



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

**Financial Statements Audit Report**  
**City of Royal City**

**For the period January 1, 2016 through December 31, 2018**

**Published December 23, 2019**

**Report No. 1025392**





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

December 23, 2019

Mayor and City Council  
City of Royal City  
Royal City, Washington

**Report on Financial Statements**

Please find attached our report on the City of Royal City'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".

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 Royal City  
January 1, 2016 through December 31, 2018**

Mayor and City Council  
City of Royal City  
Royal City, 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 Royal City, as of and for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated December 17, 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 audits 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 style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

December 17, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Royal City January 1, 2016 through December 31, 2018

Mayor and City Council  
City of Royal City  
Royal City, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Royal City, for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits 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 Royal City 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 Royal City, and its changes in cash and investments, for the years ended December 31, 2018, 2017 and 2016, 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 Royal City, as of December 31, 2018, 2017 and 2016, or the changes in financial position or cash flows for the years 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 audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are 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 December 17, 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.



Pat McCarthy

State Auditor

Olympia, WA

December 17, 2019

## **FINANCIAL SECTION**

### **City of Royal City January 1, 2016 through December 31, 2018**

#### **FINANCIAL STATEMENTS**

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

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**City of Royal City**  
**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</b>	<b>101 Streets</b>	<b>105 Park Purchase Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	842,755	-	275,169	91,982
30880	Unreserved	1,801,209	846,688	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	574,925	523,038	27,839	-
320	Licenses and Permits	126,674	102,422	24,253	-
330	Intergovernmental Revenues	1,730,276	170,741	84,615	-
340	Charges for Goods and Services	1,178,320	67,386	123	-
350	Fines and Penalties	15	15	-	-
360	Miscellaneous Revenues	99,482	22,953	4,815	729
Total Revenues:		3,709,692	886,555	141,644	729
<b>Expenditures</b>					
510	General Government	179,792	179,792	-	-
520	Public Safety	542,118	542,118	-	-
530	Utilities	970,966	-	-	-
540	Transportation	56,482	4,330	52,153	-
550	Natural and Economic Environment	19,717	19,717	-	-
560	Social Services	2,739	2,739	-	-
570	Culture and Recreation	52,743	52,743	-	-
Total Expenditures:		1,824,558	801,439	52,153	-
Excess (Deficiency) Revenues over Expenditures:		1,885,135	85,116	89,492	729
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	48,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	253	253	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		48,253	253	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	2,125,742	207,232	5,470	92,711
591-593, 599	Debt Service	190,771	-	-	-
597	Transfers-Out	48,000	20,000	28,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	614	614	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,365,127	227,846	33,470	92,711
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(431,739)</b>	<b>(142,477)</b>	<b>56,022</b>	<b>(91,982)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	782,156	-	331,189	-
5088000	Unreserved	1,430,067	704,211	-	-
<b>Total Ending Cash and Investments</b>		<b>2,212,223</b>	<b>704,211</b>	<b>331,189</b>	<b>-</b>

The accompanying notes are an integral part of this statement.

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

		<b>302 Street Construction</b>	<b>401 Water</b>	<b>402 Sewer</b>	<b>415 Refuse</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	158,783	70,017	246,803	-
30880	Unreserved	-	659,395	273,404	21,721
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	24,048	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,241,842	225,000	8,079	-
340	Charges for Goods and Services	-	489,883	380,570	240,357
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,744	35,105	32,452	685
Total Revenues:		1,268,634	749,988	421,101	241,041
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	449,363	293,008	228,596
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	449,363	293,008	228,596
Excess (Deficiency) Revenues over Expenditures:		1,268,634	300,625	128,093	12,446
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	48,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		48,000	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,349,027	432,217	39,084	-
591-593, 599	Debt Service	-	104,459	86,311	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,349,027	536,677	125,395	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(32,393)</b>	<b>(236,052)</b>	<b>2,698</b>	<b>12,446</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	126,390	78,074	246,502	-
5088000	Unreserved	-	415,287	276,403	34,166
<b>Total Ending Cash and Investments</b>		<b>126,390</b>	<b>493,362</b>	<b>522,905</b>	<b>34,166</b>

**City of Royal City**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Streets</b>	<b>105 Park Purchase Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	774,245	-	210,700	90,749
30880	Unreserved	1,747,824	794,738	-	-
388 / 588	Prior Period Adjustments, Net	(911)	-	(911)	-
<b>Revenues</b>					
310	Taxes	522,447	477,975	33,145	-
320	Licenses and Permits	68,131	45,364	22,766	-
330	Intergovernmental Revenues	363,714	165,499	95,230	-
340	Charges for Goods and Services	1,091,588	26,851	-	-
350	Fines and Penalties	1,325	1,325	-	-
360	Miscellaneous Revenues	75,617	19,347	2,998	1,233
Total Revenues:		2,122,822	736,361	154,140	1,233
<b>Expenditures</b>					
510	General Government	160,906	160,906	-	-
520	Public Safety	415,420	415,420	-	-
530	Utilities	855,863	-	-	-
540	Transportation	63,685	3,691	59,994	-
550	Natural and Economic Environment	20,663	20,663	-	-
560	Social Services	2,831	2,831	-	-
570	Culture and Recreation	41,782	41,782	-	-
Total Expenditures:		1,561,149	645,292	59,994	-
Excess (Deficiency) Revenues over Expenditures:		561,672	91,068	94,145	1,233
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	11,547	-	-	-
397	Transfers-In	63,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	350	350	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		74,897	350	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	250,395	3,752	766	-
591-593, 599	Debt Service	199,654	-	-	-
597	Transfers-Out	63,000	35,000	28,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	715	715	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		513,764	39,468	28,766	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>122,805</b>	<b>51,950</b>	<b>65,379</b>	<b>1,233</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	842,755	-	275,169	91,982
5088000	Unreserved	1,801,209	846,688	-	-
<b>Total Ending Cash and Investments</b>		<b>2,643,963</b>	<b>846,688</b>	<b>275,169</b>	<b>91,982</b>

The accompanying notes are an integral part of this statement.

**City of Royal City**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>302 Street Construction</b>	<b>401 Water</b>	<b>402 Sewer</b>	<b>415 Refuse</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	114,143	114,446	244,207	-
30880	Unreserved	-	663,132	272,237	17,717
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	11,327	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	91,438	-	11,547	-
340	Charges for Goods and Services	-	455,816	375,173	233,748
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,542	26,165	23,848	483
Total Revenues:		104,307	481,981	410,568	234,231
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	357,002	268,634	230,227
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	357,002	268,634	230,227
Excess (Deficiency) Revenues over Expenditures:		104,307	124,979	141,934	4,004
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	11,547	-
397	Transfers-In	63,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		63,000	-	11,547	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	122,667	67,859	55,349	-
591-593, 599	Debt Service	-	105,286	94,369	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		122,667	173,145	149,718	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>44,640</b>	<b>(48,166)</b>	<b>3,763</b>	<b>4,004</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	158,783	70,017	246,803	-
5088000	Unreserved	-	659,395	273,404	21,721
<b>Total Ending Cash and Investments</b>		<b>158,783</b>	<b>729,413</b>	<b>520,208</b>	<b>21,721</b>

**City of Royal City**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Streets</b>	<b>105 Park Purchase Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	651,363	-	137,188	89,441
30880	Unreserved	1,860,535	862,064	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	512,491	472,532	21,919	-
320	Licenses and Permits	38,649	17,506	21,144	-
330	Intergovernmental Revenues	280,349	178,497	101,853	-
340	Charges for Goods and Services	1,030,623	11,936	-	-
350	Fines and Penalties	137	137	-	-
360	Miscellaneous Revenues	72,058	30,058	2,680	1,308
Total Revenues:		1,934,308	710,666	147,595	1,308
<b>Expenditures</b>					
510	General Government	166,769	166,769	-	-
520	Public Safety	389,515	389,515	-	-
530	Utilities	806,482	-	-	-
540	Transportation	51,764	3,681	48,083	-
550	Natural and Economic Environment	21,962	21,962	-	-
560	Social Services	2,732	2,732	-	-
570	Culture and Recreation	46,580	46,580	-	-
Total Expenditures:		1,485,805	631,240	48,083	-
Excess (Deficiency) Revenues over Expenditures:		448,504	79,427	99,513	1,308
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	61,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	323	323	-	-
381, 395, 398	Other Resources	43,902	-	-	-
Total Other Increases in Fund Resources:		105,224	323	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	276,196	111,768	-	-
591-593, 599	Debt Service	206,054	-	-	-
597	Transfers-Out	61,000	35,000	26,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	307	307	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		543,556	147,075	26,000	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>10,171</b>	<b>(67,326)</b>	<b>73,513</b>	<b>1,308</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	774,245	-	210,700	90,749
5088000	Unreserved	1,747,824	794,738	-	-
<b>Total Ending Cash and Investments</b>		<b>2,522,069</b>	<b>794,738</b>	<b>210,700</b>	<b>90,749</b>

The accompanying notes are an integral part of this statement.

**City of Royal City**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>302 Street Construction</b>	<b>401 Water</b>	<b>402 Sewer</b>	<b>415 Refuse</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	34,007	150,729	239,999	-
30880	Unreserved	-	706,974	280,168	11,330
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	18,040	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	435,235	360,012	223,440
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,096	20,371	16,090	455
Total Revenues:		19,136	455,606	376,102	223,895
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	333,512	255,463	217,507
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	333,512	255,463	217,507
Excess (Deficiency) Revenues over Expenditures:		19,136	122,094	120,639	6,388
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	61,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	43,902	-	-
Total Other Increases in Fund Resources:		61,000	43,902	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	140,103	24,325	-
591-593, 599	Debt Service	-	106,017	100,036	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	246,120	124,361	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>80,136</b>	<b>(80,124)</b>	<b>(3,722)</b>	<b>6,388</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	114,143	114,446	244,207	-
5088000	Unreserved	-	663,132	272,237	17,717
<b>Total Ending Cash and Investments</b>		<b>114,143</b>	<b>777,579</b>	<b>516,444</b>	<b>17,717</b>



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

	<b>Agency</b>
308 Beginning Cash and Investments	25,186
388 & 588 Prior Period Adjustment, Net	-
310-390 Additions	2,857
510-590 Deductions	3,600
Net Increase (Decrease) in Cash and Investments:	(743)
508 Ending Cash and Investments	24,444

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

**City of Royal City**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

	<b>Agency</b>
308 Beginning Cash and Investments	24,486
388 & 588 Prior Period Adjustment, Net	-
310-390 Additions	2,200
510-590 Deductions	1,500
Net Increase (Decrease) in Cash and Investments:	700
508 Ending Cash and Investments	25,186

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

**City of Royal City**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>634 Consumer Deposit Fund</b>
		<hr/>
308	Beginning Cash and Investments	23,786
388 & 588	Prior Period Adjustments, Net	-
310-360	Revenues	-
380-390	Other Increases and Financing Sources	2,100
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	1,400
		<hr/>
	Net Increase (Decrease) in Cash and Investments:	700
508	Ending Cash and Investments	24,486

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

## Notes to the Financial Statements

### For the year ended December 31, 2018

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

The City of Royal City was incorporated on 1962 and operates under the laws of the state of Washington applicable to a City. The city is a general purpose local government and provides: law enforcement, municipal water and sewer, solid waste collection, street and road maintenance, a Library, city park, community center, animal control, building inspections, planning and zoning for the city.

The city 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.

#### **PROPRIETARY FUND TYPES:**

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

Enterprise Funds

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

**FIDUCIARY FUND TYPES:**

Fiduciary funds account for assets held by the 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 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 \$5,000 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 25 days and is payable upon separation or retirement. Sick leave may be accumulated 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. At the end of 2018 the accrued liability for compensated absences were \$45,588.

**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 City of Royal City. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

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

Reservations of Ending Cash and Investments consist of:

<b>Fund Name</b>	<b>Amount Reserved</b>	<b>Reason for Restriction</b>
Fund 101	\$ 331,189	Reserved for street expenses
Fund 302	\$ 126,390	Reserved for street construction projects
Fund 105	\$ -	Reserved for park land purchase
Fund 401	\$ 78,074	Reserved for water construction
Fund 402	\$ 246,502	Reserved to replace equipment as needed in the sewer plant

Fund 105 has a \$0 balance as of December 31, 2018. The funds were used in 2018 to purchase land adjacent to the current park to expand the park area.

**Note 2 – Budget Compliance**

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:

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense			
Current Expense	1,040,872	1,029,286	11,586
C/E Reserve Fund	11,000		11,000
Total 001 - Current Expense	1,051,872	1,029,286	22,586
101 - Streets	96,420	85,623	10,797
103 - Transportation Benefit District Fund (TBD)			
105 - Park Purchase Fund	92,984	92,711	273
302 - Street Construction	1,463,300	1,349,027	114,273
401 - Water			
Water	580,425	565,705	14,720
Water Construction	453,000	391,943	61,057
Water Capital Improvement Fund	40,000	28,392	11,608
Total 401 - Water	1,073,425	986,039	87,386
402 - Sewer			
Sewer	421,206	388,549	32,657
Sewer Capital Improvement Fund	20,000	17,386	2,614
WRF Equipment Replacement Fund	13,400	4,389	9,011
2018 CDBG 14.288 Sewer UV System	580,000	8,079	571,921
Total 402 - Sewer	1,034,606	418,403	616,203
415 - Refuse	235,880	228,596	7,284
634 - Consumer Deposit Fund	16,000	3,600	12,400

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

**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 and/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 reported at fair value. Investments by type at December 31, 2018 are as follows:

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

Type of Investment	The City's Own Investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	Total
LGIP	102,729		102,729
County Pool	1,874,820		1,874,820
<i>Totals</i>	\$ 1,977,549	\$ -	\$ 1,977,549

**Note 4 - Property Taxes**

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 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 \$1.3086581909 per \$1,000 on an assessed valuation of \$52,330,181 for a total regular levy of \$68,482.32.

**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 and utility loans are as follows:

Year	Principal	Interest	Total Debt Service
2019	179,164	2,993	182,157
2020	73,993	217	74,209
2021	74,003	207	74,209
2022	74,013	196	74,209
2023	74,024	185	74,209
2024-2028	370,289	759	371,047
2029-2033	324,001	457	324,458
2034-2038	247,593	127	247,720
<i>Totals</i>	\$ 1,417,079	\$ 5,141	\$ 1,422,220

**Note 6 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all city's full-time and qualifying part-time employees participate in the following statewide



## Notes to the Financial Statements

### For the year ended December 31, 2018

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 PERS 1 UAAL, PERS2, LEOFF 1, and LEOFF 2.

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:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1 UAAL	14182.04	4,466,034,000	0.002122%	94,769	
PERS 2/3	21,117.81	1,707,411,000	0.002737%	46,729	
LEOFF 1		(1,815,502,000)	0.000907%		(16,474)
LEOFF 2	10,736.15	(2,030,218,000)	0.006191%		(125,695)
			<i>Totals</i>	\$ 141,498	\$ (142,169)

#### 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 7 – Risk Management**

The City of Royal City is a member of Cities Insurance Association of 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

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

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.

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

**Note 8 - Other Disclosures**

Related Party Transactions

City staff frequently purchases office supplies and various other small supplies from the local grocery store, Harvest Foods, which is owned by a city councilmember. In 2018 total purchases were \$725.

## Notes to the Financial Statements

### For the year ended December 31, 2017

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

The City of Royal City was incorporated on 1962 and operates under the laws of the state of Washington applicable to a City. The City is a general purpose local government and provides: law enforcement, municipal water and sewer, solid waste collection, street and road maintenance, a Library, city park, community center, animal control, building inspections, planning and zoning for the city.

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

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

#### **A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

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

##### **General Fund**

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

##### **Special Revenue Funds**

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

##### **Capital Projects Funds**

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

#### **PROPRIETARY FUND TYPES:**

##### **Enterprise Funds**

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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

**FIDUCIARY FUND TYPES:**

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

**Agency Funds**

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

**B. Basis of Accounting and Measurement Focus**

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

In accordance with state law, the City also recognizes expenditures paid up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

**C. Budgets**

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department 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 follows:

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense			
Current Expense	701,557.00	683,106.88	18,450.12
C/E Reserve Fund	13,000.00	1,653.22	11,346.78
Total 001 - Current Expense	714,557.00	684,760.10	29,796.90
101 - Streets	93,110.00	89,671.02	3,438.98
105 - Park Purchase Fund	91,841.00		91,841.00
302 - Street Construction	1,533,300.00	122,667.20	1,410,632.80
401 - Water			
Water	496,126.00	480,987.40	15,138.60
Water Construction	490,000.00	44,428.72	445,571.28
Water Capital Improvement Fund	40,000.00	4,730.93	35,269.07
Total 401 - Water	1,026,126.00	530,147.05	495,978.95
402 - Sewer			
Sewer	408,177.00	392,218.01	15,958.99
Sewer Capital Improvement Fund	45,000.00	25,413.30	19,586.70
WRF Equipment Replacement Fund	12,500.00	720.43	11,779.57
Total 402 - Sewer	465,677.00	418,351.74	47,325.26
415 - Refuse	232,355.00	230,227.27	2,127.73
634 - Consumer Deposit Fund	3,000.00	1,500.00	1,500.00

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

The Street Construction fund (302) and the Water Construction fund (401) shows a large variance of expenses not made. The Camelia Street and Water Main project was moved from 2017 to 2018.

**D. Cash and Investments**

See Note 2, *Deposits and Investments*.

**E. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

**F. Compensated Absences**

Vacation leave may be accumulated up to 25 days and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. At the end of 2017 the accrued liability for compensated absences were \$36,022.

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

G. Long-Term Debt

See Note 5, *Debt Service Requirements*.

H. 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 City of Royal City. 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:

Fund Name	Amount Reserved	Reason for Restriction
Fund 101	\$275,169	Reserved for street expenses
Fund 105	\$91,982	Reserved for the future purchase of a city park
Fund 302	\$158,783	Reserved for street construction projects
Fund 401	\$70,017	Reserved for water construction
Fund 402	\$246,803	Reserved to replace equipment as needed in the sewer plant

**Note 2 – 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 and/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 reported at fair value. Investments by type at December 31, 2017 are as follows:

<u>Type of Investment</u>	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	<u>Total</u>
LGIP	247,429		247,429
County Pool	2,374,671		2,374,671
<i>Total</i>	<b>\$ 2,622,100</b>		<b>\$ 2,622,100</b>

**Note 3 - 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.

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

The City's regular levy for the year 2017 was \$1.2826097611 per \$1,000 on an assessed valuation of \$53,476,741 for a total regular levy of \$68,589.79.

**Note 4 - Interfund Loans**

No interfund Loans

**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 debt transactions for year ended December 31, 2017.

The debt service requirements for general obligation bonds, revenue bonds and utility loans are as follows:

Year	Principal	Interest	Total Debt Service
2018	184,960	5,533	190,492
2019	178,664	2,766	181,431
2020	73,483		73,483
2021	73,483		73,483
2022	73,483		73,483
2023-2027	367,416		367,416
2028-2032	344,121		344,121
2033-2037	250,942		250,942
2038-2042	47,125		47,125
Totals	\$ 1,593,677	\$ 8,299	\$ 1,601,976

Debt Refunding

None

Debt Guarantees

None

Debt Forgiveness Clauses

None

**Note 6 – Pension Plans**

A. State Sponsored Pension Plans



## Notes to the Financial Statements

### For the year ended December 31, 2017

Substantially all the City's 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 PERS 1 UAAL, PERS2, LEOFF 1, and LEOFF 2.

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, 2017 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

Plan Type	Employer Contribution	Plan Liability / Asset	Responsibility Percentage	NPL	NPA
PERS 1 UAAL	13,348.46	4,745,078,000	0.00221900%	105,293	
PERS 2/3	17,433.96	3,474,522,000	0.00285400%	99,163	
LEOFF 1	-	\$ (1,517,220,000)	0.008980%		\$ (13,625)
LEOFF 2	10,181.37	(1,387,676,000)	0.00644500%		(89,436)
<i>Total</i>				\$ 204,456	\$ (103,060)
				\$ -	

#### 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.

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

**Note 7 – Risk Management**

The City of Royal City is a member of Cities Insurance Association of 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, 2017, there are 201 members in the program.

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

The program 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. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,784,067.00.

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.

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2017, were \$1,501,903.83.

**Note 8 - Other Disclosures**

**Related Party Transactions**

City staff frequently purchases office supplies and various other small supplies from the local grocery store, Harvest Foods, which is owned by a city councilmember. In 2017 total purchases were \$675.

**Subsequent events**

The City of Royal City was selected by Commerce to receive up to \$580,000 in federal Community Development Block Grant (CDBG) funds. This award is based on the jurisdiction's CDBG General Purpose Grant application to replace a wastewater UV disinfection System

The Camelia Street and Water Main project is on schedule to be completed in 2018.

## City of Royal City

### Notes to the Financial Statements For the year ended December 31, 2016

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

The City of Royal City was incorporated in 1962 and operates under the laws of the state of Washington applicable to a City. The City is a general purpose local government and provides: law enforcement, municipal water and sewer, solid waste collection, street and road maintenance, a Library, city park, community center, animal control, building inspections, planning and zoning for the city.

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

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

#### A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

#### GOVERNMENTAL FUND TYPES:

##### General Fund

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

##### Special Revenue Funds

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

##### Capital Projects Funds

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

#### PROPRIETARY FUND TYPES:

##### Enterprise Funds

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

#### FIDUCIARY FUND TYPES:

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

##### Agency Funds

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

#### B. Basis of Accounting and Measurement Focus

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

In accordance with state law, the City also recognizes expenditures paid up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

#### C. Budgets

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department 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 follows:

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenses</b>	<b>Variance</b>
001 - Current Expense			
Current Expense	696,624.00	675,819.49	20,804.51
C/E Reserve Fund	109,195.00	102,495.09	6,699.91
<u>Total 001 - Current Expense</u>	<u>805,819.00</u>	<u>778,314.58</u>	<u>27,504.42</u>
101 - Streets	83,750.00	74,082.94	9,667.06
105 - Park Purchase Fund	0.00	0.00	0.00
302 - Street Construction	0.00	0.00	0.00
401 - Water			
Water	462,104.00	443,616.78	18,487.22
Water Construction	38,300.00	36,282.60	2,017.40
Water Capital Improvement Fund	140,000.00	99,733.12	40,266.88
<u>Total 401 - Water</u>	<u>640,404.00</u>	<u>579,632.50</u>	<u>60,771.50</u>
402 - Sewer			
Sewer	367,383.00	357,005.01	10,377.99
Sewer Capital Improvement Fund	26,000.00	22,819.25	3,180.75
WRF Equipment Replacement Fund	12,500.00		12,500.00
<u>Total 402 - Sewer</u>	<u>405,883.00</u>	<u>379,824.26</u>	<u>26,058.74</u>
415 - Refuse	220,565.00	217,507.28	3,057.72
634 - Consumer Deposit Fund	2,600.00	1,400.00	1,200.00

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

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 25 days and is payable upon separation or retirement. Sick leave may accumulate up to 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, Debt Service Requirements.

H. Risk Management

The City of Royal City is a member of Cities Insurance Association of 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, 2016, there are 205 members in the program.

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

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,718,302.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible. Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before 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, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2016, were \$1,484,482.16.

### I. 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 City of Royal City. 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 the following:

Fund Name	Amount Reserved	Reason for Restriction
Fund 101	\$210,700	Reserved for street expenses
Fund 105	\$90,749	Reserved for the future purchase of a city park
Fund 302	\$114,143	Reserved for street construction projects
Fund 401	\$114,446	Reserved for water construction
Fund 402	\$244,207	Reserved to replace equipment as needed in the sewer plant

### **Note 2 - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed 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 2016 was \$1.7187676210 per \$1,000 on an assessed valuation of \$41,977,478 for a total regular levy of \$72,149.53.

### **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 and/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 reported at fair value. Investments by type at December 31, 2016 are as follows:



<u>Type of Investment</u>	<u>The City's own investments</u>	<u>Investments held by the City as an agent for other local governments, individuals, or private organizations.</u>	<u>Total</u>
LGIP	62229.45		62,229
County Pool	2,339,700		2,339,700
<i>Total</i>	<i>\$ 2,401,929</i>		<i>\$ 2,401,929</i>

#### **Note 4 – 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 debt transactions for year ended December 31, 2016.

The debt service requirements for general obligation bonds, revenue bonds and loans are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	164,897	8,299	173,196
2018	158,601	5,533	164,134
2019	152,306	2,766	155,072
2020	47,125	-	47,125
2021	73,483	-	73,483
2022-2026	367,416	-	367,416
2027-2031	367,416	-	367,416
2032-2036	250,942		250,942
2037-2041	97,313		97,313
2042-2046			-
2047-2051			-
2052-2056			-
Totals	\$ 1,679,498	\$ 16,598	\$ 1,696,096

#### **Note 5 – Pension Plans**

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

Substantially all the City's 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 PERS and LEOFF.

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, 2016 (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:

Plan Type	Plan Liability / Asset	Responsibility Percentage	NPL	NPA
PERS 1 UAAL	5,370,471,000	0.002299%	\$ 123,467.13	
PERS 2/3	5,034,921,000	0.002950%	\$ 148,530.17	
LEOFF 1	(1,030,286,000)	0.000885%		\$ (9,118.03)
LEOFF 2	(581,630,000)	0.006873%		\$ (39,975.43)
<i>Total</i>			\$ 271,997	\$ (49,093)

#### 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 6 - Other Disclosures**

#### Related Party Transactions

City staff frequently purchases office supplies and various other small supplies from the local grocery store, Harvest Foods, which is owned by a city councilmember. In 2016 total purchases were \$846.22.

**City of Royal City  
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>						
263.81	Dept of Ecology SRF	6/1/2018	1,128	-	1,128	-
263.81	Dept of Ecology SRF	1/1/2018	5,167	-	5,167	-
263.81	DWSRF/Well #3	10/1/2031	326,127	-	23,295	302,832
263.81	Dept of Commerce DWSRF	10/1/2037	58,210	-	3,064	55,146
263.81	Dept of Commerce DWSRF	10/1/2038	989,618	-	47,124	942,494
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,380,250</b>	<b>-</b>	<b>79,778</b>	<b>1,300,472</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		36,022	9,566	-	45,588
264.30	Pension Liabilities		204,456	-	62,970	141,486
252.11	U.S. Bank Refunding Bond	12/1/2019	58,901	-	29,451	29,450
252.11	U.S. Bank Refunding Bond	12/1/2019	151,461	-	75,730	75,731
263.82	Dept of Ecology SRF-0026	10/31/2037	11,547	-	154	11,393
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>462,387</b>	<b>9,566</b>	<b>168,305</b>	<b>303,648</b>
<b>Total Liabilities:</b>			<b>1,842,637</b>	<b>9,566</b>	<b>248,083</b>	<b>1,604,120</b>

**City of Royal City  
Schedule of Liabilities  
For the Year Ended December 31, 2017**

<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>						
263.81	Dept of Ecology SRF	6/1/2018	3,387	-	2,259	1,128
263.81	Dept of Ecology SRF	1/1/2018	15,499	-	10,332	5,167
263.81	DWSRF/Well #3	10/1/2031	349,420	-	23,293	326,127
263.81	Dept of Commerce DWSRF	10/1/2037	61,272	-	3,062	58,210
263.81	Dept of Commerce DWSRF	10/1/2038	1,036,742	-	47,124	989,618
251.11	U.S. Bank Refunding Bond	12/1/2019	88,351	-	29,450	58,901
251.11	U.S. Bank Refunding Bond	12/1/2019	227,192	-	75,731	151,461
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,781,863</b>	<b>-</b>	<b>191,251</b>	<b>1,590,612</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		45,779	-	9,757	36,022
264.30	Pension Liability		271,997	-	67,541	204,456
252.11	Department of Ecology SRF UV planning	10/31/2037	-	11,547	-	11,547
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>317,776</b>	<b>11,547</b>	<b>77,298</b>	<b>252,025</b>
<b>Total Liabilities:</b>			<b>2,099,639</b>	<b>11,547</b>	<b>268,549</b>	<b>1,842,637</b>

**City of Royal City  
Schedule of Liabilities  
For the Year Ended December 31, 2016**

<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>						
263.81	Dept of Ecology SRF	11/1/2016	3,787	-	3,787	-
263.81	Dept of Ecology SRF	6/1/2018	5,643	-	2,256	3,387
263.81	Dept of Ecology SRF	1/1/2018	25,834	-	10,335	15,499
263.81	DWSRF/Well #3	10/1/2031	372,715	-	23,295	349,420
263.81	Dept of Commerce DWSRF	10/1/2036	64,336	-	3,064	61,272
263.81	Dept of Commerce DWSRF	10/1/2038	1,083,867	-	47,125	1,036,742
251.11	U.S. Bank Refunding Bond	12/1/2019	117,802	-	29,451	88,351
251.11	U.S. Bank Refunding Bond	12/1/2019	302,923	-	75,731	227,192
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,976,907</b>	<b>-</b>	<b>195,044</b>	<b>1,781,863</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		35,421	10,358	-	45,779
264.30	Net Pension Liability		235,319	36,678	-	271,997
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>270,740</b>	<b>47,036</b>	<b>-</b>	<b>317,776</b>
<b>Total Liabilities:</b>			<b>2,247,647</b>	<b>47,036</b>	<b>195,044</b>	<b>2,099,639</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>