



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

**Financial Statements Audit Report**  
**City of Edgewood**

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

**Published October 7, 2019**

**Report No. 1024793**





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

October 7, 2019

Mayor and City Council  
City of Edgewood  
Edgewood, Washington

**Report on Financial Statements**

Please find attached our report on the City of Edgewood's financial statements.

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

Sincerely,

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

Pat McCarthy  
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 Edgewood  
January 1, 2018 through December 31, 2018**

Mayor and City Council  
City of Edgewood  
Edgewood, 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 Edgewood, 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 September 30, 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

September 30, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Edgewood January 1, 2018 through December 31, 2018

Mayor and City Council  
City of Edgewood  
Edgewood, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Edgewood, 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 11.

#### 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 Edgewood 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 cash and investments of the City of Edgewood, and its changes in cash and investments, 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 Edgewood, 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 Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

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

September 30, 2019

## **FINANCIAL SECTION**

### **City of Edgewood 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 Financial Statements – 2018

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2018

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense Fund</b>	<b>101 Street Fund</b>	<b>110 Park Impact Fee</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	5,927,711	1,009,636	246,074	1,329,334
30880	Unreserved	2,597,863	2,597,863	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	4,795,901	3,646,841	204,569	-
320	Licenses and Permits	1,136,803	1,130,745	6,058	-
330	Intergovernmental Revenues	586,410	293,635	242,774	-
340	Charges for Goods and Services	5,034,365	826,174	829	1,249,616
350	Fines and Penalties	86,442	235	-	-
360	Miscellaneous Revenues	1,858,311	93,458	2,016	10,013
Total Revenues:		13,498,231	5,991,089	456,247	1,259,629
<b>Expenditures</b>					
510	General Government	653,490	653,490	-	-
520	Public Safety	2,126,236	2,126,236	-	-
530	Utilities	1,014,515	-	-	-
540	Transportation	623,685	-	623,685	-
550	Natural and Economic Environment	1,394,653	1,394,653	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	219,258	219,258	-	-
Total Expenditures:		6,031,837	4,393,637	623,685	-
Excess (Deficiency) Revenues over Expenditures:		7,466,395	1,597,451	(167,439)	1,259,629
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,401,856	-	250,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,401,856	-	250,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	737,824	255,201	-	-
591-593, 599	Debt Service	1,428,323	-	-	-
597	Transfers-Out	1,401,856	309,794	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,568,003	564,995	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>5,300,248</b>	<b>1,032,456</b>	<b>82,561</b>	<b>1,259,629</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	10,203,005	1,017,140	328,636	2,588,964
5088000	Unreserved	3,622,816	3,622,816	-	-
<b>Total Ending Cash and Investments</b>		<b>13,825,821</b>	<b>4,639,956</b>	<b>328,636</b>	<b>2,588,964</b>

The accompanying notes are an integral part of this statement.

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

		<b>111 Traffic Impact Fee</b>	<b>130 Municipal Capital Reserver REET1</b>	<b>132 Municipal Capital Reserver REET</b>	<b>201 Debt Service</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	1,212,078	204,549	274,647	29,239
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	472,246	472,245	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	2,013,636	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	23,287	-	-	-
Total Revenues:		2,036,923	472,246	472,245	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		2,036,923	472,246	472,245	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	492,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	492,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	382,404
597	Transfers-Out	150,000	457,434	472,461	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		150,000	457,434	472,461	382,404
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,886,923</b>	<b>14,812</b>	<b>(216)</b>	<b>109,596</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	3,099,002	219,361	274,431	138,836
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>3,099,002</b>	<b>219,361</b>	<b>274,431</b>	<b>138,836</b>

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

		<b>310 Capital Parks Fund</b>	<b>340 Capital Roads Fund</b>	<b>341 Capital Roads - Meridian Ave Ph</b>	<b>350 Capital TIB Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	109,708	30,945	250,000	1,811
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		-	-	-	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	-	-	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	470,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	470,000	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,484	341,999	-	-
591-593, 599	Debt Service	-	13,648	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,484	355,648	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,484)</b>	<b>114,352</b>	<b>-</b>	<b>-</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	108,224	145,297	250,000	1,811
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>108,224</b>	<b>145,297</b>	<b>250,000</b>	<b>1,811</b>

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

		<b>401 Sewer Utility Fund</b>	<b>410 Surface Water Utility Fund</b>	<b>411 Temporary Sewer LID</b>	<b>412 LID Bond Reserve Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	60,361	145,403	609,100	354,348
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	50,000	-	-
340	Charges for Goods and Services	56,374	887,735	-	-
350	Fines and Penalties	-	-	86,206	-
360	Miscellaneous Revenues	-	-	1,711,098	6,808
Total Revenues:		56,374	937,735	1,797,304	6,808
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	3,408	1,005,994	5,114	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		3,408	1,005,994	5,114	-
Excess (Deficiency) Revenues over Expenditures:		52,966	(68,259)	1,792,190	6,808
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	53,856	-	(118,116)	118,116
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		53,856	-	(118,116)	118,116
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	27,914	-	-
591-593, 599	Debt Service	-	-	1,032,270	-
597	Transfers-Out	123	12,044	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		123	39,958	1,032,270	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>106,699</b>	<b>(108,217)</b>	<b>641,804</b>	<b>124,924</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	167,061	37,187	1,250,904	479,272
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>167,061</b>	<b>37,187</b>	<b>1,250,904</b>	<b>479,272</b>

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

		<b>501 Equipment Replacement Fund</b>
		<hr/>
<b>Beginning Cash and Investments</b>		
30810	Reserved	60,478
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	11,631
Total Revenues:		<hr/> 11,631
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> -
Excess (Deficiency) Revenues over Expenditures:		<hr/> 11,631
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	136,000
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> 136,000
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	111,227
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> 111,227
<b>Increase (Decrease) in Cash and Investments:</b>		<hr/> <b>36,404</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	96,882
5088000	Unreserved	-
<b>Total Ending Cash and Investments</b>		<hr/> <b>96,882</b>



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

		<b>Total for All Funds (Memo Only)</b>	<b>Agency</b>
308	Beginning Cash and Investments	167,666	167,666
388 & 588	Prior Period Adjustment, Net	-	-
310-390	Additions	224,503	224,503
510-590	Deductions	130,322	130,322
	Net Increase (Decrease) in Cash and Investments:	94,180	94,181
508	Ending Cash and Investments	261,847	261,847

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

## **Notes to the Financial Statements For year ended December 31, 2018**

### **Note 1 - Summary of Significant Accounting Policies**

The City of Edgewood was incorporated on February 28, 1996 and operates under the laws of the state of Washington applicable to a code city. The City is a general purpose government and provides law enforcement, community planning, street improvements, storm water maintenance and general administrative services, in addition, the City owns a sewer system that is operated and maintained through an Interlocal Agreement.

The City of Edgewood 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**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. One managerial fund 005 Strategic Reserves is listed separately in the adoption of the budget. For 2018, the 005 Strategic Reserve fund is listed separately for financial presentation as reserved in the General Fund.

The following are the fund types used by the City:

#### **GOVERNMENTAL FUND TYPES:**

##### **General (Current Expense) Funds**

These funds are the primary operating funds of the City. They account for all financial resources except those required or elected to be accounted for in another fund.

### Special Revenue Funds

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

### Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

### Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

### PROPRIETARY FUND TYPES:

#### Enterprise Funds

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 City 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. In 2016, the City Council adopted Ordinance 16-0480 absorbing the Edgewood Transportation Benefit District (Fund 630) into the Street Fund (Fund 101) under the authority granted by Senate Bill 5987. For 2018 receipts and expenditures related to TBD revenue are accounted for as restricted in the Street Fund. In 2018 the City continues to account for assigned funds for pass through State and Local revenue collections and funds held on behalf of others as surety or deposits in Funds 640 (Assignment) \$251,879.23; 642 (Retention) \$ 8,642.09 and 650 (Agency) \$1,325.83.

## 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, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

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

City wide expenditures for labor, benefits, goods and services are initially charged to Central Services and then allocated to all funds and cost centers within funds (general fund) to reflect their share of said costs. This system allows management and accounting the ability to examine and balance labor, benefit, and large service provider expenditures in total while capturing the fully absorbed cost of each activity in the proper fund/cost center. Allocations are based upon personnel deployment. Cost of a direct nature are charged to their fund/cost center directly (election, consulting, etc.)

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

C. Cash and Investments

See Note 2, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Compensatory time can be accrued up to 40 hours. It is accrued at the rate of 1.5 hours per hour worked. It is paid only upon separation. Payments are recognized as expenditures when paid. Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave.

F. Long-Term Debt

See Note 5, *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 Council. 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:

- Strategic Reserve Fund (\$1,017,140) Is an internal Management Fund. The Fund balance represents transfers from the General Fund as a commitment by the City Council for emergency and/or other longer term operating reserves. These funds may be rescinded by an ordinance of the City Council.

For reporting purposes the Strategic Reserve Fund Balance is combined with Fund 001 General Fund, and listed as the reserved portion.

- Street Fund (\$328,636) Funds collected represent payment in-lieu of construction and gas taxes used for road improvements. Unexpended General Fund Transfers, if any, are listed as unrestricted Street Funds.
- Park Impact Fee (\$2,558,964) Funds are used for park acquisition and improvements outlined in the City's Capital Improvement Plan. They are restricted for increasing capacity and must be expended on a legislated timeline. This fund has grown exponentially as a result of rapid development in the City since late 2015.
- Traffic Impact Fee (\$3,099,002) Funds collected pay for projects identified in the City's Capital Improvement Plan. They are restricted for increasing capacity and must be expended on a legislated timeline. This fund has grown exponentially as a result of rapid development in the City since late 2015.
- REET1 (\$219,361) and REET2 (\$274,431) The Growth Management Act (GMA) restricts projects funded from REET1 and REET2 to those capital projects outlined in the City's Capital Improvement Plan.
- Debt Service Fund (\$138,836) is used to retire scheduled debt and make annual interest payments. The accumulated balance represents a scheduled reduction in debt payments due to a refinanced lower mortgage for City Hall. A principal payment to accelerate the retirement of the City Hall Mortgage (converted from a 2007 GO Bond) is anticipated in 2019.
- Capital Parks Fund (\$108,224) is used for capital parks projects, primarily funded by grant dollars, Park Impact Fees, REET 1 or the General Fund as identified in the City's Capital Improvement Plan.
- Capital Roads (\$395,297) and Capital TIB (\$1,811) Funds are used for capital roads projects, primarily funded by grant dollars, Traffic Impact Fees, REET 2 or General Fund Transfers as identified in the City's Capital Improvement Plan.
- Sewer (\$167,061) and Surface Water (\$37,187) Funds are used to support the operations and maintenance of the respective utility. In 2018 the sewer fund received a General Fund Transfer of \$53,856 from the General Fund in an effort to fully fund a \$200,000 Revised Sewer Operating & Capital Plan. The plan will go to bid in 2019 with work continuing into 2020.
- Temporary LID Fund (\$1,250,904) receives revenue from special assessment payments for securing the payment of the principal of and interest on a USDA RD local improvement debt. The LID Reserve Fund (\$479,272) contains a reserve created from the Temporary LID Fund as a USDA RD loan covenant. Within 10 years of the execution of the loan, the City must have on reserve 10% of the then outstanding debt balance. The City's current LID debt is \$10,077,390. Ten percent of the then expected loan balance on 1/1/2025 would be \$325,172.
- Equipment Replacement Fund (\$96,882) Funds collected represent an internal commitment for replacing or purchasing capital equipment set aside from General Fund Sources. Use of the funds may be restricted by Council Ordinance.

#### H. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers-in and operating transfers-out and Interfund loans where appropriate and approved through resolution of the City Council.

#### I. Health and Welfare

The City of Edgewood is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more

local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2018, 257 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or town.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

## **Note 2 – Budget Compliance**

### **A. Budgets**

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 General Fund	\$11,183,426	\$4,958,632	\$6,224,794
005 Strategic Reserve Fund	\$1,036,590	\$0	1,036,590
101 Street Fund	\$1,361,529	\$623,685	\$737,844
110 Park Impact Fee Fund	\$3,874,558	\$0	\$3,874,558
111 Traffic Impact Fee Fund	\$5,353,580	\$150,000	\$5,203,580
130 REET 1 Fund	\$660,116	\$457,434	202,682
132 REET 2 Fund	\$715,187	\$472,461	\$242,726
201 Debt Service Fund	\$431,410	\$382,403	\$31,007
310 Capital Park Fund	\$413,369	\$1,484	\$411,885
340 Capital Roads Fund	\$666,644	\$355,648	\$310,996
350 Capital TIB Fund	\$251,811	\$0	\$251,811
401 Sewer Fund	\$214,220	\$3,531	\$210,689
410 Surface Water Fund	\$1,355,214	1,045,952	\$309,262
411 Temporary LID Fund	\$3,520,806	1,037,384	2,483,422
412 LID Reserve Fund	\$595,306	\$0	\$595,306
501 Equipment Replacement Fund	\$288,577	\$111,227	\$177,350

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect specific authorized employee positions (job descriptions) or salary ranges (annual salary schedule) must be approved by the City's legislative body.

The City budgets a Strategic Reserve Fund 005 for purposes of cash flow and unexpected emergencies. For reporting purposes, Fund 005 is an internal management fund and reported as part of Fund 001 General Fund (current expense fund) as a reserved cash balance due to internal legislative restrictions for its use.

### **Note 3 – Deposits and Investments**

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation or 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 presented as collected balances. Bonds are stated at original coupon purchase. Net gains or losses are booked upon redemption. Current US Securities are managed through US Bank Safekeeping. Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	① City's Own Investments	② Investments held by City as an agent for other local Governments, individuals or private organizations.	③ Total
L.G.I.P.	\$2,139,209	\$0.00	\$2,139,209
U.S. Government Securities	\$ 498,426	\$0.00	\$ 498,726
<b>Total</b>	<b><u>\$2,637,935</u></b>	<b><u>\$0.00</u></b>	<b><u>\$2,637,935</u></b>

### **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 around the 10th 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 \$1.0853 per \$1,000 on an assessed valuation of \$1,590,890 for a total regular levy of \$1,690,306.



## **Note 5 – 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, special assessment bonds, and loans including both principal and interest, are as follows:

	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Other Debt</b>	<b>Total Debt</b>
2019	320,071		1,045,739	\$1,365,809
2020	325,639		1,045,559	\$1,371,198
2021	335,636		1,045,379	\$1,381,015
2022	340,253		1,045,199	\$1,385,452
2023	349,408		1,405,019	\$1,394,427
2024 – 2028	1,099,054		4,464,109	\$5,563,164
2029 – 2031	0		436,922	\$436,922
<b>Totals</b>	<b><u>\$2,770,061</u></b>	<b><u>\$0</u></b>	<b><u>\$10,127,925</u></b>	<b><u>\$12,245,988</u></b>

Other Debt represents annual principal and interest payments to the Public Works Trust Fund Loan and the LID (see Note 7A for information on the LID). Increase activity due to development continues to accumulate as a cash reserve for LID assessment payoffs. In 2019 the City will retire its LID debt on all City property reducing City outstanding debt by \$614,125. In concert with the City's retirement of its LID debt, the LID will retire approximately \$1.2 million in outstanding USDA RD debt.

The City owns three parcels in the LID whose current portion owed is \$614,125. The 14 remaining annual assessment installments are \$45,324 each and the assessment was originally to be paid in full in 2031. Yearly interest is due on the declining balance owed. For 2018, the interest paid was \$26,968. The City is scheduled to retire this debt in August of 2019 prior to a new year of interest accruing on the outstanding balance.

## **Note 6 – Pension Plans**

### **A. State Sponsored Pension Plans**

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

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](http://www.drs.wa.gov).

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

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$12,984	.001942%	\$86,730
PERS 1 (UAAL)	\$42,753	.006396%	\$285,648
PERS 2/3	\$63,663	.008251%	\$140,878

## **Note 7– Risk Management**

### **Risk Management**

The city of Edgewood 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 160 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

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

#### **Note 8 - Other Disclosures**

A. Local Improvement District No. 1:

As of December 31, 2018, the City has not had an application for, nor collected any City Conveyance Development Charges (late comer's fees) for sewer extensions within the Core 1 area, which would be assessed for public entity or private/developer funded projects. As of May 30, 2019 the City has no LID default actions outstanding. The one default action noted in our 2017 Financial Notes was paid by the property owner in 2018 and removed from the LID assessment role.

B. Lakehaven Water & Sewer District filed suit in April 2018 against the City claiming an exemption to a March 2018 imposition of a Utility Tax. The City estimates that should Lakehaven prevail, the City would lose approximately \$4,000 in Utility Tax Revenue, and not be reimbursed for legal fees to contest the suit. The City has a high confidence the suit will be dismissed and the imposition of the tax will prevail. The City does not consider the cost or loss of revenue to be material to its operation going forward.

C. Personnel Changes: The City has experienced exponential growth in building activity throughout 2018. Addition to the inspection and planning personnel complement have brought the total FTE count to 20.43. The City intends to continue to hire for the increased work load in 2019 estimating the FTE headcount to stabilize at 23.43.

D. Construction Commitments: The City bid and completed a parking lot project and a small catering kitchen at City Hall with a total cost of approximately \$200,000. The project was listed in our Capital Improvement Plan and Comprehensive Plan as general Park Plan Improvements. The City had no active construction projects as of December 31, 2018

E. Mt. View Edgewood Water Company Franchise Agreement: The City of Edgewood has a long term Franchise Agreement with Mt. View Edgewood Water Company, a not for profit private corporation operating in the area since the early 1940's. Mountain View supplies between 70 and 80 percent of all

City of Edgewood water uses. Other water uses include Lakehaven Water & Sewer District, the City of Milton, and various other private localized well systems.

- F. East Pierce Fire & Rescue Lease: The City executed a three-year lease with East Pierce Fire & Rescue for a large open space used for office cubicles at City Hall. Estimated annual revenue is expected to be approximately \$48,000. The lease has two one year extensions that may be granted upon mutual approval.
- G. B & O Utility Tax Imposed: On June 1, 2018 the City Council imposed a 6% B & O Utility Tax applicable to statutorily available utilities (Cable TV, Telephony, Water, Sewer, Surface Water, Garbage, Gas and Electric) operated or otherwise providing services to businesses and residences within the jurisdictional boundaries of the City. Initial rough estimates for annual revenue suggested collection to be approximately \$1,463,000. As of December 31, 2018, with approximately six months of revenue collected, the City has reported \$594,723 added to the general fund. The City's intent is to use the majority of the funding to add law enforcement personnel, general government personnel, reduce outstanding debt, and stabilize the cost of increased service levels for maintenance, facilities, and IT with a sustained reliable source.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	2007 G.O. Bond	12/1/2026	3,084,301	-	314,240	2,770,061
263.81	2013 PWTF Loan (PC12-951-080)	6/1/2031	184,617	-	13,187	171,430
<b>Total General Obligation Debt/Liabilities:</b>			<b>3,268,918</b>	<b>-</b>	<b>327,427</b>	<b>2,941,491</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	2015 Compensated Absences	12/31/2018	33,689	13,308	-	46,997
259.12	2015 Compensated Absences		13,348	5,335	-	18,683
264.30	Department of Retirement	12/31/2018	675,256	-	162,000	513,256
263.82	2008 PWTF Loan (PR08-951-083)	6/1/2028	323,529	-	29,412	294,117
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,045,822</b>	<b>18,643</b>	<b>191,412</b>	<b>873,053</b>
<b>Assessment Debt/Liabilities (with commitments)</b>						
253.11	2014 Sewer Assement	11/24/2033	3,555,047	-	249,919	3,305,128
253.11	2014 Sewer Assement	11/24/2033	7,097,483	-	325,221	6,772,262
<b>Total Assessment Debt/Liabilities (with commitments):</b>			<b>10,652,530</b>	<b>-</b>	<b>575,140</b>	<b>10,077,390</b>
<b>Total Liabilities:</b>			<b>14,967,270</b>	<b>18,643</b>	<b>1,093,979</b>	<b>13,891,934</b>

## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>