



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

City of Sumner

Pierce County

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

Published November 5, 2015

Report No. 1015466





Washington State Auditor's Office

November 5, 2015

Mayor and City Council
City of Sumner
Sumner, Washington

Report on Financial Statements

Please find attached our report on the financial statements of the Water, Storm, Storm Sewer, and Golf Course funds of the City of Sumner.

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

Sincerely,

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

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

**City of Sumner
Pierce County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Sumner
Sumner, 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 Water, Storm, Storm Sewer and Golf Course funds of the City of Sumner, Pierce County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated October 30, 2015.

The financial statements of the City's Water, Storm, Storm Sewer, and Golf Course funds are intended to present the financial position, changes in financial position, and cash flows that is attributable to the transactions of those proprietary funds. They do not purport to, and do not, present fairly, the financial position of the City of Sumner, Washington, as of December 31, 2014, the changes in its financial position or cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's Water, Storm, Storm Sewer and Golf Course fund'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 Water, Storm, Storm Sewer and Golf Course fund'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

October 30, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Sumner

Pierce County

January 1, 2014 through December 31, 2014

Mayor and City Council

City of Sumner

Sumner, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Water, Storm, Storm Sewer, and Golf Course funds of the City of Sumner, Pierce County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water, Sewer, Storm Sewer, and Golf Course funds of the City of Sumner, as of December 31, 2014, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1B, the financial statements of the City's Water, Storm, Storm Sewer and Golf Course funds are intended to present the financial position, changes in financial position, and cash flows that is attributable to the transactions of those proprietary funds. They do not purport to, and do not, present fairly, the financial position of the City of Sumner, Washington, as of December 31, 2014, the changes in its financial position or cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 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

October 30, 2015

FINANCIAL SECTION

**City of Sumner
Pierce County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Net – Position Proprietary Funds –
2014

Statement of Cash Flows – Proprietary Funds – 2014

Notes to Financial Statements – 2014

**City of Sumner
Management's Discussion and Analysis
For the Year Ending December 31, 2014**

As management of the City of Sumner, WA we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the following proprietary funds – Water, Sewer and Storm Sewer Utility and the Golf Course for the fiscal year ended December 31, 2014.

FINANCIAL HIGHLIGHTS

- The proprietary fund assets exceeded the liabilities at the close of the fiscal year ended December 31, 2014 by \$73,538,156. Of this amount, \$22,549,257 is unrestricted and may be used to meet ongoing obligations.
- The proprietary total net position increased by \$6,245,663 in 2014 over 2013. The increase is due to the city's investment in capital assets and the reduction in outstanding debt.
- The proprietary total debt decreased by \$974,192. Governmental loans increased by \$468,230, while bonded debt decreased by \$1,329,875.

This discussion and analysis is intended to serve as an introduction to the City of Sumner's basic financial statements. The City's basic financial statements presented are comprised of: 1) fund financial statements for the following proprietary funds: Water, Sewer and Storm Sewer Utility Funds and the Golf Course Fund, and 2) notes to the financial statements. Please read this MD&A in conjunction with the proprietary funds financial statements and notes to the financial statements included in this report.

Basic Proprietary Funds Financial Statements

Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered.

The City uses enterprise funds to account for its Water Utility, Sewer Utility, Storm Sewer Utility, Golf Course, Cemetery and Multi-Purpose Funds. The City is only presenting the proprietary funds with bonded debt for the 2014 report year which is the Water Utility, Sewer Utility, Storm Sewer Utility and the Golf Course Funds.

The City's proprietary funds financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows. Each statement presents financial information for the individual funds, and totals for all funds presented. A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives.

Statement of Net Position

The statement of net position represents the City's assets and liabilities, with the difference between the two reported as net position – of a major fund as of December 31, 2014. Net position may serve over time as a useful indicator of a government's financial position.

By far the largest portion of the City's net position, \$50,988,899 or 69.3% at the end of 2014; and \$42,099,845 or 62.6% at the end of 2013, reflects its investment in capital assets (land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted assets consist of resources set aside for bonded debt covenant requirements and payment of special assessment debt. At the end of December 2014, \$2,445,674 was restricted compared to the previous year of \$2,605,387. This change is due to the use of these restricted assets to pay down special assessment debt.

Unrestricted assets of \$22,549,257 may be used to meet the City's ongoing obligations. This is a decrease from the \$25,214,887 at the end of 2013. The decrease is due to the City's capital projects in 2014. A portion of the unrestricted assets have been collected as utility system development charges and are designated for future capital needs for the utilities.

Condensed Statement of Net Position

	Water Fund		Sewer Fund		Subtotal	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 6,223,473	\$ 4,963,443	\$ 9,523,131	\$ 8,430,101	\$ 15,746,604	\$ 13,393,544
Noncurrent assets	16,084,502	15,959,786	34,651,495	33,449,470	50,735,997	49,409,256
Total assets	22,307,975	20,923,229	44,174,626	41,879,571	66,482,601	62,802,800
Deferred amounts	-	-	-	-	-	-
Total deferred outflow of resources	-	-	-	-	-	-
Current liabilities	1,224,787	1,203,116	1,815,718	1,853,916	3,040,505	3,057,032
Noncurrent liabilities	695,644	1,644,687	7,968,708	10,141,700	8,664,351	11,786,386
Total liabilities	1,920,431	2,847,803	9,784,426	11,995,615	11,704,857	14,843,418
Deferred special assessment revenue	724,716	1,644,687	1,641,509	10,141,700	2,366,225	11,786,386
Total deferred inflow of resources	724,716	1,644,687	1,641,509	10,141,700	2,366,225	11,786,386
Net position:						
Net investment in capital assets	13,200,933	13,039,426	22,419,677	18,308,866	35,620,611	31,348,292
Restricted for debt service	-	(41,146)	-	12,957	-	(28,190)
Unrestricted	6,461,895	5,077,146	10,329,014	11,562,133	16,790,909	16,639,279
Total net position	\$ 19,662,828	\$ 18,075,426	\$ 32,748,691	\$ 29,883,955	\$ 52,411,519	\$ 47,959,381

	Storm Sewer Fund		Golf Course Fund		Total	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 1,091,558	\$ 3,869,978	\$ 26,095	\$ 26,095	\$ 16,864,258	\$ 17,289,618
Noncurrent assets	20,740,003	16,383,027	1,849,223	1,924,203	73,325,222	67,716,485
Total assets	21,831,561	20,253,005	1,875,318	1,950,298	90,189,480	85,006,103
Deferred amounts	-	-	-	-	-	-
Total deferred outflow of resources	-	-	-	-	-	-
Current liabilities	229,959	161,003	1,283,430	1,258,755	4,553,894	4,476,790
Noncurrent liabilities	55,178	79,208	1,011,675	1,371,225	9,731,205	13,236,819
Total liabilities	285,137	240,210	2,295,105	2,629,980	14,285,099	17,713,609
Deferred special assessment revenue	-	1,644,687	-	10,141,700	2,366,225	11,786,386
Total deferred inflow of resources	-	1,644,687	-	10,141,700	2,366,225	11,786,386
Net position:						
Net investment in capital assets	15,765,291	11,408,450	(397,002)	(656,897)	50,988,899	42,099,845
Restricted for debt service	-	5,951	-	-	-	(22,238)
Unrestricted	5,781,133	8,598,393	(22,785)	(22,785)	22,549,257	25,214,887
Total net position	\$ 21,546,424	\$ 20,012,795	\$ (419,787)	\$ (679,682)	\$ 73,538,156	\$ 67,292,493

As of December 31, 2014 the Water Fund had current assets of \$6.22 million and noncurrent assets of \$16.08 million; the Sewer Fund had current assets of \$9.52 million and noncurrent assets of \$34.65 million; the Storm Sewer Fund had current assets of \$1.09 million and noncurrent assets of \$20.74 million; and the Golf Course Fund had current assets of \$26 thousand and noncurrent assets of \$1.85 million.

Current assets are primarily composed of cash and investments and accounts receivable from utility customers. Noncurrent assets are composed of cash and investments restricted for future capital needs, bond requirements and special assessments; long-term receivables for special assessments; and infrastructure for the City's utilities and golf course.

Statement of Revenues, Expenses, and Changes in Net Position

This statement shows the change in net position resulting from the operating activity for the year 2014 and 2013 for each proprietary fund presented.

Proprietary fund operating revenue consists of charges for utility services, user fees and service charges. Operating expenses consist of salaries and benefits, supplies, taxes, and depreciation. Non-operating revenues consist of interest earnings and transfers in. Non-operating expenses consist of debt interest expense and transfers out to support General Government administrative expenses.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Water Fund		Sewer Fund		Subtotal	
	2014	2013	2014	2013	2014	2013
Revenues:						
Charges for services	\$ 3,189,945	\$ 2,746,769	\$ 5,085,370	\$ 4,949,632	\$ 8,275,315	\$ 7,696,401
Other revenues	-	-	-	-	-	-
Total revenues	3,189,945	2,746,769	5,085,370	4,949,632	8,275,315	7,696,401
Expenses:						
Operating expenses	2,262,834	2,151,063	5,668,764	5,059,889	7,931,598	7,210,952
Operating income	927,111	595,705	(583,394)	(110,257)	343,717	485,448
Non-operating revenues and expenses	103,174	130,493	161,916	640,143	265,090	770,636
Income (loss) before contributions & transfers	1,030,284	726,198	(421,478)	529,887	608,806	1,256,085
Capital contributions	568,308	2,432,388	3,297,404	1,834,084	3,865,712	4,266,472
Grant Proceeds	1,890	529,557	1,890	10,944	3,780	540,501
Transfers in	-	-	-	-	-	-
Transfers out	(13,080)	(12,072)	(13,080)	(12,072)	(26,160)	(24,144)
Change in net position	1,587,402	3,676,071	2,864,736	2,362,843	4,452,137	6,038,914
Net position at January 1	18,075,425	14,399,354	29,883,956	27,557,913	47,959,381	41,957,267
Prior period adjustments	-	-	-	(36,800)	-	(36,800)
Net position at December 31	<u>\$ 19,662,827</u>	<u>\$ 18,075,425</u>	<u>\$ 32,748,691</u>	<u>\$ 29,883,956</u>	<u>\$ 52,411,518</u>	<u>\$ 47,959,381</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Storm Sewer Fund		Golf Course		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Charges for services	\$ 2,038,195	\$ 1,849,791	\$ -	\$ 550,749	\$ 10,313,510	\$ 10,096,941
Other revenues	-	-	-	-	-	-
Total revenues	2,038,195	1,849,791	-	550,749	10,313,510	10,096,941
Expenses:						
Operating expenses	1,870,026	1,693,240	309,270	652,034	10,110,893	9,556,226
Operating income	168,170	156,551	(309,270)	(101,285)	202,617	540,715
Non-operating revenues and expenses	339,024	33,946	(68,244)	(80,934)	535,870	723,648
Income (loss) before contributions & transfers	507,194	190,497	(377,514)	(182,219)	738,487	1,264,363
Capital contributions	1,279,802	2,177,382	-	-	5,145,514	6,443,853
Grant Proceeds	379,713	163,317	-	-	383,493	703,819
Transfers in	-	-	637,408	424,947	637,408	424,947
Transfers out	(633,080)	(12,072)	-	-	(659,240)	(36,216)
Change in net position	1,533,629	2,519,124	259,895	242,728	6,245,662	8,800,766
Net position at January 1	20,012,795	17,493,671	(679,682)	(922,410)	67,292,494	58,528,528
Prior period adjustments	-	-	-	-	-	(36,800)
Net position at December 31	\$ 21,546,425	\$ 20,012,795	\$ (419,787)	\$ (679,682)	\$ 73,538,156	\$ 67,292,494

Financial Analysis of the Proprietary Funds

Charges for services for the proprietary funds increased by \$767,318 or 8.0% in 2014 compared to 2013. Charges for services for the Golf Course Fund decreased by (\$550,749), or 100%, in 2014 compared to 2013. In 2013, the Golf Course ceased services to customers in anticipation of selling the property.

Capital Asset and Debt Administration**Capital Assets**

The City's investment in capital assets for its proprietary funds as of December 31, 2014, amounted to \$66.4 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, infrastructure, studies, machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was \$10,020,700 or 17.8%. The increase is a combination of infrastructure improvements such as the Wastewater Treatment Facility Expansion Project in the Sewer Fund, and the East Sumner Neighborhood Stormwater Facility in the Stormwater Fund.

Capital Assets

	Water Fund		Sewer Fund		Subtotal	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,445,639	\$ 1,445,639	\$ 3,124,946	\$ 3,124,506	\$ 4,570,585	\$ 4,570,145
Construction in progress	2,601,011	3,520,980	6,184,706	2,689,155	8,785,717	6,210,135
Building & structures	268,692	268,692	1,156,137	1,156,137	1,424,828	1,424,829
Other improvements	22,059,299	20,628,692	41,452,358	40,044,368	63,511,657	60,673,060
Machinery & equipment	143,811	127,362	1,938,265	1,901,907	2,082,076	2,029,269
Less: accumulated depr.	(11,651,772)	(11,007,444)	(22,614,284)	(20,827,772)	(34,266,056)	(31,835,216)
Total capital assets	<u>\$ 14,866,680</u>	<u>\$ 14,983,921</u>	<u>\$ 31,242,127</u>	<u>\$ 28,088,300</u>	<u>\$ 46,108,807</u>	<u>\$ 43,072,221</u>

	Storm Sewer Fund		Golf Course Fund		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 657,438	\$ 510,835	\$ -	\$ -	\$ 5,228,023	\$ 5,080,980
Construction in progress	5,494,149	3,012,038	-	-	14,279,866	9,222,173
Building & structures	-	-	391,421	421,011	1,816,249	1,845,840
Other improvements	12,634,586	10,555,254	3,035,108	3,035,108	79,181,351	74,263,422
Machinery & equipment	6,066	6,065	86,248	239,097	2,174,390	2,274,431
Less: accumulated depr.	(3,026,949)	(2,675,742)	(1,663,553)	(1,771,012)	(38,956,558)	(36,281,970)
Total capital assets	<u>\$ 15,765,290</u>	<u>\$ 11,408,450</u>	<u>\$ 1,849,224</u>	<u>\$ 1,924,204</u>	<u>\$ 63,723,322</u>	<u>\$ 56,404,875</u>

Long-term Debt

Agrees to Statement of Net Position

At the end of 2014, the proprietary funds had total debt outstanding of \$13.68 million. Of this amount, \$1.37 million comprises debt backed by the full faith and credit of the government, \$1.88 million represents interfund loans, \$350K represents compensated absences. The remainder of the proprietary funds debt of \$10.20 million represents bonds and loans secured solely by specified revenue sources.

Outstanding Debt

	Water Fund		Sewer Fund		Subtotal	
	2014	2013	2014	2013	2014	2013
G.O. bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue bonds (net of unamortized discounts)	754,758	944,495	3,190,243	3,995,505	3,945,000	4,940,000
Governmental loans	-	-	6,252,159	5,783,929	6,252,159	5,783,929
Advances from other funds	1,000,000	1,000,000	-	-	1,000,000	1,000,000
Compensated absences	57,954	87,813	124,054	182,713	182,008	270,526
Total outstanding debt	<u>\$ 1,812,712</u>	<u>\$ 2,032,308</u>	<u>\$ 9,566,456</u>	<u>\$ 9,962,147</u>	<u>\$ 11,379,167</u>	<u>\$ 11,994,455</u>

	Storm Sewer Fund		Golf Course Fund		Total	
	2014	2013	2014	2013	2014	2013
G.O. bonds	\$ -	\$ -	\$ 1,371,225	\$ 1,706,100	\$ 1,371,225	\$ 1,706,100
Revenue bonds (net of unamortized discounts)	-	-	-	-	3,945,000	4,940,000
Governmental loans	-	-	-	-	6,252,159	5,783,929
Advances from other funds	-	-	875,000	875,000	1,875,000	1,875,000
Compensated absences	55,178	79,208	-	-	237,186	349,734
Total outstanding debt	<u>\$ 55,178</u>	<u>\$ 79,208</u>	<u>\$ 2,246,225</u>	<u>\$ 2,581,100</u>	<u>\$ 13,680,570</u>	<u>\$ 14,654,763</u>

Revenue bonds and governmental loans are paid for by the related classified utility. The Water, Sewer and Storm Sewer Utilities had outstanding revenue and governmental loan debt in the amount of \$10.20 million as of December 31, 2014. The Sewer Fund has \$6.11 million in Public Works Trust Fund (PWTF) Loans outstanding at the end of December 2014. These are in connection with the expansion and upgrade of the Wastewater Treatment Plant. The Wastewater Treatment

Plant is wholly owned and operated by the City of Sumner and provides treatment and disposal of wastewater to the City of Sumner and to the City of Bonney Lake.

Additional information on the City of Sumner's long-term debt can be found in Note 6 in this report.

Economic Factors and Next Year's Budgets and Rates

The Golf Course Operating Fund has been struggling since the inception of the golf course to become profitable. Because it frequently has not earned enough revenue to support operations, the fund has incurred interfund loans and continued to be subsidized by the General Fund. Based on an analysis of the golf fund, in 2013, the City Council approved listing the Golf Course for sale. A buyer has been selected, and the sale is currently in process. Phase I of the sale was originally anticipated to close in April 2015, with Phase II estimated to close in April 2016. Due to unforeseen circumstances with other regulatory agencies, the sale is currently delayed until further notice.

The City completed a utility revenue rate study in 2014, resulting in increased rates for the utility funds in 2015 and 2016. The rates will be used for the capital project program identified for each utility.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sumner Financial Services Manager, 1104 Maple Street, Sumner, WA 98390.

CITY OF SUMNER

Statement of Net Position
Proprietary Funds
December 31, 2014

	Water	Sewer	Storm Sewer	Golf Course	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 5,275,211	\$ 2,995,890	\$ 149,013	\$ -	\$ 8,420,114
Investments	200,000	3,578,092	717,742	-	4,495,834
Receivables					
Customer accounts	570,798	396,432	192,418	26,095	1,185,743
Special assessments	108,535	344,909	-	-	453,443
Other receivables	9,957	657,808	32,386	-	700,150
Inventories	58,972	-	-	-	58,972
Advances to Other Funds	-	1,550,000	-	-	1,550,000
Total Current Assets	6,223,473	9,523,131	1,091,558	26,095	16,864,258
Noncurrent Assets:					
Restricted cash and cash equivalents					
Bond covenant accounts	181,860	717,337	111,137	-	1,010,334
Special assessments	190,849	71,867	-	-	262,716
Restricted investments					
Bond covenant accounts	120,395	474,893	73,575	-	668,863
Special assessments	-	503,761	-	-	503,761
Advances to other funds	-	-	4,790,000	-	4,790,000
Long-term receivables	724,716	1,641,509	-	-	2,366,225
Capital assets, net	14,866,681	31,242,128	15,765,291	1,849,223	63,723,322
Total Noncurrent Assets	16,084,502	34,651,495	20,740,003	1,849,223	73,325,222
TOTAL ASSETS	22,307,975	44,174,626	21,831,561	1,875,318	90,189,480
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 89,234	\$ 171,587	\$ 224,207	\$ -	\$ 485,029
Advances from other funds	1,000,000	-	-	875,000	1,875,000
Interest payable	18,486	115,818	5,751	48,880	188,935
General obligation bonds payable	-	-	-	359,550	359,550
Revenue bonds payable	117,068	862,933	-	-	980,000
Due to other governmental units	-	665,381	-	-	665,381
Total Current Liabilities	1,224,787	1,815,718	229,959	1,283,430	4,553,894
Noncurrent Liabilities:					
General obligation bonds payable	-	-	-	1,011,675	1,011,675
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	637,690	2,257,876	-	-	2,895,566
Advances from other funds	-	-	-	-	-
Due to other governmental units	-	5,586,778	-	-	5,586,778
Compensated absences	57,954	124,054	55,178	-	237,185
TOTAL NONCURRENT LIABILITIES	695,644	7,968,708	55,178	1,011,675	9,731,205
TOTAL LIABILITIES	1,920,431	9,784,426	285,137	2,295,105	14,285,099
DEFERRED INFLOWS OF RESOURCES					
Special assessment revenue	724,716	1,641,509	-	-	2,366,225
Total Deferred Inflows of Resources	724,716	1,641,509	-	-	2,366,225
NET POSITION					
Net investment in capital assets	13,200,933	22,419,677	15,765,291	(397,002)	50,988,899
Restricted for debt service	-	-	-	-	-
Unrestricted	6,461,895	10,329,014	5,781,133	(22,785)	22,549,257
TOTAL NET POSITION	\$ 19,662,828	\$ 32,748,691	\$ 21,546,424	\$ (419,787)	\$ 73,538,156

The notes are an integral part of the financial statements.

CITY OF SUMNER

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
December 31, 2014**

	Water	Sewer	Storm Sewer	Golf Course	Total
Operating Revenues:					
Charges for services	\$ 3,189,945	\$ 5,085,370	\$ 2,038,195	\$ -	\$10,313,510
Other operating revenues	-	-	-	-	-
Total operating revenues	3,189,945	5,085,370	2,038,195	-	10,313,510
Operating Expenses:					
Operations and maintenance	708,426	2,674,497	595,572	-	3,978,496
Administration and general	583,478	862,418	767,876	234,229	2,448,001
Taxes	326,602	345,339	155,371	61	827,374
Depreciation	644,327	1,786,510	351,206	74,980	2,857,023
Total operating expenses	2,262,834	5,668,764	1,870,026	309,270	10,110,893
Operating income (loss)	927,111	(583,394)	168,170	(309,270)	202,617
Nonoperating Revenues (Expenses):					
Investment income	1,627	77,519	(59,058)	-	20,088
Special assessment revenues	104,020	251,005	-	-	355,024
Miscellaneous revenues (expenses)	33,079	11,620	398,082	-	442,782
Interest expense and other debt service costs	(35,552)	(178,228)	-	(68,244)	(282,024)
Total nonoperating revenues (expenses)	103,174	161,916	339,024	(68,244)	535,870
Income (loss) before contributions and transfers	1,030,284	(421,478)	507,194	(377,514)	738,487
Capital Contributions	568,308	3,297,404	1,279,802	-	5,145,514
Grant proceeds	1,890	1,890	379,713	-	383,493
Transfers in (Note 5)	-	-	-	637,408	637,408
Transfers out (Note 5)	(13,080)	(13,080)	(633,080)	-	(659,240)
Change in net assets	1,587,402	2,864,736	1,533,629	259,895	6,245,662
Total net position beginning of year	18,075,426	29,883,956	20,012,795	(679,682)	67,292,495
Prior period adjustments	-	-	-	-	-
Adjusted net position at beginning of year	18,075,426	29,883,956	20,012,795	(679,682)	67,292,495
Total net position end of year	\$ 19,662,828	\$ 32,748,692	\$ 21,546,424	\$ (419,787)	\$ 73,538,157

The notes are an integral part of the financial statements.

CITY OF SUMNER

Statement of Cash Flows
Proprietary Funds
For the Period Ending December 31, 2014

	Water	Sewer	Storm Sewer	Golf Course	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 3,040,575	\$ 5,240,679	\$ 2,026,837	\$ -	\$ 10,308,091
Payments to suppliers	(601,897)	(2,111,169)	(442,189)	(234,229)	(3,389,484)
Payments to employees	(702,926)	(1,658,394)	(876,333)	-	(3,237,653)
Payments for external and interfund taxes	(326,602)	(345,339)	(155,371)	(61)	(827,374)
Net cash provided (used) by operating activities	1,409,150	1,125,776	552,944	(234,290)	2,853,581
Cash flows from non-capital financing activities:					
Transfers in	-	-	-	-	-
Transfers out	(13,080)	(13,080)	(633,080)	637,408	(21,832)
Interfund loans	-	-	-	-	-
Grants and contributions	1,890	1,890	379,713	-	383,493
Net cash provided (used) by non-capital financing activities	(11,190)	(11,190)	(253,367)	637,408	361,661
Cash flows from capital and related financing activities:					
Purchase of capital assets	(527,087)	(4,940,338)	(4,708,047)	-	(10,175,472)
Proceeds from capital debt	-	1,106,568	-	-	1,106,568
Proceeds from special assessments	132,258	254,073	-	-	386,331
Contributed capital	568,308	3,297,404	1,279,802	-	5,145,514
Cash received from nonoperating activities	33,079	11,620	398,082	-	442,782
Interest payment on debt	(35,552)	(178,228)	-	(68,244)	(282,024)
Principal payment on debt	(189,738)	(1,443,600)	-	(334,875)	(1,968,213)
Net cash provided (used) by capital and related financing activities	(18,732)	(1,892,500)	(3,030,162)	(403,119)	(5,344,513)
Cash flows from investing activities:					
Interest received	1,627	77,519	(59,058)	-	20,088
Purchase of investments	-	(2,099,219)	-	-	(2,099,219)
Proceeds from sale of investments	171,900	2,178,734	3,118,155	-	5,468,789
Net cash provided (used) by investing activities	173,527	157,034	3,059,097	-	3,389,658
Net increase in cash and cash equivalents	1,552,755	(620,880)	328,512	(0)	1,260,387
Cash and cash equivalents-beginning of year	4,095,166	4,405,974	(68,363)	-	8,432,777
Cash and cash equivalents-end of year	\$ 5,647,921	\$ 3,785,094	\$ 260,149	\$ (0)	\$ 9,693,164
Cash at end of year consists of:					
Cash and Cash Equivalents	5,275,211	2,995,890	149,013	(0)	8,420,114
Restricted Cash-Bond Covenant Accounts	181,860	717,337	111,137	-	1,010,334
Restricted Cash-Special Assessments	190,849	71,867	-	-	262,716
Total Cash	\$ 5,647,921	\$ 3,785,094	\$ 260,149	\$ (0)	\$ 9,693,164

Check Figure

0 0 (0) 0

Reconciliation of net operating income to net cash provided (used) by operating activities

Operating income (loss)	\$ 927,111	\$ (583,394)	\$ 168,170	\$ (309,270)	\$ 202,617
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Adjustments to reconcile operating income to net cash provided (used) by operating activities:

Depreciation expense	644,327	1,786,510	351,206	74,980	2,857,023
Changes in assets and liabilities					
(Increase) Decrease in customer accounts receivable	(149,369)	155,309	(11,358)	-	(5,419)
(Increase) Decrease in inventories	-	-	-	-	-
Increase (Decrease) in accounts payable	13,592	(183,146)	55,369	-	(114,186)
Increase (Decrease) in accrued wages	3,349	9,157	13,587	-	26,094
Increase (Decrease) in compensated absences	(29,859)	(58,660)	(24,029)	-	(112,548)
Net cash provided by operating activities	\$ 1,409,150	\$ 1,125,776	\$ 552,944	\$ (234,290)	\$ 2,853,581

Schedule of noncash investing, capital and financing activities

Capital assets acquired by contributed capital	-	-	-	-	-
Increase (decrease) in fair value of investments	-	-	-	-	-
Total noncash investing, capital and financing activities	\$ -	\$ -	\$ -	\$ -	\$ -

The notes are an integral part of the financial statements.

**City of Sumner
Notes to the Financial Statements
December 31, 2014**

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Sumner, Washington have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The City of Sumner, Pierce County, Washington, was incorporated February 7, 1891. It operates under the laws of the State of Washington for a municipal corporation and which are applicable to an optional code city, under a Mayor/Council form of government. The city is administered by a part-time Mayor and full-time City Administrator. The City Council is comprised of seven part-time council members, all elected at large to four year terms. The City provides a range of municipal services authorized by state law, including law enforcement, court services, parks and recreation, planning and development, general administrative services, water services, sanitary sewer collection and treatment, storm drainage, a municipal cemetery and a municipal golf course.

This City's GAAP financial statements include only its proprietary funds, account groups and activities that are controlled by or dependent upon the City and which have bonded debt obligations. These are the Water Utility, Sewer Utility, Storm Sewer Utility and Golf Course. There are no component units or organizations that were financially dependent upon the City of Sumner, nor exist for the benefit of the City. The City did not exercise oversight responsibilities nor have financial control over other entities. The criteria used for determining component units were fiscal accountability, management authority and the ability to influence operations.

B. Financial Statements

Basic financial statements are limited to proprietary funds with general obligation or revenue bond debt. All the individual enterprise funds presented are considered major funds and are reported as separate columns in the financial statements.

In June 2011, the Governmental Accounting Standards Board approved Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the net asset reporting requirements in Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, instead of net assets.

C. Basis of Accounting

Financial statements for proprietary funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been

met.

The City reports the following major proprietary funds:

- *Water Fund;*
- *Sewer Fund;*
- *Storm Sewer Fund;* and
- *Golf Course Fund.*

These funds are used to account for services to the general public where all or most of the costs, including depreciation, are to be financed or recovered from users of such services. Utilities provided to the residents are accounted for in the water fund, sewer fund and storm sewer fund. The golf course fund is used to account for business operations at the City's municipal golf.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The City uses encumbrance accounting. Purchase orders, contracts and other commitments are recorded as encumbrances. Encumbrances outstanding at the end of the biennium are re-appropriated at the beginning of the next biennium, when appropriate.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, or as capital contributions.

D. Budget and Budgetary Information

1. Scope of Budget - The Sumner City Council adopts a biennial budget using an appropriation ordinance. The City budgets all funds in accordance with the Optional Municipal Code 35A.33 of the Revised Code of Washington. While not required by law, the City adopts budgets for its proprietary funds. These budgets are "management budgets" and as such are not reported in the financial reports.
2. Amending the Budget - All budgets are controlled at the fund level. Budgets may be administratively revised within funds as long as the total appropriation is not changed. However, any revisions that alter the total expenditures or affect that number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council. Appropriations lapse at the end of the biennium except for capital projects, grant and debt service funds.

E. Assets, Liabilities, and Net Assets**1. Cash and Cash Equivalents**

It is the city's policy to invest all temporary cash surpluses. The City's cash and cash equivalent are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition

2. Investments

The City may invest in any of the securities identified as eligible investments as defined by the Revised Code of Washington (RCW) 35A.40.050. In general, these include: obligations of the US Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Speculative investments are not allowed. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between parties.

No direct investments restricted or otherwise are considered to be cash equivalents. The City uses a pooled investment portfolio. Each fund receives interest based on a pro-rata share of its cash balance to the total cash invested. Portfolio earnings are distributed monthly based on cash balances of the participating funds.

3. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services provided. Uncollectible amounts are considered immaterial; no allowance for uncollectible amounts is recorded in the financial statement.

Special assessments receivable are levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable consist of current assessments, which are due within one year, delinquent assessments remaining unpaid after the due date, and deferred, uncollected assessments, which have been levied, but are not due within one year. As of December 31, 2013, \$46,507 of special assessments receivable were delinquent.

4. Amounts Due to and from Other Funds and Governments, and Advances Receivable and Payable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances are reported as "due to/from other governments". A separate schedule of loans receivable and payable is furnished in Note 5.

5. Inventories

Inventories are valued at cost by the first-in/first-out (FIFO) method.

6. Restricted Assets

These accounts contain resources for bond covenant accounts and current and delinquent special assessments receivable. Specific debt service reserve requirements are described in Note 6 Long Term Debt.

7. Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or

constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs are not capitalized.

Capital assets are depreciated, and are calculated on the straight line method using estimated lives as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>
Buildings	25-50 Years
Building improvements	5-25 Years
Vehicles	5-20 Years
Office equipment	3-5 Years
Heavy equipment	5-25 Years
Water/sewer/storm mains	25-50 Years

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation and sick leave accumulates at various rates, depending upon date of hire, applicable collective bargaining agreement, and the City's personnel rules, regulations and policy. Vacation, compensatory time, and sick leave are calculated separately for each employee based on the appropriate rules.

Vacation pay is payable upon resignation, retirement or death. Sick leave may accumulate up to 720 hours. Up to 100 percent of outstanding sick leave is payable upon retirement or death depending upon time with the City.

9. Other Accrued Liabilities

These accounts consist of accrued wages, accrued employee benefits and accrued obligations to vendors.

10. Long-Term Debt – See Note 6

11. Net Assets

In the financial statements, funds report reservations of net assets for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes.

The amount reported in capital assets, net of related debt represents the amount invested in capital assets, less accumulated depreciation, less outstanding principal of related debt. The amount reported in restricted net assets are restrictions imposed on a portion of the City's net assets by parties outside the governments such as creditors, grantors, laws or regulations of other governments.

Note 2 – Stewardship, compliance, and accountability

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenses exceeding legal appropriations in any of the funds of the City of Sumner.

Deficit Net Position - The Golf Course Operating Fund has been struggling since the inception of the golf course to become profitable. Because it frequently has not earned enough revenue to support operations, the fund has incurred interfund loans. Based on an analysis of the golf fund, in 2013, the City Council approved listing the Golf Course for sale. A buyer has been selected, and the sale is currently in process. Upon closing of the sale, all associated debt and interfund loan obligations will be repaid with sale proceeds.

Note 3 – Deposits and Investments

Deposits and investments represent short-term investments with Washington State Local Government Investment Pool (LGIP); deposits and investments also include compensating balances maintained with certain banks in lieu of payments for services rendered.

As of December 31, 2014, the carrying amount of the presented fund's deposits and investments was \$15,361,623 and does not differ materially from the bank balances of deposits.

Custodial Credit Risk - Custodial credit risk for deposits is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the City would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The City minimizes custodial credit risk by following the restrictions set forth in state law.

The Federal Deposit Insurance Commission (FDIC) insures the City's deposits up to \$250,000. The Washington Public Deposit Protection Commission (WPDPC) (established under Chapter 39.58 of the Revised Code of Washington) constitutes a multiple financial institution collateral pool. Pledged securities under the WPDPC collateral pool are held by the WPDPC's agent in the name of the collateral pool.

As required by State law, all investments of the City's funds are obligations of the U.S. Government, or deposits with Washington State banks that participate in the WPDPC. All temporary investments are stated at cost. At yearend 2014, the bank balances of deposits were entirely insured through the FDIC and the WPDPC. The City had no custodial credit risk for these deposits.

As of December 31, 2014 the following investments and maturities for presented fund financial statement:

Investment Type	Fair Value	<i>Investment Maturities (in years)</i>	
		Less Than 1	1-5
U.S. Agencies	\$ 8,950,115	\$ 1,381,718	\$ 7,568,397
Total	\$ 8,950,115	\$ 1,381,718	\$ 7,568,397

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the maximum maturity of an investment to not greater than three years, unless an investment is matched to an anticipated future cash flow.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The City diversifies its investments by security type and institution.

Note 4 – Capital Assets

A. Capital asset activity for the year ended December 31, 2014 is as follows:

**CITY OF SUMNER
ANALYSIS OF CAPITAL ASSETS**

For the Year Ended December 31, 2014

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 5,080,980	\$ 233,544	\$ (86,500)	\$ 5,228,024
Construction in progress	9,222,172	9,914,006	(4,856,313)	14,279,865
Total capital assets, not being depreciated	14,303,152	10,147,550	(4,942,813)	19,507,889
Capital assets being depreciated:				
Buildings	1,845,839	-	(29,590)	1,816,249
Improvements other than buildings	66,751,615	4,917,927	-	71,669,542
Water/Sewer mains	7,511,808	-	-	7,511,808
Machinery and equipment	2,274,431	52,806	(152,849)	2,174,388
Total capital assets, being depreciated	78,383,693	4,970,733	(182,439)	83,171,987
Less accumulated depreciation for:				
Buildings	(1,486,197)	(37,415)	29,590	(1,494,022)
Improvements other than buildings	(29,423,029)	(2,758,494)	-	(32,181,523)
Water/Sewer mains	(3,295,846)	-	-	(3,295,846)
Machinery and equipment	(2,076,897)	(56,924)	148,659	(1,985,162)
Total accumulated depreciation	(36,281,969)	(2,852,833)	178,249	(38,956,553)
Total capital assets, being depreciated, net	42,101,724	2,117,900	(4,190)	44,215,434
Net capital assets	\$ 56,404,876	\$ 12,265,450	\$ (4,947,003)	\$ 63,723,323

B. Construction Commitments and Other Significant Commitments

CITY OF SUMNER
PENDING CONSTRUCTION COMMITMENTS

For the Year Ended December 31, 2014

Fund	CIP #	Project	Amount
401	007-13	Central Well	498,955
401	013-10	East Sumner Neighborhood	26,561
		Subtotal: Fund 401 Water	525,516
402	010-03	STP Upgrade	13,383
402	010-03	STP Upgrade	1,075,985
402	010-03	STP Upgrade - Retainage	367,185
402	010-03	STP Upgrade	7,685,445
402	008-15	Parker Rd Pump Station	57,406
402	009-01	Cherry Ave Pump Station	133,126
402	013-18	Mt. Circle Pump Station	79,562
402	013-10	East Sumner Neighborhood	628
		Subtotal: Fund 402 Sewer	9,412,719
408	013-10	East Sumner Neighborhood	799,927
408	014-10	Left Bank Flood Project	144,007
408	014-10	Left Bank Flood Project	340,577
		Subtotal: Fund 408 Stormwater	10,910,547
Total Construction Commitments			20,848,783

Note 5 – Interfund Activity**A. Interfund Loans and Interfund Transfers**

The next two tables summarize interfund activity during 2014. The first table details loan activity while the second lists transfers. Loans between funds are classified as interfund receivable and payable are expected to be repaid within three years with the exception of the Golf Course Fund.

The following table displays interfund receivables and payables at December 31, 2014.

Lending Fund	Borrowing Fund	01/01/14	New Loans	Repayments	12/31/14
General Fund	Golf Course	195,000	-	-	195,000
Sewer Utility	LID Development Fund	1,550,000	-	-	1,550,000
Storm Sewer Utility	General Fund	2,500,000	-	-	2,500,000
Storm Sewer Utility	LID Development Fund	800,000	-	-	800,000
Storm Sewer Utility	Water Fund	1,000,000	-	-	1,000,000
Storm Sewer Utility	Golf Course	490,000	-	-	490,000
Cemetery Endowment	Golf Course	190,000	-	-	190,000
Total Interfund Loans		6,725,000	-	-	6,725,000

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. The interfund transfer activity for the year is shown as follows:

Fund	Transfers In	Transfers Out
General Fund	39,240	637,408
Capital Funds	620,000	-
Major Enterprise Fund - Water	-	13,080
Major Enterprise Fund - Sewer	-	13,080
Major Enterprise Fund - Stormwater	-	633,080
Major Enterprise Fund - Golf Course	637,408	-
Total Transfers	1,296,648	1,296,648

Restricted Assets

The restricted assets of the City are composed of cash and cash equivalents and investments restricted for bonded debt covenant requirements and payment of special assessments in the amount of \$2,445,674.

Note 6 – Long-Term Debt

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged. Debt service for voter-approved issues, of which the City has none, would be funded by special property tax levies. Debt service for City Council authorized bonds, also called councilmanic bonds, are funded from regular property taxes or general revenues, and are generally paid from debt service funds but can be paid from other designated funds.

Revenue Bonds are payable from water, sewer and storm sewer utility revenues generated by these business-type funds.

State of Washington Public Works Trust Fund Loans (Governmental Loans) are a direct responsibility of the City. The City currently has four outstanding loans with a remaining total balance of \$5,783,929. The loans are being repaid from the sewer fund revenues over a 20-year period that begins upon each project completion.

The following schedules summarize the long-term debt transactions of the City for the year ended December 31, 2014:

Description	Date of Issue	Maturity Date	Interest Rate	Amount Originally Issued	Beginning of the Year Balance	Amount Issued	Amount Redeemed	End of the Year Balance
<u>GO Bonds</u>								
LTGO Refunded Bond, 2008	6/17/2008	12/1/2019	Varies	4,360,000	2,420,000	-	(475,000)	1,945,000
Total GO Bonds				\$ 4,360,000	\$ 2,420,000	\$ -	\$ (475,000)	\$ 1,945,000

The Golf Course Fund is responsible for 70.5% of the 2008 LTGO bond and the General Fund is responsible for the other 29.5%.

Revenue Bonds

Wtr/Swr Refd Rev Bond, 2006	5/12/2006	7/1/2017	4.07%	\$ 4,490,000	\$ 1,935,000	\$ -	\$ (420,000)	\$ 1,515,000
ULID #73 & #74	9/15/2003	10/1/2018	Varies	2,620,000	435,000	-	(100,000)	335,000
Wtr/Swr Refd Rev, 2008	6/1/2008	12/1/2019	Varies	4,735,000	2,570,000	-	(475,000)	2,095,000
Total Revenue Bonds				\$ 11,845,000	\$ 4,940,000	\$ -	\$ (995,000)	\$ 3,945,000

Government Loans

PWTF-00-691-054	1/21/2001	1/21/2010	2.00%	\$ 3,323,373	\$ 1,320,466	\$ -	\$ (188,638)	\$ 1,131,828
PWTF-02-691-054	7/29/2002	7/29/2022	0.50%	4,648,160	2,339,370	-	(259,930)	2,079,440
PWTF-04-691-067	7/7/2004	7/20/2024	0.50%	2,003,550	1,224,392	-	(111,308)	1,113,084
PWTF-PC12-951-050	10/31/2011	10/31/2031	0.50%	4,728,000	899,701	972,338	(78,462)	1,793,577
Drinking Water State Revolving Fund	4/4/2014	12/31/2037	2.30%	-	-	134,230	-	134,230
					-	-	-	-
Total Government Loans				\$ 14,703,083	\$ 5,783,929	\$ 1,106,568	\$ (638,338)	\$ 6,252,159

The following schedules summarize the total annual debt service requirements to maturity of the City for the year ended December 31, 2014:

Business-Type Funds

General Obligation bond debt service requirement to maturity are:

	Principal	Interest	Total
2014	\$ 475,000	\$ 96,800	\$ 571,800
2015	510,000	77,800	587,800
2016	550,000	57,400	607,400
2017	575,000	35,400	610,400
2018	150,000	12,400	162,400
2019-2021	160,000	6,400	166,400
Total	\$ 2,420,000	\$ 286,200	\$ 2,706,200

Revenue bond debt service requirement to maturity are:

	Principal	Interest	Total
2014	\$ 1,110,000	\$ 203,710	\$ 1,313,710
2015	1,060,000	167,616	1,227,616
2016	1,015,000	128,076	1,143,076
2017	1,055,000	69,360	1,124,360
2018	560,000	32,300	592,300
2019-2021	-	-	-
Total	\$ 4,800,000	\$ 601,061	\$ 5,401,061

Governmental Loan debt service requirement to maturity are:

	Principal	Interest	Total
2014	\$ 609,860	\$ 48,727	\$ 658,586
2015	609,860	42,848	652,708
2016	609,860	36,969	646,829
2017	609,860	31,090	640,950
2018	609,860	25,211	635,071
2019-2031	2,734,630	58,745	2,793,375
Total	\$ 5,783,929	\$ 243,589	\$ 6,027,518

Change in Long-term liabilities summary:

Long-term liability activity for the year ended December 31, 2014 was as follows:

	12/31/2013			12/31/2014		2015
Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year	
General Obligation	\$ 1,706,100	\$ -	\$ (334,875)	\$ 1,371,225	\$ 359,550	
Revenue Bonds	5,915,000	-	(995,000)	4,920,000	980,000	
Governmental Loans	5,886,559	488,834	(638,338)	5,737,055	609,860	
Subtotal Loans & Bonds Payable	13,507,659	488,834	(1,968,213)	12,028,280	1,949,410	
Compensated Absences	310,391	-	(38,612)	271,779	n/a	
Long-Term Liabilities	\$ 13,818,050	\$ 488,834	\$ (2,006,825)	\$ 12,300,059	\$ 1,949,410	

Note 7 – Pension Plans

Substantially all City of Sumner full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3**Plan Description**

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members.

Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
Total	368,272

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***

Employee-Local Gov't Units	12.26%	12.30%	7.50%***
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* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

***Minimum rate.

Both the City of Sumner and the employees made the required contributions. The City of Sumner's required contributions for the years ended December 31 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2014	\$29,038	\$322,373	\$24,885
2013	\$20,083	\$365,782	\$52,955
2012	\$16,462	\$289,212	\$50,195
2011	\$14,601	\$262,493	\$41,531
2010	\$20,877	\$224,798	\$ 37,649
2009	\$28,646	\$295,976	\$ 43,577

Note 8 - Risk Management and Insurance

The City is exposed to various risks of loss such as: theft and damage and destruction of assets, errors and omissions, injuries or property damage to others, employees' health and natural disasters. To insure against risks of loss the City of Sumner is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 145 Members.

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

Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

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

Workers' Compensation

Title 51 RCW requires the City to ensure payment of benefits for job-related injuries and diseases through the Workers' Compensation fund or through self-insurance. The City participates in the State of Washington's Workers' Compensation program. Premiums are based on individual employer's reported payroll hours and insurance rates based on each employer's risk classification and past experience. The premium is paid by employer and employee contributions.

Note 9 – Contingencies and Litigation

As of December 31, 2014, a number of claims were pending against the City for damages and legal actions. While the outcome of these actions is uncertain, no losses are clearly anticipated at the time due to these pending claims. In the event of a liability finding against the City, it is anticipated that any potential adverse judgment against the City also would be subject to coverage under the City's comprehensive liability insurance, including public officials' errors and omission insurance and general liability insurance.

Note 10 – Federal Arbitrage

The City is subject to federal arbitrage regulations; the City had no federal arbitrage liability outstanding at December 31, 2014.

Note 11 – Subsequent Events

There have been no material events subsequent to December 31, 2014 to report.

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.

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