PROJECT FUND - REET 2	303 STREET IMPROVEMENT FUND	305 PARK IMPROVEMENT FUND
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	4,113	35,406	-37,408	31
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	20,912	20,912	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	579,657	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	11	120	3,206	251
Total Operating Revenues:		20,923	21,033	582,862	251
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		0	0	0	0
Net Operating Increase (Decrease):		20,923	21,032	582,862	251
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	59,867	0
Total Nonoperating Revenues:		0	0	59,867	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	833,416	0
597	Transfers-Out	20,000	20,000	0	0
Total Nonoperating Expenditures:		20,000	20,000	833,416	0
Increase (Decrease) in Cash and Investments		923	1,032	-190,687	251
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	5,037	36,439	-228,133	281

The accompanying notes are an integral part of this Statement.

BARS Code		400 UTILITY WATER FUND	401 UTILITY SEWER FUND	402 UTILITY GARBAGE FUND	406 STORMWATER UTILITY FUND
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	652,053	420,585	200,706	73,808
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	20,223	0
320	Licenses & Permits	0	0	3,041	0
330	Intergovernmental Revenues	0	29,291	1,789	0
340	Charges for Goods and Services	962,543	1,287,030	745,498	163,084
350	Fines & Penalties	10,708	0	0	0
360	Miscellaneous Revenues	31,129	18,505	22,124	89
Total Operating Revenues:		1,004,380	1,334,825	792,674	163,173
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	651,752	638,695	611,420	149,399
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		651,752	638,695	611,420	149,399
Net Operating Increase (Decrease):		352,628	696,131	181,254	13,774
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	186,955	0	114	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	28,632	0	0
Total Nonoperating Revenues:		186,955	28,632	114	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	199,961	277,925	0	0
594-595	Capital Expenditures	192,264	29,956	21,049	29,351
597	Transfers-Out	79,828	163,384	92,434	38,736
Total Nonoperating Expenditures:		472,052	471,265	113,483	68,087
Increase (Decrease) in Cash and Investments		67,531	253,498	67,886	-54,313
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	719,584	674,082	268,592	19,494

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	621 CEMETERY TRUST FUND	633 TREASURERS TRUST FUND	634 INVESTMENT FUND
308	Beginning Cash and Investments	281,879	108,128	173,751	0
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	10,044	1,985	0	8,059
380-390	Other Increases and Financing Sources	69,838	0	69,838	0
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	109,188	0	101,129	8,059
	Increase (Decrease) in Cash and Investments	-29,306	1,985	-31,291	0
508	Ending Cash and Investments	252,572	110,113	142,459	0

The accompanying notes are an integral part of this Statement.

**CITY OF SULTAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting system (BARS) manual. The basis of accounting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Sultan incorporated in 1905 and operates under the laws of the State of Washington applicable to a Code City with a Mayor/Council form of government.

The City is a general purpose government and provides public safety, health and social services, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates a cemetery, sewer system, water system, stormwater system and garbage collection service. The City uses single entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single entry accounts that comprise its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the city. 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 city.

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:

(Funds in the 400 series) These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

FIDUCIARY FUND TYPES:

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

Agency Funds:

These funds are used to account for assets that the City holds for others in an agency capacity.

b. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law.

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.

Purchase of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level, except in the general fund, where expenditures are adopted at the department level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

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

For reporting purposes, management funds have been combined into a single fund. The following funds have been combined:

General Fund combines managerial funds: 001, 100, 109, 113, 114 and 115
Water fund combines managerial funds: 400, 405, 409, 412, and 403 (50%)
Sewer fund combines managerial funds: 401, 404, 407, 413, and 403 (50%)
Stormwater fund combines managerial funds: 406, 410

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

EXPENDITURES		2013 BUDGET SUMMARY		
Fund	Fund Name	Budget	Actual	Over/Under
001	General Fund			
	Legislative	\$19,007	\$19,926	(\$919)
	Executive	\$31,826	\$32,845	(\$1,019)
	Finance/Administration	\$62,212	\$61,782	\$430
	Grants	\$38,930	\$35,203	\$3,727
	Legal	\$93,472	\$40,152	\$53,320
	Other Governmental	\$45,750	\$75,662	(\$29,912)
	Law Enforcement	\$1,002,388	\$999,254	\$3,134
	Law Enforcement - Court	\$105,400	\$66,018	\$39,382
	Emergency Management	\$5,600	\$5,177	\$423
	Code Enforcement	\$28,843	\$29,007	(\$164)
	Planning and Community Development	\$128,798	\$110,929	\$17,869
	Building	\$60,686	\$45,947	\$14,739
	Public Health	\$1,000	\$1,063	(\$63)
	Library	\$7,000	\$6,696	\$304
	Park/Recreation	\$67,221	\$58,028	\$9,193
	Miscellaneous (Transfers Out)	\$9,000	\$36,121	(\$27,121)
	Sub Total General Fund	\$1,707,133	\$1,623,810	\$83,323
100	General Fund Contingency	\$0	\$0	\$0
109	Community Improvement Fund	\$251,500	\$104,190	\$147,310
113	Building Maintenance Fund	\$55,628	\$54,694	\$934
114	Information Tech Fund (IT)	\$51,144	\$50,437	\$707
115	Insurance Claim Fund	\$0	\$20	(\$20)
	Total General Funds	\$2,065,405	\$1,833,150	\$232,255
101	Street Fund	\$210,141	\$210,652	(\$511)
103	Cemetery Fund	\$30,734	\$30,172	\$562
104	C.R. Equipment Fund	\$13,000	\$0	\$13,000
107	Drug Enforcement Fund	\$2,052	\$2,052	\$0
108	Street Impact Fee Fund	\$0	\$0	\$0
112	Park Impact Fee Fund	\$0	\$0	\$0
	Total Special Revenue Funds	\$255,927	\$242,875	\$13,052
203	Limited Tax Bond GO	\$135,080	\$135,077	\$3
205	Unlimited Tax GO Bond	\$33,658	\$33,654	\$4
207	LID Guaranty Fund	\$308,382	\$308,217	\$165
	Total Debt Service Funds	\$477,120	\$476,948	\$172

EXPENDITURES

2013 BUDGET SUMMARY

Fund	Fund Name	Budget	Actual	Over/Under
117	Timber Ridge Settlement	\$373,768	\$31,252	\$342,516
301	Capital Project Fund REET 1	\$20,000	\$20,000	\$0
302	Capital Project Fund REET 2	\$20,000	\$20,000	\$0
303	Street Improvement Fund	\$1,358,175	\$833,416	\$524,759
305	Park Improvement Fund	\$0	\$0	\$0
	Total Capital Project Funds	\$1,771,943	\$904,668	\$867,275
400	Utility Water Fund	\$939,674	\$933,249	\$6,425
405	C.R. Water Utility Fund	\$172,126	\$125,054	\$47,072
409	Water System Improvement Fund	\$268,517	\$175,040	\$93,477
412	Water System Debt Fund	\$136,701	\$136,701	\$0
403	Water/Sewer Revenue Bond Fund (50%)	\$63,278	\$62,760	\$518
	Total Water Funds	\$1,580,295	\$1,432,804	\$147,492
401	Utility Sewer Fund	\$1,256,398	\$1,087,428	\$168,970
404	C.R. Sewer Utility Fund	\$52,000	\$21,814	\$30,186
407	Sewer System Improvement Fund	\$102,000	\$23,694	\$78,306
413	Sewer System Debt Fund	\$214,665	\$214,665	\$0
403	Water/Sewer Revenue Bond Fund (50%)	\$63,278	\$62,760	\$518
	Total Sewer Funds	\$1,688,341	\$1,410,361	\$277,980
402	Utility Garbage Fund	\$782,068	\$724,903	\$57,165
	Total Garbage Funds	\$782,068	\$724,903	\$57,165
406	Storm Water Utility	\$201,685	\$213,175	(\$11,490)
410	Stormwater System Improvement Fund	\$30,000	\$27,311	\$2,689
	Total Stormwater Funds	\$231,685	\$240,486	(\$8,801)
621	Cemetery Trust Fund	\$0	\$0	\$0
	TOTAL ALL FUNDS	\$8,852,784	\$7,266,195	\$1,586,589

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

The City amended the 2013 budget as follows:

**2013 BUDGET AMENDMENT
SUMMARY**

		ORIGINAL BUDGET	Ord 1167-13 Amendment 1	Ord 1186-13 Amendment 2	Revised Budget
Revenue					
Fund	Fund Name				
103	Cemetery Fund	\$25,000		\$6,000	\$31,000
107	Drug Enforcement	\$1,200		\$852	\$2,052
113	Building Maintenance Fund	\$25,900		\$30,000	\$55,900
114	Information Tech Fund (IT)	\$47,844		\$3,300	\$51,144
207	LID Guaranty Fund	\$331,937		\$0	\$331,937
404	Sewer Reserve Funds	\$0	\$52,000		\$52,000
407	Sewer Capital Fund	\$50,000	\$52,000		\$102,000
633	Treasurers Trust	\$0		\$30,000	\$30,000
	TOTALS	\$481,881	\$104,000	\$76,896	\$662,777

		ORIGINAL BUDGET	Ord 1167-13 Amendment 1	Ord 1186-13 Amendment 2	Revised Budget
Expenditures					
Fund	Fund Name				
103	Cemetery Fund	\$24,734		\$6,000	\$30,734
107	Drug Enforcement	\$1,200		\$852	\$2,052
113	Building Maintenance Fund	\$25,628		\$30,000	\$55,628
114	Information Tech Fund (IT)	\$41,100		\$10,044	\$51,144
207	LID Guaranty Fund	\$303,805		\$4,577	\$308,382
404	Sewer Reserve Funds	\$0	\$52,000		\$52,000
407	Sewer Capital Fund	\$33,000	\$69,000		\$102,000
633	Treasurers Trust	\$0		\$30,000	\$30,000
	TOTALS	\$429,467	\$121,000	\$81,473	\$631,940

d. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds or posted to the General fund.

e. Deposits

The City's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

f. **Investments**

See Note #2

g. **Capital Assets**

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

h. **Compensated Absences**

Vacation leave may be accumulated to a maximum of two years worth of vacation leave based on the employee's current accrual rate and is payable upon separation or retirement. Upon separation or retirement employees are paid for unused vacation leave.

Sick leave may accumulate up to 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

i. **Long Term Debt**

See Note #5

j. **Other Financing Sources or Uses**

The City's "Other Financing Sources or Uses" consist of:

- Interfund Transfers In and Out
- Sales of Fixed Assets
- Insurance Recoveries

k. **Risk Management**

The City is a member of the Cities Insurance Association of Washington. 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 of September 1, 2013, there are 236 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime prevention, and liability, including general, automobile and wrong acts, are included to fit members various needs.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self insured retention of \$100,000. Members are

responsible for a \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self insured retention. Insurance carriers cover insured losses over \$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 self insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,247,000 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self insured retention of \$25,000 (\$10,000 for pumps and motors). 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. Members are responsible for the deductible amount of each claim. There is no program self insured retention on this coverage.

Members contract to remain in the pool 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. The program has no employees. Claims are filed by members with Canfield, which has contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ended August 31, 2013, were \$1,423,059.12.

NOTE 2 - INVESTMENTS

The city’s investments are either insured, registered or held by the city or its agent in the city’s name. Investments are presented at cost. Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	<u>City’s Investments</u>
L.G.I.P.	\$ 1,119,966
Money Market Account	\$ 244,427
Savings Account	\$ 5,684
US Bank Safekeep Account	\$ 1,531,558
Total	<u>\$ 2,901,635</u>

NOTE 3 - PROPERTY TAXES

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

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 when taxes are levied.

The City's regular levy for 2013 was the maximum of \$1.60 per \$1,000 on an assessed valuation of \$290,655,964. The total regular levy of \$536,164. The city will have banked capacity for future years.

In 2013, the city levied \$.115 per \$1000 of assessed valuation for the G.O. Police Equipment Bond for an a total additional levy of \$33,353.

NOTE 4 - INTERFUND LOANS AND ADVANCES

There are no interfund loans.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (09) provides more detail of the outstanding debt and liabilities of the City and summarizes the City’s debt transactions for 2013. The debt service requirements for general obligation bonds, revenue bonds and loans including both principle and interest are as follows:

Years	General Obligation (GO Bonds)	Other Debt (PWTF Water and Sewer)	Revenue Bonds (Water and Sewer)	TOTAL DEBT
2013	168,128	351,365	126,520	646,013
2014	172,798	327,831	125,230	625,859
2015	176,943	333,102	123,490	633,535
2016	180,553	307,619	126,250	614,422
2017	183,618	194,905	0	378,523
2018-22	311,120	399,340	0	710,460
2023-25	64,590	282,930	0	347,520
Totals	\$1,257,750	\$2,197,092	\$501,490	\$3,956,332

NOTE 6 - PENSION PLANS

Public Retirement Systems:

Substantially all City full time and qualifying part time employees participate in the Public Employees Retirement System Plan 2 or 3 (PERSII/PERSIII) administered by the Department of Retirement Systems, under cost sharing multiple employer public employee defined benefits and defined contributions 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 - OTHER DISCLOSURES

1. The City eliminated two funds in 2013:
 - A. 107 Drug Enforcement Fund – the purpose of the funds was to finance drug related activities and education. The City used the remaining funds to pay the annual fee for the Drug Task Force.
 - B. 307 LID Capital Improvement Fund – no further action is anticipated in association with LID 97-1.
2. Principle payments on the PWTF loan for the Stormwater Management plan were increased by \$20,000. The intent is to increase payments to pay off the loan for the plan by 2015 instead of 2025. Payments are made from the Stormwater Operating fund.
3. Water/sewer bond fund is a combined fund for water and sewer system improvements. For reporting purposes, the fund split between the Water and Sewer Department funds (50/50 split).
4. Joint Ventures: The City is involved in a joint operation with other governmental entities in the establishment and operation of SNOPAC. Control of the entity, by participating governmental entities, is by board representation. The purpose is to provide a consolidated public safety communications service to participating agencies. The City's contribution to the 800 MHZ system was approximately \$285,000 in 2007.

City of Sultan

Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	LTGO Bond - Community Center	12/1/2018	750,000	0	100,000	650,000
	251.12	Unlimited Tax Bond - Police Bonds	12/1/2024	280,000	0	20,000	260,000
	259.11	Compensated Absence		75,049	69,015	54,738	89,326
		Total General Obligations:		1,105,049	69,015	174,738	999,326
Revenue Obligations							
	252.11	LTGO Refunding	12/1/2016	485,000	0	120,000	365,000
	263.82	Sewer - PW596-791-056	11/1/2027	430,702	0	107,676	323,026
	263.82	Water - PW02-691-PRE 119	7/1/2022	160,087	0	16,009	144,078
	263.82	Water - SRF PW 9778897 076	7/20/2018	342,883	0	57,147	285,736
	263.82	Water - PW 98-791-063	5/1/2018	249,302	0	41,550	207,752
	263.82	Storm - DOELO 10034	2/15/2025	57,643	0	27,953	29,690
	263.82	Sewer - PW 04-691-064	5/1/2024	838,313	0	69,859	768,454
		Total Revenue Obligations:		2,563,930	0	440,194	2,123,736
Assessment Obligations							
	253.11	Sewer - LID 97-1	2/15/2021	1,845,000	0	205,000	1,640,000
		Total Assessment Obligations:		1,845,000	0	205,000	1,640,000
		Total Liabilities:		5,513,979	69,015	819,932	4,763,062

The accompanying notes to the financial statements are an integral part of this schedule

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Office Of Community Planning And Development, Department Of Housing And Urban Development/Snohomish County CDBG	Community Development Block Grants/Entitlement Grants	14.218	HCS-12-21-1203-248	67,648		67,648	
Federal Highway Administration (fhwa), Department Of Transportation/State of Washington	Highway Planning and Construction	20.205	LA 6714/STPR 31AK(001)	14,682		14,682	2
Federal Highway Administration (fhwa), Department Of Transportation/State of Washington	Highway Planning and Construction	20.205	STP-HLP-S301(004)	59,000		59,000	2
Federal Highway Administration (fhwa), Department Of Transportation/State of Washington	Highway Planning and Construction	20.205	STPR-31AK(002)	242,772		242,772	2
Federal Highway Administration (fhwa), Department Of Transportation/State of Washington	Highway Planning and Construction	20.205	STPR-002(834)	214,343		214,343	2
Total CFDA 20.205				530,797	0	530,797	
Total Federal Awards Expended:				598,445	0	598,445	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

**CITY OF SULTAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending December 31, 2013**

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City's financial statements. The City uses BARS for cash basis Local Governments accounting.

NOTE 2 - PROGRAM COSTS

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

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov