



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
City of Omak

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

Published July 18, 2019

Report No. 1024238





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

June 18, 2019

Mayor and City Council
City of Omak
Omak, Washington

Report on Financial Statements and Federal Single Audit

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

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Omak January 1, 2018 through December 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Omak are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**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 Omak
January 1, 2018 through December 31, 2018**

Mayor and City Council
City of Omak
Omak, 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 Omak, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated June 20, 2019.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

June 20, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

City of Omak
January 1, 2018 through December 31, 2018

Mayor and City Council
City of Omak
Omak, Washington

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

We have audited the compliance of the City of Omak, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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 the Uniform Guidance. 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

June 20, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Omak January 1, 2018 through December 31, 2018

Mayor and City Council
City of Omak
Omak, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Omak, for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Omak, for the year ended December 31, 2018, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is 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 June 20, 2019 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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Pat McCarthy

State Auditor

Olympia, WA

June 20, 2019

FINANCIAL SECTION

City of Omak January 1, 2018 through December 31, 2018

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018
Schedule of Expenditures of Federal Awards – 2018
Notes to the Schedule of Expenditures of Federal Awards – 2018

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

		Total for All Funds (Memo Only)	001 CURRENT EXPENSE FUND	102 CITY STREET FUND	105 MOTEL/HOTEL TAX FUND
Beginning Cash and Investments					
30810	Reserved	442,738	-	-	135,763
30880	Unreserved	7,838,786	1,493,462	468,128	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	4,013,978	3,373,904	416,601	166,026
320	Licenses and Permits	91,639	91,639	-	-
330	Intergovernmental Revenues	1,406,362	272,356	115,850	-
340	Charges for Goods and Services	6,510,794	283,262	1,093	-
350	Fines and Penalties	20,066	20,066	-	-
360	Miscellaneous Revenues	331,366	178,149	7,342	2,220
Total Revenues:		12,374,206	4,219,376	540,885	168,246
Expenditures					
510	General Government	854,265	506,439	-	-
520	Public Safety	2,403,870	2,403,870	-	-
530	Utilities	3,042,953	56,026	-	-
540	Transportation	1,266,430	-	514,420	-
550	Natural and Economic Environment	315,048	191,941	-	118,215
560	Social Services	1,314	1,314	-	-
570	Culture and Recreation	679,265	679,265	-	-
Total Expenditures:		8,563,145	3,838,856	514,420	118,215
Excess (Deficiency) Revenues over Expenditures:		3,811,060	380,520	26,466	50,031
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,013,519	-	-	-
397	Transfers-In	354,530	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	72,983	15,525	-	-
381, 395, 398	Other Resources	335,718	71,106	-	-
Total Other Increases in Fund Resources:		1,776,750	86,631	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,057,083	5,895	112,725	-
591-593, 599	Debt Service	1,199,370	111,799	-	-
597	Transfers-Out	354,530	145,000	-	22,000
585	Special or Extraordinary Items	66,848	66,848	-	-
586 / 589	Custodial Activities	72,589	13,463	-	-
581	Other Uses	200,000	200,000	-	-
Total Other Decreases in Fund Resources:		4,950,420	543,005	112,725	22,000
Increase (Decrease) in Cash and Investments:		637,390	(75,853)	(86,259)	28,031
Ending Cash and Investments					
5081000	Reserved	488,143	-	-	163,794
5088000	Unreserved	8,430,772	1,417,608	381,868	-
Total Ending Cash and Investments		8,918,915	1,417,608	381,868	163,794

The accompanying notes are an integral part of this statement.

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

		109 BLOCK GRANT FUND	110 STAMPEDE ARENA REDEVEL.	301 CAPITAL IMPROVEMENT FUND	401 WATER FUND
Beginning Cash and Investments					
30810	Reserved	84,966	-	51,061	-
30880	Unreserved	-	234,416	-	1,507,827
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	12,484	44,965	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	40,000	-	-
340	Charges for Goods and Services	-	-	-	1,353,802
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,413	3,463	1,007	24,188
Total Revenues:		1,413	55,947	45,971	1,377,989
Expenditures					
510	General Government	-	-	-	111,498
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	766,507
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	878,005
Excess (Deficiency) Revenues over Expenditures:		1,413	55,947	45,971	499,985
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	1,013,519
397	Transfers-In	-	22,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	19,990	-	-	-
Total Other Increases in Fund Resources:		19,990	22,000	-	1,013,519
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	1,201,961
591-593, 599	Debt Service	-	65,463	50,000	195,465
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	150
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	65,463	50,000	1,397,575
Increase (Decrease) in Cash and Investments:		21,403	12,485	(4,029)	115,928
Ending Cash and Investments					
5081000	Reserved	106,369	-	47,032	-
5088000	Unreserved	-	246,900	-	1,623,754
Total Ending Cash and Investments		106,369	246,900	47,032	1,623,754

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

		402 SEWER FUND	403 GARBAGE FUND	405 STORM DRAIN UTILITY FUND	406 AIRPORT FUND
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	2,877,097	153,884	169,016	55,126
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	4,846	-	973,310
340	Charges for Goods and Services	2,705,411	1,158,799	124,502	260,423
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	49,196	3,943	2,610	41,960
Total Revenues:		2,754,607	1,167,588	127,113	1,275,693
Expenditures					
510	General Government	141,624	61,655	14,791	9,800
520	Public Safety	-	-	-	-
530	Utilities	1,045,715	1,063,912	110,793	-
540	Transportation	-	-	-	353,301
550	Natural and Economic Environment	-	4,891	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,187,339	1,130,459	125,584	363,100
Excess (Deficiency) Revenues over Expenditures:		1,567,268	37,130	1,528	912,593
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	145,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	35,602	-	21,856
381, 395, 398	Other Resources	-	-	-	200,000
Total Other Increases in Fund Resources:		-	35,602	-	366,856
Other Decreases in Fund Resources					
594-595	Capital Expenditures	421,209	-	400	1,142,827
591-593, 599	Debt Service	776,645	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	36,938	-	22,038
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,197,854	36,938	400	1,164,865
Increase (Decrease) in Cash and Investments:		369,414	35,794	1,128	114,583
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	3,246,511	189,678	170,145	169,710
Total Ending Cash and Investments		3,246,511	189,678	170,145	169,710

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

		501 EQUIPMENT RENTAL FUND	508 EQ. RENTAL CAPITAL	700 INVESTMENT TRUST FUND
Beginning Cash and Investments				
30810	Reserved	-	-	170,949
30880	Unreserved	8,002	871,828	-
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	623,504	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	3,332	12,542	-
Total Revenues:		626,836	12,542	-
Expenditures				
510	General Government	8,458	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	398,709	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		407,167	-	-
Excess (Deficiency) Revenues over Expenditures:		219,669	12,542	-
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	187,530	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	45	44,577	-
Total Other Increases in Fund Resources:		45	232,107	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	6,789	165,277	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	187,530	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		194,319	165,277	-
Increase (Decrease) in Cash and Investments:		25,395	79,372	-
Ending Cash and Investments				
5081000	Reserved	-	-	170,949
5088000	Unreserved	33,397	951,200	-
Total Ending Cash and Investments		33,397	951,200	170,949

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

		Total for All Funds (Memo Only)	Agency
308	Beginning Cash and Investments	988	988
388 & 588	Prior Period Adjustment, Net	-	-
310-390	Additions	32,365	32,365
510-590	Deductions	32,027	32,027
	Net Increase (Decrease) in Cash and Investments:	338	339
508	Ending Cash and Investments	1,326	1,326

The accompanying notes are an integral part of this statement.

City of Omak
Notes to the Financial Statements
For the year ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies

The City of Omak was incorporated on February 11, 1911 and operates under the laws of the state of Washington applicable to a Code City with Mayor-Council form of Government. The City of Omak is a General-purpose local government and provides Police, Fire Park and Recreation, Building Inspection, Permitting, Land Use, Flood Control, Roadway, and General administrative services. In addition, the city owns and operates the local water, sewer and storm utilities; Omak municipal Airport, and the Omak Memorial Cemetery.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

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.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$10,000.00 and an estimated useful life in excess of three years. Capital assets and inventory are recorded as capital

expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 37 days for represented full time police officers and 30 days for all other full-time employees. Vacation Leave is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees do receive payment for unused sick leave at the rate of 25% of available hours. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of Lodging Tax, Proceeds from Block Grant Program, Capital Improvement funds, and Cemetery Endowment funds.

Note 2 – Budget Compliance

A. Budgets

The City of Omak adopts annual appropriated budgets for General, Special Revenue, Capital Project, Enterprise, Internal service, and Permanent funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund	Final Appropriated	Actual Expenditures	Variance
General Fund 001	\$4,488,971.54	\$4,340,714.69	\$148,256.85
Street Fund 102	\$2,087,958.00	\$627,145.24	\$1,460,812.76
Cemetery Fund 103	\$63,281.00	\$59,195.93	\$4,085.07
Library Fund 104	\$146,225.00	\$136,900.05	\$9,324.95
Hotel/Motel Fund 105	\$183,835.00	\$140,214.88	\$ 43,620.12
Block Grant Fund 109	\$0.00	\$0.00	\$0.00
Stampede Fund 110	\$65,462.50	\$65,462.50	\$0
Drug Enforcement 111	\$5,350.00	\$5,300.00	\$50
Capital Improvement 301	\$50,000.00	\$50,000.00	\$0

Water Fund 401	\$2,569,503.06	\$2,275,580.31	\$293,922.75
Sewer Fund 402	\$3,758,186.26	\$3,252,943.00	\$505,243.26
Garbage Fund 403	\$1,188,191.00	\$1,167,396.36	\$20,794.64
Storm Drain Utility 405	\$170,248.00	\$125,983.83	\$44,264.17
Airport Fund 406	\$1,622,328.00	\$1,527,965.00	\$94,363.00
Water Assessment 407	\$39,839.34	\$39,839.34	\$0.00
Water Reserve Fund 411	\$0.00	\$0.00	\$0.00
Sewer Reserve Fund 412	\$0.00	\$0.00	\$0.00
Equipment Rental 501	\$615,607.00	\$601,485.78	\$14,121.22
Equipment Capital 508	\$192,000.00	\$165,277.30	\$26,722.70
State Building 631	\$36.00	\$284.00	(\$248.00)
State Agency Deposit 632	\$0.00	\$31,743.23	(\$31,743.23)
Advanced Travel 633	\$0.00	\$0.00	\$0.00
Cemetery Endowment 700	\$0.00	\$0.00	\$0.00

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

Note 3 – Deposits and Investments

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the city or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	<u>City</u> own investments	<u>Investments held by City</u> as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ 6,449,566.90	\$ _____	\$ 6,449,566.90
U.S. Government Securities	\$ 149,999.55	_____	\$ 149,999.55
U.S. Government Securities	\$ 991,205.00	_____	\$ 991,205.00
Total	\$ 7,590,771.45	\$ 0.00	\$ 7,590,771.45

Note 4 - Property Tax

The county treasurer acts as an agent to collect property tax 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 after tax is levied.

The City's regular levy for the year 2018 was \$2.899502 per \$1,000 on an assessed valuation of \$285,498,978 for a total regular levy of \$827,804.

Note 5 - Interfund Loans

The following table displays interfund loan activity during 2018:

<u>Borrowing</u> <u>Fund</u>	<u>Lending</u> <u>Fund</u>	<u>Balance</u> <u>1/1/2018</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2018</u>
Airport 406	General 001	<u>\$0.00</u>	\$200,000.00	\$ <u>0.00</u>	\$ <u>200,000.00</u>
	TOTALS	\$ <u>0.00</u>	\$ <u>200,000.00</u>	\$ <u>0.00</u>	\$ <u>200,000.00</u>

Note 6 – Debt Service Requirements

Debt Service

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

The debt service requirements for general obligation bonds, revenue bonds, certificates of participation in the Washington State Treasurer's Local Option Capital Lending Program, Department of Ecology Centennial Clean Water Fund Loans, Public Works Assistance Account, and the Drinking Water State Revolving Fund are as follows:

	Principal	Interest	Total
2019	\$ 837,894.33	\$ 134,716.95	\$ 972,611.28
2020	\$ 844,640.43	\$ 124,162.65	\$ 968,803.08
2021	\$ 821,566.06	\$ 113,428.87	\$ 934,994.93
2022	\$ 785,038.02	\$ 101,917.42	\$ 886,955.44
2023	\$ 790,393.57	\$ 92,503.70	\$ 882,897.27
			\$ -
2024-2028	\$ 3,800,727.01	\$ 317,912.30	\$ 4,118,639.31
2029-2033	\$ 2,561,969.50	\$ 115,346.94	\$ 2,677,316.44
2034-2038	\$ 302,452.20	\$ 7,904.41	\$ 310,356.61
2039-2043	\$ -	\$ -	\$ -
Total	\$ 10,744,681.12	\$ 1,007,893.24	\$ 11,752,574.36

Note 7 – OPEB Plans

LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Omak as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2018, the plan had four members, all retirees. For the year ended December 31, 2018, the City paid \$49,074.00 in benefits.

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all city full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans LEOFF 2, PERS 2, PERS 3.

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

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

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

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

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

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

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 73,843	%0.011047	\$ 493,362.78
PERS 2/3	\$109,956	%0.014205	\$243,306.07
LEOFF 1	\$ 0	%0.005786	(\$106,152.40)
LEOFF 2	\$ 46,592	%0.026868	(\$545,478.97)

VFFRPF	\$ 600	%0.0029	(\$154,740.85
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LEOFF Plan 1

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

LEOFF Plan 2

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Note 9 – Risk Management

The City of Omak is a member of Cities Insurance Association of City of Omak Washington (CIAW). 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 December 1, 2018, there are 207 members in the program.

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

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a

joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,922,394.

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

Privacy and Network Liability coverage is offered with a \$10,000-member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

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

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 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/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2018, were \$2,809,430.40.

Note 10 Other Disclosures

None

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	City Hall Refunded Bond	12/1/2018	110,000	-	110,000	-
263.96	Refunded Stampede Arena	6/1/2029	640,000	-	40,000	600,000
263.96	Fire Ladder truck	12/1/2021	176,553	-	41,576	134,976
263.61	AIRWAYS EAST LLC EASEMENT AQUSITION	4/1/2020	90,000	-	30,000	60,000
Total General Obligation Debt/Liabilities:			1,016,553	-	221,576	794,976
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PW 98-791-046 Sewer System	7/1/2018	128,101	-	128,101	-
263.88	PW 98-791-045 WATER SYTEM IMPROVEMENTS	7/1/2018	48,106	-	48,106	-
263.88	PW 05-591-ELP-303	7/1/2025	96,842	-	12,105	84,737
263.88	PW04-65104-022	10/1/2025	578,909	-	73,447	505,462
263.88	PE 10-951-001 DEWBERRY EMERGENCY REPAIR	7/1/2030	35,010	-	2,693	32,317
263.88	PC 08-951-033	7/1/2018	288,851	-	26,259	262,592
263.88	PC 12-951-021 PWTF PAHSE 1& 2	6/1/2031	5,504,485	-	393,177	5,111,307
263.84	DM 11-952-026 WATER SOURCE IMPROVEMENTS	10/1/2035	576,880	1,013,519	54,155	1,536,243
263.84	DOE L1200026 2-5 DESIGN	12/31/2035	910,723	-	40,207	870,516
263.84	DOE L1200027 PHASE 1 SEWER	6/30/2033	1,633,232	-	86,701	1,546,531
264.30	PERS 1 UNFUNDED LIABILITY + UAAL		552,944	73,843	133,425	493,362
264.30	PERS 2&3 UNFUNDED PENSION LIABILITY		520,761	109,956	387,411	243,306
259.12	ACCRUED LEAVE-CURRENT EXPENSE		174,161	6,017	-	180,178
259.12	ACCRUED LEAVE-WATER FUND		26,696	540	-	27,236
259.12	ACCRUED LEAVE-SEWERFUND		34,558	4,030	-	38,588
259.12	ACRRUED LEAVE-GARBAGE FUND		3,389	112	-	3,501
259.12	ACCRUED LEAVE- STORM DRAIN FUND		3,788	1,210	-	4,998
259.12	ACCRUED LEAVE-AIRPORT		3,122	324	-	3,446
259.12	ACCRUED LEAVE-EQUIPMENT RENTAL		9,208	-	436	8,772
259.12	ACCRUED LEAVE-STREET FUND		-	16,926	-	16,926
Total Revenue and Other (non G.O.) Debt/Liabilities:			11,129,765	1,226,477	1,386,224	10,970,018
Total Liabilities:			12,146,318	1,226,477	1,607,801	11,764,994

City of Omak
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0042-008- 2017	-	1,028,544	1,028,544	-	1,2,3
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STPUS-Z924 (003)	1,845	-	1,845	-	1,2,3
Total Highway Planning and Construction Cluster:				1,845	-	1,845	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WASHINGTON TRAFFIC SAFETY COMMISSION)	State and Community Highway Safety	20.600	2018-HVE-2188 -OMAK POLICE DEPARTMENT	6,476	-	6,476	-	1,2,3
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WASHINGTON TRAFFIC SAFETY COMMISSION)	State and Community Highway Safety	20.600	HVE-2019	539	-	539	-	1,2,3
Total Highway Safety Cluster:				7,014	-	7,014	-	
Total Federal Awards Expended:				8,860	1,028,544	1,037,404	-	

CITY OF OMAK

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the city financial statements. The city uses the cash basis accounting as prescribed in the Cash Basis Accounting and Reporting System, which is an Other Comprehensive of Accounting prescribed by the Washington State Auditor's Office.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the city's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement

Note 3 – Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov