



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Morton

For the period January 1, 2019 through December 31, 2021

Published August 26, 2024

Report No. 1035354



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

August 26, 2024

Mayor and City Council
City of Morton
Morton, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Morton January 1, 2019 through December 31, 2021

2021-001 The City did not have adequate internal controls ensuring accurate and reliable reporting of its financial statements.

Background

State and federal agencies, the City Council and the public rely on information included in financial statements and reports to make decisions. City management is responsible for designing and following internal controls that provide reasonable assurance financial statements are complete and reliable. The City prepares financial statements using the cash-basis accounting method prescribed in the *Budgeting, Accounting and Reporting System* (BARS Manual).

Our audit found material weaknesses in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

Description of Condition

Our audit identified internal control deficiencies that, when taken together, represent a material weakness. Specifically, the City did not have an effective review process to ensure amounts it reported in the financial statements, notes to the financial statements and supplementary schedules agreed to the underlying accounting records and followed BARS Manual guidance. Additionally, the City did not independently review cash reconciliations.

Cause of Condition

The City relied on one employee to complete all financial activities without a secondary review. Additionally, the City did not stay updated on new BARS Manual reporting requirements.

Effect of Condition

The City's financial information contained errors that management did not detect. We identified the following misstatements for each year under audit. The City:

For the year ending December 31, 2021

- Understated the beginning cash balance by \$224,543
- Overstated miscellaneous revenues by \$203,024
- Overstated the Schedule of Expenditures of Federal Awards by \$356,168
- Reported a negative fund balance of \$261,650 in the community center fund

For the year ending December 31, 2020

- Understated the beginning cash balance by \$23,935
- Understated the ending cash balance by \$23,852
- Understated the ending balance of the Schedule of Liabilities by \$264,799 due to omitting pension and compensated absence liability amounts and reporting incorrect amounts for loans
- Reported a negative fund balance of \$210,419 in the community center fund

For the year ending December 31, 2019

- Overstated the ending cash balance by \$152,593
- Understated the Schedule of Liabilities by \$770,661 due to omitting a loan, pension and compensated absence liabilities

We also identified less significant errors in the City's financial statements, schedules and notes that it provided for audit.

The City elected not to correct the misstatements identified above, and these errors remain in the financial statements, schedules and notes.

Recommendation

We recommend the City strengthen internal controls over financial reporting. Specifically, the City should:

- Perform an effective review of the financial statements and notes to identify and correct errors before submitting them for audit
- Perform a secondary review of cash reconciliations to ensure reported cash balances are accurate and complete
- Dedicate the necessary time and resources for staff to understand and identify BARS Manual requirements

City's Response

The City of Morton would like to thank the State Auditor's Office for their effort in responding to our Audit of our 2019-2021 Records. You have been very helpful in the ongoing process.

In 2021, the City Council passed an Ordinance eliminating the position of joint Clerk/Treasurer, and instead created the stand-alone position of City Clerk, and the stand-alone position of City Treasurer. The City has new personnel and new policies governing all financial statements and cash management. By doing so, the City sought to provide checks and balances necessary for accountability and accuracy. The City now has a minimum of two employees overseeing all financial activities. Furthermore, staff is taking training courses offered by the State Auditor's Office and MRSC.

The City is moving forward in a positive directions with the help of the State Auditor's Office recommendations, the City of Morton is moving forward with improvements to better serve our community. Honesty and integrity is the best policy for everyone concerned. Sincerely, Mayor Rick Mead, City Council Members and Staff for the City of Morton.

Auditor's Remarks

We appreciate the steps the City is taking to resolve these issues. We will review the condition during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

Budgeting, Accounting and Reporting System (BARS Manual), 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

Budgeting, Accounting and Reporting System (BARS Manual), 4.14.13 Liabilities (Schedule 09)

Budgeting, Accounting and Reporting System (BARS Manual), 4.14.5 Expenditures of Federal Awards (SEFA/Schedule 16)

Budgeting, Accounting and Reporting System (BARS Manual), 3.1.9 Bank Reconciliations

INDEPENDENT AUDITOR'S REPORT

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 Morton January 1, 2019 through December 31, 2021

Mayor and City Council
City of Morton
Morton, 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 Morton, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 26, 2024.

We issued a qualified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting because the City's financial statements do not properly reflect beginning cash amounts for fiscal year December 31, 2021. 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.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*. However, we noted certain matters that we to the management of the City in a separate special investigation report dated August 26, 2024.

CITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

August 26, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Morton January 1, 2019 through December 31, 2021

Mayor and City Council
City of Morton
Morton, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified and Adverse Opinions

We have audited the financial statements of the City of Morton, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, as listed in the financial section of our report.

Qualified Opinion on the Regulatory Basis of Accounting

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and 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, except for the effects of the matters described below, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Morton, and its changes in cash and investments, for the years ended December 31, 2021, 2020 and 2019, on the basis of accounting described in Note 1.

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 Morton, as of December 31, 2021, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Qualified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit qualified and adverse opinions.

Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Matter Giving Rise to Qualified Opinion on State Auditor’s Budgeting, Accounting and Reporting System (BARS) manual

The City’s financial statements include uncorrected material misstatements for fiscal year ended December 31, 2021 and other significant errors in fiscal years ended December 31, 2020 and 2019. The City did not accurately account for all revenues and cash balances under accounting principles generally accepted in the United States of America. Accordingly, amounts shown in the City’s general fund for fiscal year ended December 31, 2021 would be increased (decreased) as follows:

Financial statement account	Amount
Beginning Cash	\$224,543
Miscellaneous Revenues	(\$203,024)

In addition, the City’s Schedule of Liabilities include uncorrected material misstatements for fiscal years ended December 31, 2020 and 2019. The City did not report all pension and compensated absence liability amounts and reported incorrect loan amounts. Accordingly, the amounts reported in the ending balances for the Schedule of liabilities would be increased as follows:

Fiscal Year	Amount
2020	\$264,799
2019	\$770,661

Responsibilities of Management 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 BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s financial statements. 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, except for the effect on the accompanying information of the qualified opinion on the financial statements as described above, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2024 on our consideration of the City’s internal control over financial reporting and on the 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 the effectiveness of the City’s 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 style with a large initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

August 26, 2024

**City of Morton
January 1, 2019 through December 31, 2021**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Fund Resources and Uses Arising from Cash Transactions – 2020
Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to Financial Statements – 2021
Notes to Financial Statements – 2020
Notes to Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021
Schedule of Liabilities – 2020
Schedule of Liabilities – 2019

City of Morton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense</u>	<u>101 City Street Fund</u>	<u>103 Cemetary Maintenance</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	2,650,960	1,424,825	176,019	26,925
388 / 588	Net Adjustments	2,329	2,329	-	-
Revenues					
310	Taxes	870,393	687,199	63,086	14,349
320	Licenses and Permits	14,689	14,689	-	-
330	Intergovernmental Revenues	4,724,889	324,330	41,674	-
340	Charges for Goods and Services	1,340,195	159,857	-	16,837
350	Fines and Penalties	15,903	15,903	-	-
360	Miscellaneous Revenues	301,139	105,892	6,413	10,173
Total Revenues:		<u>7,267,208</u>	<u>1,307,870</u>	<u>111,173</u>	<u>41,359</u>
Expenditures					
510	General Government	137,842	137,842	-	-
520	Public Safety	527,458	527,458	-	-
530	Utilities	5,977,712	4,277	-	14,485
540	Transportation	93,636	6,935	86,701	-
550	Natural/Economic Environment	64,921	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	117,860	90,217	-	-
Total Expenditures:		<u>6,919,429</u>	<u>766,729</u>	<u>86,701</u>	<u>14,485</u>
Excess (Deficiency) Revenues over Expenditures:		<u>347,779</u>	<u>541,141</u>	<u>24,472</u>	<u>26,874</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	26,710	26,710	-	-
591-593, 599	Debt Service	241,790	10,458	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>268,500</u>	<u>37,168</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>79,279</u>	<u>503,973</u>	<u>24,472</u>	<u>26,874</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	3,139,158	1,931,128	200,491	53,799
50891	Unassigned	(406,591)	-	-	-
Total Ending Cash and Investments		<u>2,732,567</u>	<u>1,931,128</u>	<u>200,491</u>	<u>53,799</u>

The accompanying notes are an integral part of this statement.

City of Morton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		<u>105 Drug Fund</u>	<u>106 Tourism</u>	<u>107 Capital Project Fund</u>	<u>108 Community Center</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	8,685	68,337	160,319	(215,506)
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	35,260	70,499	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	44,703	4,448	5,501
Total Revenues:		-	79,963	74,947	5,501
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	64,921	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	27,643
Total Expenditures:		-	64,921	-	27,643
Excess (Deficiency) Revenues over Expenditures:		-	15,042	74,947	(22,142)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	24,000
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	24,000
Increase (Decrease) in Cash and Investments:		-	15,042	74,947	(46,142)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	8,685	83,378	235,267	-
50891	Unassigned	-	-	-	(261,650)
Total Ending Cash and Investments		8,685	83,378	235,267	(261,650)

The accompanying notes are an integral part of this statement.

City of Morton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		<u>400 Water Fund</u>	<u>401 Sewer Fund</u>	<u>402 Garbage</u>
Beginning Cash and Investments				
308	Beginning Cash and Investments	690,819	310,507	30
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	4,358,885	-
340	Charges for Goods and Services	647,778	515,723	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	90,411	33,598	-
Total Revenues:		<u>738,189</u>	<u>4,908,206</u>	<u>-</u>
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	671,391	5,287,559	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		<u>671,391</u>	<u>5,287,559</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>66,798</u>	<u>(379,353)</u>	<u>-</u>
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	131,236	76,096	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		<u>131,236</u>	<u>76,096</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>(64,438)</u>	<u>(455,449)</u>	<u>-</u>
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	626,380	-	30
50891	Unassigned	-	(144,941)	-
Total Ending Cash and Investments		<u>626,380</u>	<u>(144,941)</u>	<u>30</u>

The accompanying notes are an integral part of this statement.

City of Morton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense</u>	<u>101 City Street Fund</u>	<u>103 Cemetary Maintenance</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	2,831,174	1,224,292	167,346	36,365
388 / 588	Net Adjustments	6,783	6,783	-	-
Revenues					
310	Taxes	716,249	586,313	43,866	10,967
320	Licenses and Permits	16,177	16,177	-	-
330	Intergovernmental Revenues	279,948	202,431	77,517	-
340	Charges for Goods and Services	1,219,071	134,948	-	6,680
350	Fines and Penalties	24,811	24,811	-	-
360	Miscellaneous Revenues	83,495	81,544	200	-
Total Revenues:		<u>2,339,751</u>	<u>1,046,224</u>	<u>121,583</u>	<u>17,647</u>
Expenditures					
510	General Government	119,974	119,974	-	-
520	Public Safety	559,335	559,290	-	-
530	Utilities	1,094,352	4,643	-	17,413
540	Transportation	114,838	7,547	107,291	-
550	Natural/Economic Environment	37,802	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	104,481	80,954	-	-
Total Expenditures:		<u>2,030,782</u>	<u>772,408</u>	<u>107,291</u>	<u>17,413</u>
Excess (Deficiency) Revenues over Expenditures:		<u>308,969</u>	<u>273,816</u>	<u>14,292</u>	<u>234</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	50,134	50,134	-	-
591-593, 599	Debt Service	242,808	10,458	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>292,942</u>	<u>60,592</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>16,027</u>	<u>213,224</u>	<u>14,292</u>	<u>234</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	2,853,980	1,444,298	181,638	36,599
Total Ending Cash and Investments		<u>2,853,980</u>	<u>1,444,298</u>	<u>181,638</u>	<u>36,599</u>

The accompanying notes are an integral part of this statement.

City of Morton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		<u>105 Drug Fund</u>	<u>106 Tourism</u>	<u>107 Capital Project Fund</u>	<u>108 Community Center</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	8,730	122,644	115,450	(162,892)
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	26,003	49,100	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		-	26,003	49,100	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	45	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	37,802	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	23,527
Total Expenditures:		45	37,802	-	23,527
Excess (Deficiency) Revenues over Expenditures:		(45)	(11,799)	49,100	(23,527)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	24,000
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	24,000
Increase (Decrease) in Cash and Investments:		(45)	(11,799)	49,100	(47,527)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	8,685	110,845	164,549	(210,419)
Total Ending Cash and Investments		8,685	110,845	164,549	(210,419)

The accompanying notes are an integral part of this statement.

City of Morton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		<u>400 Water Fund</u>	<u>401 Sewer Fund</u>	<u>402 Garbage</u>
Beginning Cash and Investments				
308	Beginning Cash and Investments	863,192	456,017	30
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	608,347	469,096	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	1,751	-	-
Total Revenues:		<u>610,098</u>	<u>469,096</u>	<u>-</u>
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	565,737	506,559	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		<u>565,737</u>	<u>506,559</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>44,361</u>	<u>(37,463)</u>	<u>-</u>
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	132,254	76,096	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		<u>132,254</u>	<u>76,096</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>(87,893)</u>	<u>(113,559)</u>	<u>-</u>
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	-	-	-
50891	Unassigned	775,299	342,456	30
Total Ending Cash and Investments		<u>775,299</u>	<u>342,456</u>	<u>30</u>

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City of Morton
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 City Street Fund
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	2,666,878	1,145,737	138,434
388 / 588	Net Adjustments	151,421	52,988	(1,787)
Revenues				
310	Taxes	668,337	553,023	39,548
320	Licenses and Permits	14,778	14,778	-
330	Intergovernmental Revenues	308,904	91,135	40,597
340	Charges for Goods and Services	1,210,284	136,809	-
350	Fines and Penalties	34,496	34,496	-
360	Miscellaneous Revenues	350,491	54,407	1,763
Total Revenues:		<u>2,587,290</u>	<u>884,648</u>	<u>81,908</u>
Expenditures				
510	General Government	147,784	147,784	-
520	Public Safety	531,425	525,388	-
530	Utilities	1,327,815	4,208	-
540	Transportation	56,032	4,823	51,209
550	Natural and Economic Environment	19,928	-	-
560	Social Services	-	-	-
570	Culture and Recreation	130,978	130,978	-
Total Expenditures:		<u>2,213,962</u>	<u>813,181</u>	<u>51,209</u>
Excess (Deficiency) Revenues over Expenditures:		<u>373,328</u>	<u>71,467</u>	<u>30,699</u>
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	53,095	53,095	-
381, 382, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		<u>53,095</u>	<u>53,095</u>	<u>-</u>
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	186,123	34,458	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	64,537	64,537	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		<u>250,660</u>	<u>98,995</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>175,763</u>	<u>25,567</u>	<u>30,699</u>
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	2,994,066	1,224,292	167,346
Total Ending Cash and Investments		<u>2,994,066</u>	<u>1,224,292</u>	<u>167,346</u>

The accompanying notes are an integral part of this statement.

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

	103 Cemetary Maintenance	105 Drug Fund	106 Tourism
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	29,174	115,679
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	9,066	26,892
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	4,237	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	500	-
Total Revenues:	13,303	500	26,892
Expenditures			
510	General Government	-	-
520	Public Safety	6,037	-
530	Utilities	6,113	-
540	Transportation	-	-
550	Natural and Economic Environment	-	19,928
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:	6,113	6,037	19,928
Excess (Deficiency) Revenues over Expenditures:	7,190	(5,537)	6,964
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:	-	-	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	-	-
Total Other Decreases in Fund Resources:	-	-	-
Increase (Decrease) in Cash and Investments:	7,190	(5,537)	6,964
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	36,365	122,644
Total Ending Cash and Investments	36,365	8,730	122,644

The accompanying notes are an integral part of this statement.

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

	107 Capital Project Fund	108 community center	400 Water Fund
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	(104,092)	830,055
388 / 588	Net Adjustments	104,092	(1,935)
Revenues			
310	Taxes	39,808	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	609,934
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	292,852
Total Revenues:	<u>39,808</u>	<u>-</u>	<u>902,786</u>
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	743,046
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:	<u>-</u>	<u>-</u>	<u>743,046</u>
Excess (Deficiency) Revenues over Expenditures:	<u>39,808</u>	<u>-</u>	<u>159,740</u>
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:	<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	124,668
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	-	-
Total Other Decreases in Fund Resources:	<u>-</u>	<u>-</u>	<u>124,668</u>
Increase (Decrease) in Cash and Investments:	<u>39,808</u>	<u>-</u>	<u>35,072</u>
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	115,450	863,192
Total Ending Cash and Investments	<u>115,450</u>	<u>-</u>	<u>863,192</u>

The accompanying notes are an integral part of this statement.

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

		<u>401 Sewer Fund</u>	<u>402 Garbage</u>
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	421,954	30
388 / 588	Net Adjustments	(1,937)	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	177,172	-
340	Charges for Goods and Services	459,304	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	969	-
Total Revenues:		<u>637,445</u>	-
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	574,448	-
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		<u>574,448</u>	-
Excess (Deficiency) Revenues over Expenditures:		<u>62,997</u>	-
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	26,997	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	-	-
Total Other Decreases in Fund Resources:		<u>26,997</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		36,000	-
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	456,017	30
Total Ending Cash and Investments		456,017	30

The accompanying notes are an integral part of this statement.

CITY OF MORTON
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1 2021 THROUGH DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Morton was incorporated on December 16, 1912, and operates under the laws of the State of Washington, applicable to a non-charter code city, which was adopted on December 1, 1969. The following is a summary of the more significant policies which result in material departures from generally accepted accounting principles.

a. Reporting Entity

The City is a general purpose government and provides police and fire protection, an airport runway for the use of local/non-local pilots, water and sewer utilities, street improvement, parks and recreation, health and social services, and general administrative services. The accounting policies of the City conform to the Budgeting, Accounting and Reporting System (BARS) manual for category 2 Local Governments prescribed by the State Auditor.

b. Basis of Presentation-Fund Accounting

The Accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its fund equity, revenues and expenditures. The City's resources are allocated to and accounted for in individual funds depending on what they are to be spent for and how they are controlled. The following are fund types and account groups used by the City:

GOVERNMENTAL FUND TYPES

Governmental fund operating statements focus on measuring changes in financial position, rather than net income; they present increases and decreases in cash and investments.

Current Expense Fund

This fund is a general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues derived from specific taxes, grants or other sources, which are designated to finance particular activities of the City. These funds include enterprise operations, which under generally accepted accounting principles would be accounted for as proprietary funds.

c. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Accounting records for the City are maintained in accordance with methods prescribed by the State Auditor under the authority of Washington State Law, Chapter 43.09 RCW. The City uses the revenue and expenditure classification contained in the BARS prescribed by the State Auditor.

In governmental and fiduciary funds, revenues are recognized upon receipt, and expenditures are recognized when checks are issued rather than when the expenditures are incurred. Purchases of fixed assets are expensed during the year acquired and no general fixed assets account group is established. This prescribed accounting system also permits the City to account for certain enterprise funds on the cash basis of accounting rather than on the full-accrual basis, which is a departure from generally accepted accounting principles. For such funds, this results in no capitalization of fixed assets, no allocation of depreciation expense and inventory is expensed when purchased rather than consumed.

Agency funds are custodial in nature; assets equal liabilities and do not measure operations.

d. Budgets and Budgetary Accounting

(1) Scope of Budget

Annual appropriated budgets are adopted for all funds. Budgetary accounts are integrated in ledgers for all budgeted funds and the financial statements include budgetary comparisons for all funds.

(2) Procedures for Adopting the Original Budget

The City's Budget procedures are as follows:

- (a) Prior to November 1, the clerk-treasurer submits a proposed budget to the City Council which includes estimates provided by City department heads during the preceding months, balanced with revenue estimates made by the clerk-treasurer.
- (b) The Council conducts public hearings on the proposed budget in November and December.
- (c) The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
- (d) Within 30 days of adoption, the final budget is available to the Public.

(3) Amending the Budget

The Clerk/Treasurer is authorized to transfer budgeted amounts 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 Council.

When the Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority after holding two public hearings.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

e. Cash and Equivalents

It is the City's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from transactions. The interest on these investments is prorated to the various funds.

The City's deposits at year-end were entirely covered by federal depository insurance and the State Public Deposit Protection Commission.

f. Accumulated Unpaid Employee Leave Benefits

The City does not record accumulated unused vacation leave in its funds. Unused vacation leave as of December 31, 2019 is not a material amount for disclosure.

g. Revenues, Expenditures, and Other Financing Sources and Uses

(1) The City uses the cash basis of accounting where revenues are recognized when received and expenditures are recognized when paid. This is a departure from generally accepted accounting principles (GAAP) which requires modified accrual and expenditure recognition in governmental funds.

NOTE 1 - INVESTMENTS

The City complies with state law as to allowable investments. Investments of the City's funds at December 31, 2020 were obligations of the State Treasurer's Investment Pool.

The City's investments are categorized to give an indication of the risk assumed at December 31, 2019. Category 1 includes either insured or registered investments that are held by the City or its agent in the City's name.

	Category 1	Carrying Value	Market Value
State Treasurer's Inv. Pool			
2020	\$ 216,797	\$ 216,797	\$ 216,797

NOTE 2– PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed at/after the end of each month.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against the property.
February 14	Tax bills are mailed.
April 30	First of 2 equal installment payments is due.
May 31	Assessed value of property established for next year’s levy.
October 31	Second installment is due.

Property Tax revenues are recognized when cash is collected. Property taxes receivable is shown in the accompanying schedule of real and personal property taxes. Delinquent taxes are considered fully collectible because a lien affixes to the property when taxes levied.

The City’s regular levy for 2020 was \$ 2.431 per \$1,000 of assessed valuation for a total regular levy of \$243,081.

This information is obtained from the Lewis County Auditor’s Office.

NOTE 3 – INTERFUND LOANS AND TRANSFERS

Interfund Transfers - In 2020 there were no interfund transfers.

Interfund Loans -The City did no interfund loans in 2020.

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Debt (09) provides more details of the outstanding debt and liabilities of the City of Morton and summarizes the Town’s debt transactions for the year ended December 31, 2020

NOTE 5 – PENSION PLAN

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under the cost sharing multiple-employer public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both the employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 6- RISK MANAGEMENT

General:

The City of Morton is a member of Association of Washington Cities Risk Management Services Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool 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 AWC RMSA was formed on January 1, 1989 when 32 municipalities 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.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier, and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverages.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the state retention. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property and thereafter purchases excess liability insurance through AIG Insurance Company, from \$1 million to \$10 million. The excess property coverage is purchased through Lexington

with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the pool a minimum of one year and must give one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The Interlocal Governmental Agreement was revised in 2009 and approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The specific financials of the AWC RMSA can be seen in the AWC RMSA Annual Report on file with the City of Morton.

CITY OF MORTON
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1 2020 THROUGH DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Governmental fund operating statements focus on measuring changes in financial position, rather than net income; they present increases and decreases in cash and investments.

Current Expense Fund

This fund is a general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues derived from specific taxes, grants or other sources, which are designated to finance particular activities of the City. These funds include enterprise operations, which under generally accepted accounting principles would be accounted for as proprietary funds.

c. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Accounting records for the City are maintained in accordance with methods prescribed by the State Auditor under the authority of Washington State Law, Chapter 43.09 RCW. The City uses the revenue and expenditure classification contained in the BARS prescribed by the State Auditor.

In governmental and fiduciary funds, revenues are recognized upon receipt, and expenditures are recognized when checks are issued rather than when the expenditures are incurred. Purchases of fixed assets are expensed during the year acquired and no general fixed assets account group is established. This prescribed accounting system also permits the City to account for certain enterprise funds on the cash basis of accounting rather than on the full-accrual basis, which is a departure from generally accepted accounting principles. For such funds, this results in no capitalization of fixed assets, no allocation of depreciation expense and inventory is expensed when purchased rather than consumed.

Agency funds are custodial in nature; assets equal liabilities and do not measure operations.

d. Budgets and Budgetary Accounting

(1) Scope of Budget

Annual appropriated budgets are adopted for all funds. Budgetary accounts are integrated in ledgers for all budgeted funds and the financial statements include budgetary comparisons for all funds.

(2) Procedures for Adopting the Original Budget

The City's Budget procedures are as follows:

- (a) Prior to November 1, the clerk-treasurer submits a proposed budget to the City Council which includes estimates provided by City department heads during the preceding months, balanced with revenue estimates made by the clerk-treasurer.
- (b) The Council conducts public hearings on the proposed budget in November and December.
- (c) The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
- (d) Within 30 days of adoption, the final budget is available to the Public.

(3) Amending the Budget

The Clerk/Treasurer is authorized to transfer budgeted amounts 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 Council.

When the Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority after holding two public hearings.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

e. Cash and Equivalents

It is the City's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from transactions. The interest on these investments is prorated to the various funds.

The City's deposits at year-end were entirely covered by federal depository insurance and the State Public Deposit Protection Commission.

f. Accumulated Unpaid Employee Leave Benefits

The City does not record accumulated unused vacation leave in its funds. Unused vacation leave as of December 31, 2019 is not a material amount for disclosure.

g. Revenues, Expenditures, and Other Financing Sources and Uses

(1) The City uses the cash basis of accounting where revenues are recognized when received and expenditures are recognized when paid. This is a departure from generally accepted accounting principles (GAAP) which requires modified accrual and expenditure recognition in governmental funds.

NOTE 1 - INVESTMENTS

The City complies with state law as to allowable investments. Investments of the City's funds at December 31, 2020 were obligations of the State Treasurer's Investment Pool.

The City's investments are categorized to give an indication of the risk assumed at December 31, 2019. Category 1 includes either insured or registered investments that are held by the City or its agent in the City's name.

	Category 1	Carrying Value	Market Value
State Treasurer's Inv. Pool			
2020	\$ 216,797	\$ 216,797	\$ 216,797

NOTE 2– PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed at/after the end of each month.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against the property.
February 14	Tax bills are mailed.
April 30	First of 2 equal installment payments is due.
May 31	Assessed value of property established for next year’s levy.
October 31	Second installment is due.

Property Tax revenues are recognized when cash is collected. Property taxes receivable is shown in the accompanying schedule of real and personal property taxes. Delinquent taxes are considered fully collectible because a lien affixes to the property when taxes levied.

The City’s regular levy for 2020 was \$ 2.431 per \$1,000 of assessed valuation for a total regular levy of \$243,081.

This information is obtained from the Lewis County Auditor’s Office.

NOTE 3 – INTERFUND LOANS AND TRANSFERS

Interfund Transfers - In 2020 there were no interfund transfers.

Interfund Loans -The City did no interfund loans in 2020.

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Debt (09) provides more details of the outstanding debt and liabilities of the City of Morton and summarizes the Town’s debt transactions for the year ended December 31, 2020

NOTE 5 – PENSION PLAN

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under the cost sharing multiple-employer public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both the employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 6- RISK MANAGEMENT

General:

The City of Morton is a member of Association of Washington Cities Risk Management Services Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool 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 AWC RMSA was formed on January 1, 1989 when 32 municipalities 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.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier, and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverages.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the state retention. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property and thereafter purchases excess liability insurance through AIG Insurance Company, from \$1 million to \$10 million. The excess property coverage is purchased through Lexington

with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

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The Interlocal Governmental Agreement was revised in 2009 and approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The specific financials of the AWC RMSA can be seen in the AWC RMSA Annual Report on file with the City of Morton.

CITY OF MORTON
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1 2019 THROUGH DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Morton was incorporated on December 16, 1912, and operates under the laws of the State of Washington, applicable to a non-charter code city, which was adopted on December 1, 1969. The following is a summary of the more significant policies which result in material departures from generally accepted accounting principles.

a. Reporting Entity

The City is a general purpose government and provides police and fire protection, an airport runway for the use of local/non-local pilots, water and sewer utilities, street improvement, parks and recreation, health and social services, and general administrative services. The accounting policies of the City conform to the Budgeting, Accounting and Reporting System (BARS) manual for category 2 Local Governments prescribed by the State Auditor.

b. Basis of Presentation-Fund Accounting

The Accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its fund equity, revenues and expenditures. The City's resources are allocated to and accounted for in individual funds depending on what they are to be spent for and how they are controlled. The following are fund types and account groups used by the City:

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	Category 1	Carrying Value	Market Value
State Treasurer's Inv. Pool			
2019	\$ 215,423	\$ 215,423	\$ 215,423

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**City of Morton
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.81	USDA	12/19/2021	33,347	-	33,347	-
263.87	PW-04-691-048	6/1/2024	126,667	633	32,300	95,000
Total General Obligation Debt/Liabilities:			160,014	633	65,647	95,000
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	DM16-952-016/DWL23667	1/1/2035	1,290,467	12,905	98,936	1,204,436
263.82	EL150031	12/1/2037	365,661	9,813	26,997	348,477
263.82	EL150028	6/30/2039	710,339	19,085	49,099	680,325
264.30	Pension	12/31/2021	-	-	-	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,366,467	41,803	175,032	2,233,238
Total Liabilities:			2,526,481	42,436	240,679	2,328,238

**City of Morton
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.81	USDA	12/19/2021	65,230	2,575	34,458	33,347
Total General Obligation Debt/Liabilities:			65,230	2,575	34,458	33,347
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	PWB#04-691-048	6/1/2024	126,667	792	32,458	95,001
263.82	EL 150031	12/1/2037	382,389	10,270	26,997	365,662
263.82	DM16-952-016	1/1/2035	1,214,279	13,765	99,796	1,128,248
263.82	EL150028	6/30/2039	739,938	20,300	24,550	735,688
264.30	Pension	12/31/2020	-	-	-	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,463,273	45,127	183,801	2,324,599
Total Liabilities:			2,528,503	47,702	218,259	2,357,946

**City of Morton
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						
263.81	USDA	12/19/2021	95,769	3,963	34,458	65,274
Total General Obligation Debt/Liabilities:			95,769	3,963	34,458	65,274
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	PWB#04-691-048	6/1/2024	158,333	950	32,775	126,508
263.82	EL 150031	12/1/2027	398,671	10,715	26,997	382,389
263.82	DM16-952-016	1/1/2035	1,313,000	397	99,118	1,214,279
264.30	Pension	12/31/2019	-	-	-	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,870,004	12,062	158,890	1,723,176
Total Liabilities:			1,965,773	16,025	193,348	1,788,450

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

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- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov