



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
City of Granite Falls

For the period January 1, 2018 through December 31, 2019

Published July 9, 2020

Report No. 1026489





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

July 9, 2020

Council
City of Granite Falls
Granite Falls, Washington

Report on Financial Statements

Please find attached our report on the City of Granite Falls financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

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.....	4
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	11
About the State Auditor's Office.....	44

**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 Granite Falls
January 1, 2018 through December 31, 2019**

Council
City of Granite Falls
Granite Falls, 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 Granite Falls, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated June 18, 2020.

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 state law 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.

As discussed in Note 9 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City.

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, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

June 18, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Granite Falls January 1, 2018 through December 31, 2019

Council
City of Granite Falls
Granite Falls, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Granite Falls, for the years ended December 31, 2019 and 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 state law 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 Granite Falls has prepared these financial statements to meet the financial reporting requirements of state law 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 Granite Falls, and its changes in cash and investments, for the years ended December 31, 2019 and 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 Granite Falls, as of December 31, 2019 and 2018, or the changes in financial position or cash flows thereof 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.

Matters of Emphasis

As discussed in Note 9 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Our opinion is not modified with respect to this matter.

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 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 June 18, 2020 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

June 18, 2020

FINANCIAL SECTION

City of Granite Falls January 1, 2018 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019
Fund Resources and Uses Arising from Cash Transactions – 2018
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to Financial Statements – 2019
Notes to Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019
Schedule of Liabilities – 2018

City of Granite Falls
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 Current Expense	101 Streets	102 Park Impact Fees
Beginning Cash and Investments					
30810	Reserved	354,031	-	-	19,990
30880	Unreserved	7,112,510	1,916,450	169,464	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,642,139	1,974,634	155,515	-
320	Licenses and Permits	477,451	474,626	2,825	-
330	Intergovernmental Revenues	1,288,015	127,457	81,219	-
340	Charges for Goods and Services	6,237,024	216,458	150	6,900
350	Fines and Penalties	35,820	11,505	-	-
360	Miscellaneous Revenues	113,915	31,152	2,171	273
Total Revenues:		10,794,364	2,835,832	241,880	7,173
Expenditures					
510	General Government	408,069	408,069	-	-
520	Public Safety	750,987	750,987	-	-
530	Utilities	2,701,580	-	-	-
540	Transportation	203,145	-	203,145	-
550	Natural and Economic Environment	203,458	203,458	-	-
560	Social Services	5,775	5,775	-	-
570	Culture and Recreation	90,362	90,362	-	-
Total Expenditures:		4,363,376	1,458,651	203,145	-
Excess (Deficiency) Revenues over Expenditures:		6,430,988	1,377,181	38,735	7,173
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,135,851	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	301	301	-	-
Total Other Increases in Fund Resources:		2,136,152	301	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,464,916	5,773	4,337	-
591-593, 599	Debt Service	364,781	259,919	-	-
597	Transfers-Out	2,135,851	1,437,022	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		6,965,548	1,702,714	4,337	-
Increase (Decrease) in Cash and Investments:		1,601,592	(325,232)	34,398	7,173
Ending Cash and Investments					
5081000	Reserved	366,206	-	-	27,163
5088000	Unreserved	8,701,926	1,591,215	203,862	-
Total Ending Cash and Investments		9,068,132	1,591,215	203,862	27,163

The accompanying notes are an integral part of this statement.

City of Granite Falls
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		303 Cif / Streets	304 Cif / Arterial/alternat e Route	305 Capital Improvement	306 REET Capital Improvement
Beginning Cash and Investments					
30810	Reserved	-	-	-	334,041
30880	Unreserved	740,239	33,492	1,414,069	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	511,990
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	565,837	-	-	-
340	Charges for Goods and Services	318,979	213,096	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	6,000	1,603	16,303	1,149
Total Revenues:		890,816	214,699	16,303	513,139
Expenditures					
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:		890,816	214,699	16,303	513,139
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	2,134,651	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	2,134,651	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	962,157	215,000	2,730,815	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	26,250	-	-	541,329
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		988,407	215,000	2,730,815	541,329
Increase (Decrease) in Cash and Investments:		(97,591)	(301)	(579,861)	(28,190)
Ending Cash and Investments					
5081000	Reserved	-	33,191	-	305,852
5088000	Unreserved	642,647	-	834,208	-
Total Ending Cash and Investments		642,647	33,191	834,208	305,852

The accompanying notes are an integral part of this statement.

City of Granite Falls
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		401 Water	403 Sewer	405 Storm Drainage	407 Solid Waste
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	1,402,675	1,120,380	230,328	85,413
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	513,502	-
340	Charges for Goods and Services	1,929,303	3,192,464	359,674	-
350	Fines and Penalties	12,660	11,655	-	-
360	Miscellaneous Revenues	22,289	26,576	5,350	1,049
Total Revenues:		1,964,252	3,230,695	878,526	1,049
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	1,564,551	1,036,921	100,108	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,564,551	1,036,921	100,108	-
Excess (Deficiency) Revenues over Expenditures:		399,701	2,193,774	778,418	1,049
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	1,200
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	1,200
Other Decreases in Fund Resources					
594-595	Capital Expenditures	72,214	128,281	346,339	-
591-593, 599	Debt Service	28,623	76,063	176	-
597	Transfers-Out	70,000	35,000	26,250	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		170,837	239,344	372,765	-
Increase (Decrease) in Cash and Investments:		228,864	1,954,430	405,653	2,249
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	1,631,541	3,074,810	635,982	87,661
Total Ending Cash and Investments		1,631,541	3,074,810	635,982	87,661

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 Current Expense	101 Streets	102 Park Impact Fees
Beginning Cash and Investments					
30810	Reserved	329,184	-	-	6,506
30880	Unreserved	5,481,385	1,454,922	112,952	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,367,987	1,817,225	166,685	-
320	Licenses and Permits	525,357	520,264	5,093	-
330	Intergovernmental Revenues	829,989	102,924	81,200	-
340	Charges for Goods and Services	4,213,073	193,952	-	13,340
350	Fines and Penalties	35,376	11,221	-	-
360	Miscellaneous Revenues	94,567	29,238	1,147	144
Total Revenues:		8,066,348	2,674,825	254,125	13,484
Expenditures					
510	General Government	433,896	433,896	-	-
520	Public Safety	815,412	815,412	-	-
530	Utilities	2,407,855	-	-	-
540	Transportation	197,195	-	197,195	-
550	Natural and Economic Environment	248,585	248,585	-	-
560	Social Services	5,156	5,156	-	-
570	Culture and Recreation	86,394	86,394	-	-
Total Expenditures:		4,194,492	1,589,443	197,195	-
Excess (Deficiency) Revenues over Expenditures:		3,871,855	1,085,381	56,930	13,484
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	3,026,000	-	-	-
397	Transfers-In	1,055,234	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	4,100	-	4,100	-
Total Other Increases in Fund Resources:		4,085,335	-	4,100	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	5,025,513	1,035	4,518	-
591-593, 599	Debt Service	220,472	115,619	-	-
597	Transfers-Out	1,055,234	507,200	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		6,301,219	623,854	4,518	-
Increase (Decrease) in Cash and Investments:		1,655,971	461,527	56,512	13,484
Ending Cash and Investments					
5081000	Reserved	354,031	-	-	19,990
5088000	Unreserved	7,112,511	1,916,450	169,464	-
Total Ending Cash and Investments		7,466,542	1,916,450	169,464	19,990

The accompanying notes are an integral part of this statement.

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

		303 Cif / Streets	304 Cif / Arterial/alternat e Route	305 Capital Improvement	306 REET Capital Improvement
Beginning Cash and Investments					
30810	Reserved	-	-	-	322,679
30880	Unreserved	595,764	47,038	38,974	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	384,077
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	626,075	-	-	-
340	Charges for Goods and Services	278,174	185,449	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	5,431	1,004	12,757	2,964
Total Revenues:		909,680	186,454	12,757	387,041
Expenditures					
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:		909,680	186,454	12,757	387,041
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	3,026,000	-
397	Transfers-In	110,000	-	779,178	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		110,000	-	3,805,178	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	848,955	200,000	2,442,839	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	26,250	-	-	375,678
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		875,205	200,000	2,442,839	375,678
Increase (Decrease) in Cash and Investments:		144,475	(13,547)	1,375,096	11,363
Ending Cash and Investments					
5081000	Reserved	-	-	-	334,041
5088000	Unreserved	740,239	33,492	1,414,069	-
Total Ending Cash and Investments		740,239	33,492	1,414,069	334,041

The accompanying notes are an integral part of this statement.

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

		401 Water	403 Sewer	405 Storm Drainage	407 Solid Waste
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	1,893,763	843,166	411,338	83,468
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	19,789	-
340	Charges for Goods and Services	1,541,147	1,636,149	364,862	-
350	Fines and Penalties	12,777	11,376	2	-
360	Miscellaneous Revenues	22,939	11,518	6,680	744
Total Revenues:		1,576,862	1,659,043	391,334	744
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	1,286,668	1,031,965	89,222	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,286,668	1,031,965	89,222	-
Excess (Deficiency) Revenues over Expenditures:		290,194	627,078	302,111	744
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	14,856	150,000	1,200
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	14,856	150,000	1,200
Other Decreases in Fund Resources					
594-595	Capital Expenditures	682,975	238,317	606,872	-
591-593, 599	Debt Service	28,306	76,547	-	-
597	Transfers-Out	70,000	49,856	26,250	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		781,281	364,720	633,122	-
Increase (Decrease) in Cash and Investments:		(491,087)	277,214	(181,011)	1,944
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	1,402,675	1,120,380	230,328	85,413
Total Ending Cash and Investments		1,402,675	1,120,380	230,328	85,413

The accompanying notes are an integral part of this statement.

City of Granite Falls
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Custodial
308	Beginning Cash and Investments	11,864
388 & 588	Net Adjustments	-
310-390	Additions	116,875
510-590	Deductions	124,719
	Net Increase (Decrease) in Cash and Investments:	(7,844)
508	Ending Cash and Investments	4,020

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	20,340
388 & 588	Net Adjustments	-
310-390	Additions	168,428
510-590	Deductions	176,903
	Net Increase (Decrease) in Cash and Investments:	(8,475)
508	Ending Cash and Investments	11,864

The accompanying notes are an integral part of this statement.

CITY OF GRANITE FALLS
NOTES TO FINANCIAL STATEMENTS
January 1, 2019 through December 31, 2019

Note 1 - Summary of Significant Accounting Policies

The City of Granite Falls was incorporated on December 14, 1903 and operates under the laws of the state of Washington applicable to a non-charter code city with a Council-Manager form of government. The City of Granite Falls is a general-purpose local government and provides public safety, street improvements, parks and recreation, and general administrative services. In addition, Granite Falls owns, maintains and operates a water distribution system, a sewer transmission system, and a wastewater treatment plant.

The City of Granite Falls 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.

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.

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City of Granite Falls 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 4 - Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 days and is payable upon separation or retirement. Sick leave may be accumulated up to 720 hours. Upon separation or retirement employees do receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid. The accompanying compensated absence balances on Schedule 9 includes estimated cost for employer benefits plus employer FICA and Medicare. The total compensated absence balance due as of December 31, 2019 is \$87,097.

F. Long-Term Debt

See Note 3 - 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 Ordinance or Resolution by City Council. When expenditures that meet restrictions are incurred, the City of Granite Falls intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- Park Impact Fees \$27,163 – Expanded facilities due to new development
- CIF Alternate Route \$33,191 – Granite Falls Alternate Route to Snohomish County
- Real Estate Excise Tax \$305,852 – RCW restrictions on REET funds
- Trust Agency Fund \$4,020 – Trust Account

Note 2 – Budget Compliance

Budgets

The City of Granite Falls adopts annual appropriated budgets for all governmental and proprietary 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:

2019				
Fund Code	Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001	Current Expense	\$ 3,500,374	\$ 3,161,366	\$ 339,008
101	Streets	\$ 257,500	\$ 207,483	\$ 50,017
102	Park Impact Fees	\$ -	\$ -	\$ -
303	CIF/Streets	\$ 1,319,970	\$ 988,408	\$ 331,562
304	CIF/Arterial/Alternate Route	\$ 215,000	\$ 215,000	\$ -
305	Capital Improvement	\$ 3,223,959	\$ 2,730,815	\$ 493,144
306	REET Capital Improvement	\$ 541,329	\$ 541,329	\$ -
	Water Utility*			
401	Water Operating	\$ 1,043,102	\$ 932,976	\$ 110,126
402	Water Capital	\$ 1,008,649	\$ 802,411	\$ 206,238
	Water Total	\$ 2,051,751	\$ 1,735,387	\$ 316,365
	Sewer Utility*			
403	Sewer Operating	\$ 1,225,824	\$ 1,111,045	\$ 114,779
404	Sewer Capital	\$ 859,901	\$ 165,220	\$ 694,681
	Sewer Total	\$ 2,085,725	\$ 1,276,265	\$ 809,460
	Storm Drainage*			
405	Storm Operating	\$ 153,765	\$ 103,771	\$ 49,994
406	Storm Capital	\$ 477,401	\$ 369,102	\$ 108,299
	Storm Total	\$ 631,166	\$ 472,874	\$ 158,293
407	Solid Waste	\$ -	\$ -	\$ -
630	Trust Agency	\$ 188,961	\$ 124,719	\$ 64,242
	Totals**	\$ 13,826,774	\$ 11,328,926	\$ 2,497,848

*Included in total are listed combined funds

**Appropriated totals do not include ending cash or non-expenditures

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 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Granite Falls and summarizes the City's debt transactions for year ended December 31, 2019.

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

Year	Principal	Interest	Total Debt Service
2019	488,475	93,800	582,275
2020	380,972	87,843	468,815
2021	321,383	81,710	403,093
2022	296,383	75,675	372,058
2023	300,096	69,493	369,589
2024	304,996	33,214	338,210
2025-2029	1,466,195	215,384	1,681,580
2030-2034	1,065,180	74,756	1,139,935
2035-2039	184,238	-	184,238
2040-2044	184,238	-	184,238
2045-2049	184,238	-	184,238
2050-2054	184,238	-	184,238
2055-out	4,065,238	-	4,065,238
Totals	\$ 9,425,869	\$ 731,875	\$ 10,157,745

* Included in balance due from year 2020 until debt is paid to Snohomish County in accordance with interlocal agreement for construction of alternate route project totals \$5,318,274.

Note 4 – 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 of Granite Falls or its agent in the government's name.

Investments in the OPUS Money Market are reported at fair value cost and investments in the LGIP are reported at amortized cost. Investments by type at December 31, 2019 are as follows:

<u>Type of Investment</u>	<u>City of Granite Falls</u> own investments	Investments held by the City as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	<u>\$4,325,103</u>	<u>\$0</u>	<u>\$4,325,103</u>
OPUS Money Market	<u>\$1,382,606</u>	<u>\$0</u>	<u>\$1,382,606</u>
Total	<u>\$5,707,709</u>	<u>\$0</u>	<u>\$ 5,707,709</u>

Investments in the State Local Government Investment Pool (LGIP)

The City of Granite Falls is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all of 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: Public Employee Retirement Systems (PERS) Plan 1, Plan 2, and Plan 3 and Law Enforcement Officers' and Fire Fighters' Retirement System (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.

At June 30, 2019 (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	\$41,987	0.005856%	\$225,184
PERS 2/3	\$61,762	0.007562%	\$73,453
LEOFF 1		0.000941%	(\$18,600)

LEOFF Plan 1

The City of Granite Falls 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.

Note 6 - 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 City of Granite Falls. 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 2019 was \$1.19443394234 per \$1,000 on an assessed valuation of \$411,677,015 for a total regular levy of \$491,721.

Note 7 – Risk Management

The City of Granite Falls 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, 2019, there are 191 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 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 \$1,910,871.

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, 2019, were \$2,687,104.78.

Note 8 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Granite Falls as required by RCW 41.26.150(1). The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2019, the plan had one member, a retiree. As of December 31, 2019, the City of Granite Falls' total OPEB liability was \$413,198, as calculated using the alternative measurement method. For the year ended December 31, 2019, the City of Granite Falls paid \$7,738.96 in benefits.

Note 9 - Other Disclosures

- a. Snohomish County Agreement Alternate Route Project - An Interlocal Agreement between the City of Granite Falls and Snohomish County for design and construction of the Granite Falls Alternate Route on SR 92 was executed February 28, 2007 and amended in October 2013. This agreement provided that Snohomish County would be the lead agency for the project and the City and County would each be responsible for one-half of the total fees and costs of the project. The City's financial contributions for the project included revenue received from federal and state grants; traffic mitigation impact fees collected from developers; and traffic mitigation impact fees from a number of quarries in accordance with agreements between the City and the quarry companies. The project was completed in 2013 and Granite Falls authorized execution of a Quit Claim Deed to Washington State Department of Transportation (WSDOT) on February 28, 2015 transferring certain properties to WSDOT. The balance owing to Snohomish County for this project totals \$5,733,274 and the City of Granite Falls is repaying this liability with the

impact fees collected from developers and quarries in accordance with the agreement.

- b. Joint Venture AHA – Alliance for Housing Affordability: In September, 2013, the City of Granite Falls joined the cities of Edmonds, Everett, Granite Falls, Lake Stevens, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Snohomish, the Town of Woodway, and Snohomish County to establish the Alliance for Housing Affordability (AHA). The agreement was amended in May, 2014 to add the City of Arlington and in June, 2014 to add the City of Stanwood.

The purpose of AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by the member cities.

AHA is governed by a Joint Board composed of an elected official from each member. The Joint Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff housed at the Housing Authority for Snohomish County (HASCO). Fiscal agent duties were transferred to HASCO during fiscal year 2018. The values included in the table below were audited and updated by the new fiscal agent and may be different than what was reported in previous years.

Each member city is responsible for contributing operating revenues as determined from the AHA annual budget. Contributions from the member cities are based on each member's population. A grant from the Gates Foundation provided \$50,000 to assist with the first two years of organizational start-up. The City of Granite Falls' equity share to date is:

Fiscal Year 7/1/XX – 6/30/XX	AHA's Total Fiscal Year Budget	Granite Falls' Share of Budget	Granite Falls' Share as % of Total AHA Budget
2014	\$89,850	\$1,000	1.11%
2015	\$92,543	\$1,030	1.11%
2016	\$93,651	\$1,061	1.13%
2017	\$97,934	\$1,591	1.62%
2018	\$102,586	\$1,639	1.60%
2019	\$107,391	\$1,688	1.57%
2020	\$112,408	\$1,738	1.55%

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member.

Budget monitoring information can be obtained from Pam Frost, Director of Finance, HASCO, 12711 4th Ave W, Everett WA 98204 (or email: pfrost@hasco.org) or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4th Ave W, Everett WA 98204.

c. Contingencies and litigations –

- Patrick White v. Granite Falls and Haroon Saleem in his official capacity as former Mayor of Granite Falls, Snohomish County Cause No. 16-2-18064-31
 - On June 24, 2016 Patrick White filed a Tort Claim against the City of Granite Falls for alleged incidents April 2013 – March 2014 seeking damages in the amount of \$2,500,000. On September 16, 2015 the City received the summons and complaint. Patrick White seeks lost and future wages, damages for emotional distress, special damages and attorney's fees in amounts to be proven at trial for alleged negligence and denial of due process for various investigations including Potential Impeachment Disclosure and the disbanding of the civil service commission. The City has appeared by and through its insurance (CIAW) defense counsel. The City has and intends to continue to defend against this matter and a reasonable estimate of potential loss or final outcome of the matter cannot be made at this time. The matter was dismissed in the Superior Court and the dismissal was affirmed by the court of appeals. As of this writing a petition for review to the Supreme Court still would be timely.
- Department of Ecology Early Notice Letter
 - The State Department of Ecology (Ecology) sent an EARLY NOTICE LETTER re: Facility Site # 1581 regarding a Landfill at 10500 Mountain Loop Hwy. The property is in Snohomish County but owned at least in part by the City. Ecology has decided to add this property to its list of sites known or claimed by DOE to be contaminated by hazardous substances. However, per the Ecology letter, inclusion on the list does not mean that Ecology has determined the City to be a potentially liable person responsible for clean-up under the Model Toxins Control Act (MTCA). The City is awaiting further response from Ecology. The matter is in its very early stages and therefore, it would be premature to render an opinion about financial exposure to the City.
- Other Loss Contingencies
 - Potential Soil Conditions in street right of way. During a street project in 2018 along Cascade Avenue were exposed that appeared to contain contamination. The project was completed but clean-up of the site and the source (on private property) did not occur. An inquiry was made to the Department of Ecology. No issues have been reported since. It is premature to render an opinion about financial exposure to the City.
 - The City has placed a moratorium on certain development because of limited capacity for connections at its Wastewater Treatment Plant. The next extension of the moratorium is likely to occur in April 2020. Except for properties with existing concurrency determinations, or failing in a narrow exception, no connection, no concurrency determination and not development can occur. Though no claims have been made or threatened, a potential loss contingency exists.
 - The City has built a new Civic Center. The City has accepted the work by its contractor Sabyr Construction, and release of retainage and final claims, if any,

await the filing deadline. As of the date of this listing, final tax clearances have not been obtained, but no private claims have been submitted to the City.

- During 2019 the City has purchased several parcels of real property, some with payments on contracts or notes to the seller. All payments are being made, but each obligation is an ongoing obligation of the City.
 - 201 S. Granite Ave – 2020 \$175,000.00

- d. Construction Commitment - The City has active construction projects as of December 31, 2019. The projects include: City Hall / City Center.

At year-end the City's commitments with contractors are as follows: [1]

Project	Spent to Date (12/31/2019)	Remaining Commitment
City Hall / Civic Center	\$3,987,483	\$181,146 .

(Of the committed balance of \$181,146 the City will be required to raise \$0.00 in future financing.)

- e. In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The City of Granite Falls anticipates a potential 2020 financial impact of \$169,033 in loss of Retail Sales and Use Tax revenue on the government. The City anticipated a decrease in our local economy and adopted a conservative budget that mitigates the impact to the financial health of the City. The City has developed its information technology platform to support remote administrative operations and the ability to provide the public with access to scheduled Council meetings.

The length of time these measures will be in place, and the full extent of the financial impact on the City of Granite Falls is unknown at this time.

CITY OF GRANITE FALLS
NOTES TO FINANCIAL STATEMENTS
January 1, 2018 through December 31, 2018

Note 1 - Summary of Significant Accounting Policies

The City of Granite Falls was incorporated on December 14, 1903 and operates under the laws of the state of Washington applicable to a non-charter code city with a Council-Manager form of government. The City of Granite Falls is a general purpose local government and provides public safety, street improvements, parks and recreation, and general administrative services. In addition, Granite Falls owns, maintains and operates a water distribution system, a sewer transmission system, and a wastewater treatment plant.

The City of Granite Falls 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.

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.

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. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 days and is payable upon separation or retirement. Sick leave may be accumulated up to 720 hours. Upon separation or retirement employees do receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid. The accompanying compensated absence balances on Schedule 9 includes estimated cost for employer benefits plus employer FICA and Medicare. The total compensated absence balance due as of December 31, 2018 is \$83,106.

F. Long-Term Debt

See Note 6, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Ordinance or Resolution by City Council. When expenditures that meet restrictions are incurred, the City of Granite Falls intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- Park Impact Fees \$19,989.87 – Expanded facilities due to new development
- Real Estate Excise Tax \$334,041.13 – RCW restrictions on REET funds

Note 2 – Budget Compliance

A. Budgets

The City of Granite Falls adopts annual appropriated budgets for all governmental and proprietary 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
Current Expense	\$ 2,354,874	\$ 2,213,297	\$ 141,578
Streets	\$ 249,363	\$ 201,713	\$ 47,650
Park Impact Fees	\$ -	\$ -	\$ -
CIF/Streets	\$ 1,173,467	\$ 875,205	\$ 298,262
CIF/Arterial/Alternate Route	\$ 200,000	\$ 200,000	\$ -
Capital Improvement	\$ 2,965,000	\$ 2,442,839	\$ 522,161
REET Capital Improvement	\$ 375,618	\$ 375,678	\$ (60)
Water Utility*			
Water Operating	\$ 797,664	\$ 830,830	\$ (33,166)
Water Capital	\$ 1,344,244	\$ 1,237,120	\$ 107,124
Water Total	\$ 2,141,908	\$ 2,067,950	\$ 73,958
Sewer Utility*			
Sewer Operating	\$ 1,096,041	\$ 1,044,061	\$ 51,980
Sewer Capital	\$ 375,631	\$ 352,624	\$ 23,007
Sewer Total	\$ 1,471,672	\$ 1,396,685	\$ 74,987
Storm Drainage*			
Storm Operating	\$ 147,154	\$ 96,198	\$ 50,956
Storm Capital	\$ 770,785	\$ 626,146	\$ 144,639
Storm Total	\$ 917,939	\$ 722,344	\$ 195,595
Solid Waste	\$ -	\$ -	\$ -
Trust Agency	\$ 120,000	\$ 176,903	\$ (56,903)
Totals**	\$ 11,849,842	\$ 10,495,711	\$ 1,354,131

*Included in total are listed combined funds

**Appropriated totals do not include ending cash or non-expenditures

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.

Water Operating Fund: Due to the significant growth the City experienced in new development and population, the 2018 actual revenue was 9.2% over the 2018 Budget. The result increased the Utility Tax to the General Fund and Excise tax to the Department of Revenue which resulted in year-end timing. Both increases were more than offset by revenue. The total Fund balance was \$17,864 over the 2018 Budget.

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 of Granite Falls or its agent in the government's name.

Investments in the OPUS Money Market are reported at fair value cost, investments in the LGIP are reported at amortized cost, and investments in KeyBank Money Market are reported at original cost. Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	<u>City of Granite Falls</u> own investments	Investments held by the City as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	<u>\$1,767,671</u>	<u>\$0</u>	<u>\$1,767,671</u>
OPUS Money Market	<u>\$1,350,742</u>		<u>\$0</u>
KeyBank Money Market	<u>\$1,000,000</u>	<u>\$0</u>	<u>\$1,000,000</u>
<hr/>			
Total	<u>\$4,118,413</u>	<u>\$0</u>	<u>\$ 4,118,413</u>

Investments in the State Local Government Investment Pool (LGIP)

The City of Granite Falls is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Note 4 - Property Tax

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

Property tax revenues are recognized when cash is received by City of Granite Falls. 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 \$1.391823178 per \$1,000 on an assessed valuation of \$331,346,034 for a total regular levy of \$461,175.09.

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 of Granite Falls and summarizes the City's debt transactions for year ended December 31, 2018.

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

Year	Principal	Interest	Total Debt Service
2019	423,387	93,800	517,187
2020	439,782	87,843	527,626
2021	340,194	81,710	421,904
2022	345,194	75,675	420,869
2023	329,083	69,493	398,576
2024-2028	1,588,903	249,029	1,837,932
2029-2033	1,335,589	74,756	1,410,345
2034-2038	175,000	-	175,000
2039-2043	175,000	-	175,000
2044-2048	175,000	-	175,000
2049-2053	175,000	-	175,000
2054-out	3,897,008	-	3,897,008
Totals	\$ 9,399,142	\$ 732,305	\$ 10,131,447

* Included in balance due from year 2019 until debt is paid to Snohomish County in accordance with interlocal agreement for construction of alternate route project totals \$5,512,008.37.

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 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: Public Employee Retirement Systems (PERS) Plan 1, Plan 2, and Plan 3 and Law Enforcement Officers' and Fire Fighters' Retirement System (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.

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	Allocation %	Liability (Asset)
--	----------	--------------	-------------------

	Contributions		
PERS 1	\$34,876	0.005218%	\$233,038
PERS 2/3	\$51,438	0.006666%	\$113,816
LEOFF 1		0.000924%	(\$16,775)

LEOFF Plan 1

The City of Granite Falls 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.

Note 7 – Risk Management

The City of Granite Falls 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, 2018, there are 207 members in the program.

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

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,922,394.

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

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

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

Members contract to remain in the program for a minimum of one year, and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2018, were \$2,809,430.40.

Note 8 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Granite Falls as required by RCW 41.26.150(1). The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2018, the plan had one member, a retiree. As of December 31, 2018, the City of Granite Falls' total OPEB liability was \$402,046, as calculated using the alternative measurement method. For the year ended December 31, 2018, the City of Granite Falls paid \$7,814.17 in benefits.

Note 9 - Other Disclosures

- a. Snohomish County Agreement Alternate Route Project - An Interlocal Agreement between the City of Granite Falls and Snohomish County for design and construction of the Granite Falls Alternate Route on SR 92 was executed February 28, 2007 and amended in October 2013. This agreement provided that Snohomish County would be the lead agency for the project and the City and County would each be responsible for one-half of the total fees and costs of the project. The City's financial contributions for the project included revenue received from federal and state grants; traffic mitigation impact fees collected from developers; and traffic mitigation impact fees from a number of quarries in accordance with agreements between the City and the quarry companies. The project was completed in 2013 and Granite Falls authorized execution of a Quit Claim Deed to Washington State Department of Transportation (WSDOT) on February 28, 2015 transferring certain properties to WSDOT. The balance owing to Snohomish County for this project totals \$5,733,274 and the City of Granite Falls is repaying this liability with the impact fees collected from developers and quarries in accordance with the agreement.
- b. Joint Venture AHA – Alliance for Housing Affordability: In September, 2013, the City of Granite Falls joined the cities of Edmonds, Everett, Lake Stevens, Lynnwood, Marysville, Mill Creek,

Mountlake Terrace, Mukilteo, and Snohomish, the Town of Woodway, and Snohomish County to establish the Alliance for Housing Affordability (AHA). The agreement was amended in May, 2014 to add the City of Arlington and in June, 2014 to add the City of Stanwood.

The purpose of AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by the member cities.

AHA is governed by a Joint Board composed of an elected official from each member. The Joint Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff housed at the Housing Authority for Snohomish County (HASCO). Fiscal agent duties were transferred to HASCO during fiscal year 2018. The values included in the table below were audited and updated by the new fiscal agent and may be different than what was reported in previous years.

Each member city is responsible for contributing operating revenues as determined from the AHA annual budget. Contributions from the member cities are based on each member's population. A grant from the Gates Foundation provided \$50,000 to assist with the first two years of organizational start-up. The City of Granite Falls' equity share to date is:

Fiscal Year 7/1/XX – 6/30/XX	AHA's Total Fiscal Year Budget	Granite Falls' share of Budget	Granite Falls Share as % of Total AHA Budget
2014	\$89,850	\$1,000	1.11%
2015	\$92,543	\$1,030	1.11%
2016	\$93,651	\$1,061	1.13%
2017	\$97,934	\$1,591	1.62%
2018	\$102,586	\$1,639	1.60%
2019	\$107,391	\$1,688	1.57%

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member.

Budget monitoring information can be obtained from Pam Frost, Director of Finance, HASCO, 12711 4th Ave W, Everett WA 98204 (or email: pfrost@hasco.org) or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4th Ave W, Everett WA 98204.

- c. Compliance and Accountability - The City of Granite Falls exceeded its budget as detailed below.
- Water Operating Fund: Due to the significant growth the City experienced in new development and population, the 2018 actual revenue was 9.2% over the 2018 Budget. The result increased the Utility Tax to the General Fund and Excise tax to the Department of Revenue which resulted in year-end timing. Both increases were more than offset by revenue. The total Fund balance was \$17,899 over the 2018 Budget.

Sewer Operating Fund: Due to the significant growth the City experienced in new

development and population, the 2018 actual revenue was 11.3% over the 2018 Budget. The result increased the Utility Tax to the General Fund and Excise tax to the Department of Revenue which resulted in year-end timing. Both increases were more than offset by revenue. The total Fund balance was \$113,705 over the 2018 Budget.

d. Contingencies and litigations –

- The State Department of Ecology (Ecology) sent an EARLY NOTICE LETTER re: Facility Site # 1581 regarding a Landfill at 10500 Mountain Loop Hwy. The property is in Snohomish County but owned at least in part by the City. Ecology has decided to add this property to its list of sites known or claimed by DOE to be contaminated by hazardous substances. However, per the Ecology letter, inclusion on the list does not mean that Ecology has determined the City to be a potentially liable person responsible for clean-up under the Model Toxins Control Act (MTCA). The City is awaiting further response from Ecology. The matter is in its very early stages.

e. Extraordinary events –

- On March 21, 2018 Teamsters Local 763 submitted a letter to the City claiming the City had not correctly and fully made contributions to its employee benefit plans for City employees entitled to such contributions under the terms of the collective bargaining agreement for the period of 2010 to the end of 2017. The union asserted that \$42,469.27 was due in contributions and that accrued inters of \$7,765.28 also was due. The City reviewed the Teamsters claims and relevant pay roll deductions, the City determined there were errors that required additional contributions. The City and Teamsters settled this claim for \$19,840.13 and this matter is now closed.
 - On June 21, 2018, the City of Granite Falls issued a \$3,030,000 Limited Tax General Obligation Bond to provide funds to acquire, construct, and equip a new City Hall/Civic Center of the City and to pay the costs of issuance of the Bond. The bond bears a 2.942% interest rate and will be redeemed over the next 15 years.
- f. Construction Commitment - The City has active construction projects as of December 31, 2018. The projects include: City Hall / City Center.

At year-end the City's commitments with contractors are as follows: [1]

Project	Spent to Date (12/31/2018)	Remaining Commitment
City Hall / City Center (C.O. #2)	\$ 1,923,152	\$ 1,957,702
Sidewalks/Roadway - LID Project - Kentucky/Union	\$ 462,849	\$ 248,331
Total	\$ 2,386,001	\$ 2,206,033

(Of the committed balance of \$2,206,033 the City will be required to raise \$0.00 in future financing.)

- On June 21, 2018, the City of Granite Falls issued a \$3,030,000 Limited Tax General

Obligation Bond to provide funds to acquire, construct, and equip a new City Hall/Civic Center of the City and to pay the costs of issuance of the Bond. The bond bears a 2.942% interest rate and will be redeemed over the next 15 years. The balance is budgeted with reserves in the Capital Improvement Fund 305 through RCW 82.46.010(2) and RCW 82.46.035(5) REET 1 and 2 Funds.

- Department of Ecology Grant WQC-2018-GraFal-00102 provides eligible cost reimbursement of \$581,000.00. The City of Granite Falls provided additional funding directly from the Storm Drainage Capital Improvement Fund thru transferred reserves from the REET Fund RCW 82.46.010(2) and RCW 82.46.035(5) REET 1 and 2 Funds.

**City of Granite Falls
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	Postage Meter Lease	7/22/2024	308	5,946	308	5,946
263.51	Copier Lease	3/31/2023	-	11,261	1,408	9,853
263.85	Alternate Route	10/31/2038	5,533,274	-	215,000	5,318,274
263.87	PWTF Loan	7/20/2020	49,176	-	24,588	24,588
263.87	2013 PWTF Loan	6/1/2032	667,063	-	47,647	619,416
263.85	2016 Sno County PWAF	1/1/2027	204,444	-	25,556	178,888
263.91	LTGO Bond, 2018	12/1/2032	2,954,000	-	173,000	2,781,000
Total General Obligation Debt/Liabilities:			9,408,265	17,207	487,507	8,937,965
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences Proprietary	12/31/2019	48,488	49,824	46,210	52,102
259.12	Compensated Absences General Fund	12/31/2019	34,558	30,748	30,310	34,996
264.30	Pension Liability	12/31/2019	346,854	-	48,217	298,637
264.40	OPEB Liability	12/31/2019	402,046	11,152	-	413,198
Total Revenue and Other (non G.O.) Debt/Liabilities:			831,946	91,724	124,737	798,933
Total Liabilities:			10,240,211	108,931	612,244	9,736,898

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	Postage Meter Lease	5/31/2019	1,343	-	1,035	308
263.85	Alternate Route	10/31/2038	5,733,274	-	200,000	5,533,274
263.87	PWTF Loan	7/20/2020	73,765	-	24,588	49,176
263.87	2013 PWTF Loan	6/1/2032	714,711	-	47,647	667,063
263.85	2016 Sno County PWA	1/1/2017	230,000	-	25,556	204,444
263.91	LTGO Bond, 2018	12/1/2032	-	3,030,000	76,000	2,954,000
Total General Obligation Debt/Liabilities:			6,753,092	3,030,000	374,826	9,408,266
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences Proprietary	12/31/2018	29,230	44,645	25,387	48,488
259.12	Compensated Absences General Funds	12/31/2018	19,269	26,166	10,877	34,558
264.30	Pension Liability	12/31/2018	491,044	-	144,190	346,854
264.40	OPEB Liability	12/31/2018	-	402,046	-	402,046
Total Revenue and Other (non G.O.) Debt/Liabilities:			539,543	472,857	180,455	831,946
Total Liabilities:			7,292,635	3,502,857	555,281	10,240,212

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov