



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

# **Financial Statements Audit Report**

## **City of Snohomish**

**For the period January 1, 2017 through December 31, 2017**

**Published December 27, 2018**

**Report No. 1022745**





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

December 27, 2018

Mayor and City Council  
City of Snohomish  
Snohomish, Washington

**Report on Financial Statements**

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

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of Snohomish  
January 1, 2017 through December 31, 2017**

Mayor and City Council  
City of Snohomish  
Snohomish, 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 Snohomish, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 30, 2018.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

November 30, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Snohomish January 1, 2017 through December 31, 2017

Mayor and City Council  
City of Snohomish  
Snohomish, Washington

### REPORT ON THE FINANCIAL STATEMENTS

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

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

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the City’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Snohomish, for the year ended December 31, 2017, 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 Snohomish, as of December 31, 2017, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## Other Matters

### *Supplementary and Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

November 30, 2018

## **FINANCIAL SECTION**

### **City of Snohomish January 1, 2017 through December 31, 2017**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2017  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017  
Notes to Financial Statements – 2017

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

Schedule of Liabilities – 2017

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>102 Streets</b>	<b>104 Park Impact Fee</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	3,877,642	-	-	288,394
30880	Unreserved	17,940,052	2,443,979	156,174	-
388 / 588	Prior Period Adjustments, Net	(130,424)	27,294	(5,762)	-
<b>Revenues</b>					
310	Taxes	8,730,292	7,137,306	-	-
320	Licenses and Permits	206,119	203,299	-	-
330	Intergovernmental Revenues	1,585,322	218,969	218,569	-
340	Charges for Goods and Services	11,984,139	1,438,143	-	29,350
350	Fines and Penalties	38,728	38,728	-	-
360	Miscellaneous Revenues	699,813	86,855	5,032	1,716
Total Revenues:		<u>23,244,413</u>	<u>9,123,300</u>	<u>223,601</u>	<u>31,066</u>
<b>Expenditures</b>					
510	General Government	2,755,296	2,167,830	-	-
520	Public Safety	3,687,855	3,681,635	-	-
530	Utilities	4,530,039	-	-	-
540	Transportation	2,167,955	-	939,687	-
550	Natural and Economic Environment	558,957	558,957	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	812,895	801,860	-	-
Total Expenditures:		<u>14,512,997</u>	<u>7,210,283</u>	<u>939,687</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		8,731,416	1,913,017	(716,086)	31,066
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,595,605	-	820,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	16	16	-	-
381, 395, 398	Other Resources	30,645	30,645	-	-
Total Other Increases in Fund Resources:		<u>1,626,266</u>	<u>30,661</u>	<u>820,000</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	3,660,764	1,038,584	-	-
591-593, 599	Debt Service	809,790	-	-	-
597	Transfers-Out	1,560,605	855,723	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>6,031,159</u>	<u>1,894,307</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>4,326,523</u></b>	<b><u>49,372</u></b>	<b><u>103,914</u></b>	<b><u>31,066</u></b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	4,981,740	-	-	319,460
5088000	Unreserved	21,032,052	2,520,644	254,326	-
<b>Total Ending Cash and Investments</b>		<b><u>26,013,792</u></b>	<b><u>2,520,644</u></b>	<b><u>254,326</u></b>	<b><u>319,460</u></b>

The accompanying notes are an integral part of this statement.

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

		<u>107 Visitor Promotion</u>	<u>108 PBI A</u>	<u>113 Police Operational Reserve</u>	<u>117 Real Estate Excise Tax</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	12,036	34,257	-	1,318,108
30880	Unreserved	-	-	51,619	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	11,433	-	-	599,345
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	91	25,355	106	6,513
Total Revenues:		<u>11,524</u>	<u>25,355</u>	<u>106</u>	<u>605,858</u>
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	6,220	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	5,200	-	-	-
Total Expenditures:		<u>5,200</u>	<u>-</u>	<u>6,220</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>6,324</u>	<u>25,355</u>	<u>(6,114)</u>	<u>605,858</u>
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	45,382	388,500
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>-</u>	<u>-</u>	<u>45,382</u>	<u>388,500</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>6,324</u></b>	<b><u>25,355</u></b>	<b><u>(51,496)</u></b>	<b><u>217,358</u></b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	18,360	59,612	-	1,535,466
5088000	Unreserved	-	-	123	-
<b>Total Ending Cash and Investments</b>		<b><u>18,360</u></b>	<b><u>59,612</u></b>	<b><u>123</u></b>	<b><u>1,535,466</u></b>

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

		125 Street Impact Reserve	130 Transportation Benefit District	205 Debt Service Fund	310 Municipal Capital Projects
<b>Beginning Cash and Investments</b>					
30810	Reserved	477,551	1,747,297	-	-
30880	Unreserved	-	-	14,463	124,238
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	982,208	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	2,434
340	Charges for Goods and Services	8,736	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,226	10,824	209	1,843
Total Revenues:		10,963	993,032	209	4,277
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	46
Total Expenditures:		-	-	-	46
Excess (Deficiency) Revenues over Expenditures:		10,962	993,032	209	4,231
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	60,723	273,882
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	60,723	273,882
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	252,914
591-593, 599	Debt Service	-	-	60,723	-
597	Transfers-Out	-	180,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	180,000	60,723	252,914
<b>Increase (Decrease) in Cash and Investments:</b>		<b>10,962</b>	<b>813,032</b>	<b>210</b>	<b>25,199</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	488,513	2,560,329	-	-
5088000	Unreserved	-	-	14,673	149,437
<b>Total Ending Cash and Investments</b>		<b>488,513</b>	<b>2,560,329</b>	<b>14,673</b>	<b>149,437</b>

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

		<u>311 Street Improvements</u>	<u>401 Water Utility</u>	<u>402 Wastewater Utility</u>	<u>403 Solid Waste</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	437,667	2,969,582	7,662,004	25,368
388 / 588	Prior Period Adjustments, Net	(90,460)	(30,705)	(22,912)	(36)
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	1,120	1,700	-
330	Intergovernmental Revenues	1,122,075	-	-	-
340	Charges for Goods and Services	-	2,754,739	4,145,519	804,006
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	7,825	234,338	292,887	526
Total Revenues:		<u>1,129,900</u>	<u>2,990,197</u>	<u>4,440,106</u>	<u>804,532</u>
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	2,018,555	1,750,412	669,095
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>-</u>	<u>2,018,555</u>	<u>1,750,412</u>	<u>669,095</u>
Excess (Deficiency) Revenues over Expenditures:		<u>1,129,900</u>	<u>971,642</u>	<u>2,689,694</u>	<u>135,437</u>
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	441,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>441,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,111,155	184,070	732,776	-
591-593, 599	Debt Service	-	-	749,068	-
597	Transfers-Out	-	55,000	36,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>1,111,155</u>	<u>239,070</u>	<u>1,517,844</u>	<u>-</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>459,745</b>	<b>732,572</b>	<b>1,171,850</b>	<b>135,437</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	806,953	3,671,449	8,810,942	160,769
<b>Total Ending Cash and Investments</b>		<b>806,953</b>	<b>3,671,449</b>	<b>8,810,942</b>	<b>160,769</b>

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

	<b>404 Stormwater Utility</b>	<b>501 City Shop</b>	<b>502 Information Services</b>	<b>503 Unemployment Insurance Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	-	-
30880	Unreserved	2,871,187	647,577	339,446
388 / 588	Prior Period Adjustments, Net	(3,256)	(4,044)	(543)
				-
<b>Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	23,275	-	-
340	Charges for Goods and Services	1,325,557	785,436	578,737
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	16,656	3,575	1,947
	Total Revenues:	1,365,489	789,011	580,684
				6,408
<b>Expenditures</b>				
510	General Government	-	166,559	420,906
520	Public Safety	-	-	-
530	Utilities	91,977	-	-
540	Transportation	573,495	594,019	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
	Total Expenditures:	665,472	760,578	420,906
	Excess (Deficiency) Revenues over Expenditures:	700,016	28,432	159,778
				6,407
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	-	-	-
	Total Other Increases in Fund Resources:	-	-	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	298,995	-	42,270
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
	Total Other Decreases in Fund Resources:	298,995	-	42,270
	<b>Increase (Decrease) in Cash and Investments:</b>	<b>401,021</b>	<b>28,432</b>	<b>117,508</b>
				<b>6,407</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	-	-	-
5088000	Unreserved	3,268,951	671,965	456,411
	<b>Total Ending Cash and Investments</b>	<b>3,268,951</b>	<b>671,965</b>	<b>456,411</b>
				<b>4,662</b>

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

		<u>505 Equipment Replacement</u>
<b>Beginning Cash and Investments</b>		
30810	Reserved	-
30880	Unreserved	198,493
388 / 588	Prior Period Adjustments, Net	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	107,531
350	Fines and Penalties	-
360	Miscellaneous Revenues	1,266
Total Revenues:		<u>108,797</u>
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	60,754
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	5,789
Total Expenditures:		<u>66,542</u>
Excess (Deficiency) Revenues over Expenditures:		42,255
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<u>-</u>
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		<u>-</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>42,255</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	240,748
<b>Total Ending Cash and Investments</b>		<b><u>240,748</u></b>

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

		<b>Total for All Funds (Memo Only)</b>	<b>Investment Trust</b>
308	Beginning Cash and Investments	44,140	44,140
388 & 588	Prior Period Adjustment, Net	-	-
310-390	Additions	3,782	3,782
510-590	Deductions	35,425	35,425
	Net Increase (Decrease) in Cash and Investments:	(31,643)	(31,643)
508	Ending Cash and Investments	12,497	12,497

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

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

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

The City of Snohomish was incorporated on June 30, 1890 and operates under the laws of the state of Washington applicable to a Council-Manager form of government from January 1 – November 28, 2017 and a Mayor-Council form of government from November 29, 2017-December 31, 2017. The City is a general purpose local government and provides public safety, street improvements, parks and recreation, municipal utilities (water-sewer-storm water–solid waste) and general administrative services. The City of Snohomish uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

### Debt Service Funds

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

### Capital Projects Funds

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

## PROPRIETARY FUND TYPES:

### Enterprise Funds

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

### Internal Service Funds

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

## FIDUCIARY FUND TYPES:

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

### Agency Funds

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

## B. Basis of Accounting and Measurement Focus

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

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

## C. Budgets

The City adopts annual appropriated budgets for General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Proprietary Funds, and Trust and Agency 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:

**City of Snohomish**  
**Final Appropriations vs. Actual Expenditures**  
**By Fund as of December 31, 2017**

<b>Fund/Department</b>	<b>Final Appropriation</b>	<b>Actual Expenditures</b>	<b>Variance</b>
<b>General Fund</b>			
City Council	232,298	235,494	(3,196)
City Management	1,027,332	1,001,425	25,907
Support Services-Finance	666,123	613,862	52,261
Law Enforcement	3,956,853	3,761,871	194,982
Planning & Permitting	665,947	592,532	73,415
Public Works-Parks	783,984	735,657	48,327
Public Works-Engineering	1,069,199	1,038,584	30,615
Non-Departmental	324,559	344,440	(19,881)
Transfers-Out	780,723	780,723	-
<b>Total General Fund</b>	<b>9,507,018</b>	<b>9,104,588</b>	<b>402,430</b>
<b>Streets Fund</b>	1,051,670	939,687	111,983
<b>Park Impact Fee Fund</b>	-	-	-
<b>Visitor Promotion Fund</b>	11,500	5,200	6,300
<b>PBIA Fund</b>	20,000		20,000
<b>Police Seizures Fund</b>	51,602	51,602	-
<b>REET Fund</b>	388,500	388,500	-
<b>Traffic Impact Fee Fund</b>	-	-	-
<b>Transportation Benefit District</b>	180,000	180,000	-
<b>Debt Service Fund</b>	61,223	60,723	500
<b>Municipal Capital Project Fund</b>	427,776	252,960	174,816
<b>Street Capital Project Fund</b>	1,363,610	1,111,155	252,455
<b>Water Utility Fund</b>	2,601,234	2,257,625	343,609
<b>Wastewater Utility Fund</b>	4,377,587	3,268,256	1,109,331
<b>Solid Waste Fund</b>	765,532	669,095	96,437
<b>Stormwater Fund</b>	1,432,879	964,468	468,411
<b>Fleet/Facilities Fund</b>	921,120	760,578	160,542
<b>Information Services Fund</b>	526,717	463,176	63,541
<b>Self-Insurance Fund</b>	3,000		3,000
<b>Equipment Replacement Fund</b>	83,000	66,542	16,458
<b>Carnegie Restoration Fund</b>	37,900	35,425	2,475

Revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

**D. Cash and Investments**

See Note 2, *Deposits and Investments*.

E. Capital Assets

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

F. Compensated Absences

Annual leave may be accumulated up to 30 days and is payable upon separation or retirement. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 5, *Debt Service Requirements*.

H. Risk Management

The City of Snohomish is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 168 Members.

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

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

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

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the inter-local, WCIA retains the right to

additionally assess the membership for any funding shortfall.

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

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

**I. Reserved Portion of Ending Cash and Investments**

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

Reservation of Ending Cash and Investments consist of:

<b>Fund</b>	<b>Title</b>	<b>Amount</b>	<b>Description</b>
104	Park Impact Fee	\$319,460	Park Capital Improvements
107	Visitor Promotion	\$18,360	Tourism Promotion
108	PBIA	\$59,612	Improvements in the Historic Downtown Business Area
117	Real Estate Excise Tax	\$1,535,466	Capital Improvements
125	Street Impact Reserve	\$488,513	Transportation Capital Improvements
130	Transportation Benefit District	\$2,560,329	Transportation Capital Improvements
	<b>TOTAL</b>	<b>\$4,981,740</b>	

**Note 2 – Deposits and Investments**

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

The City’s deposits are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. The City's deposits and investments are insured, registered or held by the City or it’s agent in the City’s name. Deposits and investments are presented at their cost basis. The City’s Cash and Cash Equivalents at December 31, 2017 are as follows:

<b>Cash &amp; Cash Equivalent Portfolio</b>			
	<b>Total</b>	<b>City</b>	<b>Trust &amp; Agencies</b>
Petty Cash	570	570	
Cash Accounts	8,652,876	8,640,379	12,497
LGIP	15,838,532	15,838,532	
Investment Accounts	1,534,311	1,534,311	
<b>Total Portfolio</b>	<b>26,026,289</b>	<b>26,013,792</b>	<b>12,497</b>

**Note 3 - Property Tax**

The County Treasurer for Snohomish County acts as an agent to collect property taxes levied in their respective county for all taxing authorities. Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after the tax is levied.

The City's regular levy for 2017 was \$.91254470736 per \$1,000 on an overall final assessed valuation of \$1,329,056,407 for a regular levy of \$1,212,823.

There are no City General Obligation bond levies for 2017.

**Note 4 – Debt Service Requirements**

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the City and summarizes the City’s debt transactions for 2017. The debt service payment for the fiscal year being reported (2017) and future payment requirements, including interest, are as follows:

<b>City of Snohomish Debt Service Obligations as of December 31, 2017</b>					
<b>Year</b>	<b>General Obligation Bonds</b>	<b>Interest</b>	<b>Other Debt</b>	<b>Interest</b>	<b>Total Debt</b>
2018	40,000	18,943	715,403	30,087	804,433
2019	45,000	17,123	715,403	26,510	804,036
2020	45,000	15,053	715,403	22,933	798,389
2021	50,000	12,960	715,403	19,356	797,719
2022	50,000	10,560	715,403	15,779	791,742
2023-2027	170,000	16,560	2,215,757	33,425	2,435,742
2028-2031			224,698	1,124	225,822
<b>Totals</b>	<b>400,000</b>	<b>91,199</b>	<b>6,017,470</b>	<b>149,215</b>	<b>6,657,884</b>

**Note 5 – Pension Plans**

Substantially all City full-time and qualifying part-time employees participate in the Public Employees’ Retirement System (PERS) Plans 2 administered by the Washington State Department of Retirement Systems under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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  
 P.O. Box 48380  
 Olympia, WA 98540-8380

At June 30, 2017(the measurement date of the plans) the city’s proportionate share of the collective net pension liabilities, as reported on schedule 9 was as follows:

	Allocation %	Liability (Asset)
<b>PERS 1</b>	0.025222%	1,196,804
<b>PERS 2 and 3</b>	0.032442%	1,127,204
<b>LEOFF 1</b>	0.005360%	(81,323)

**LEOFF Plan 1**

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

**NOTE 6: HEALTH AND WELFARE**

The City of Snohomish is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

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

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

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

subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

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

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

#### **NOTE 7: CONTINGENCIES AND LITIGATION**

As of December 31, 2017, there were damage claims and lawsuits pending against the City. However, management believes, and the City's attorney concurs, neither the potential liability from a single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits would not materially affect the financial condition of the City.

#### **NOTE 8: JOINT VENTURE**

Snohomish Affordable Housing Association

In 2013, the City of Snohomish entered into an Inter-Local Agreement for Inter-Jurisdictional Coordination Related to Affordable Housing initiatives with Snohomish County. Other cities joining the Inter-Local Agreement include Edmonds, Everett, Granite Falls, Lake Stevens, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo and Woodway. The parties have a common goal to establish housing policies and programs provide technical expertise in support of affordable housing goals and to seek opportunities

to leverage resources in support of housing goals in Snohomish County. The agreement creates a joint venture and each party contributes on an annual basis to Snohomish County who serves as the Administrative Agency and Fiscal Agent. A joint board is selected from each party to the agreement and establishes an annual budget and plan of work. Annual contributions for each party will be calculated as a percentage of the entire proposed budget as adopted by the Joint Board. Calculations are based on each party population with a minimum annual contribution of \$1,000. For 2017, the City of Snohomish financial responsibility and contribution is \$1,639 paid from the City's General Fund. A copy of the Inter-Local Agreement, annual budget and annual financial statements, as provided by Snohomish County are available at the Snohomish City Hall. Financial statements pertaining to the Inter-Local Agreement and Fiscal Agent are available through Snohomish County.

#### Snohomish County Police Staff and Auxiliary Service Center (SNOPAC)

The City of Snohomish and other Police and Fire entities (currently 37) operate jointly the Snohomish County Police Staff and Auxiliary Service Center (SNOPAC). SNOPAC, a cash basis special purpose district was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of SNOPAC is with an 11 member Board of Directors which is specified in the Interlocal Agreement. SNOPAC takes 911 calls and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

In the event of the dissolution of SNOPAC, any money in the possession of SNOPAC or the Board of Directors after payment of all costs, expenses, charges validly incurred under this agreement shall be returned to the parties to this agreement in proportion of their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses, and charges validly incurred the City's share was \$130,322 of December 31, 2017.

#### **NOTE 9: OTHER DISCLOSURES**

##### City of Snohomish Proposition No. 2

The Citizens of Snohomish, during the November 8, 2016 election, passed Proposition No. 2 to change the City's form of government from a Council-Manager form to a Mayor-Council form of government. A Mayor was elected to administer the City on November 7, 2017.

##### Prior Period Adjustment

To accurately reflect the cash balances on the financial statements, an adjustment of \$130,424 was made which includes reconciling of prior years' warrants payable, payroll payables, and other miscellaneous liabilities. To remain transparent, although the adjustment is considered immaterial for audit, the City has chosen to report the adjustment.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
251.11	ULMT Bond Rivertrail	7/1/2025	440,000	-	40,000	400,000
	<b>Total General Obligation Debt/Liabilities:</b>		<b>440,000</b>	<b>-</b>	<b>40,000</b>	<b>400,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
264.30	Net Pension Liability		3,769,872	-	1,445,864	2,324,008
259.12	Compensated Absences GO	1/1/2014	207,291	301,187	300,518	207,960
263.82	PWTF Phase 1 CSO	5/1/2027	1,252,631	-	104,386	1,148,245
263.82	PWTF CTED WWTP	7/1/2028	1,443,750	-	120,313	1,323,438
263.82	PWTF Cemetary Creek 1	3/1/2022	330,596	-	55,099	275,497
263.82	PWTF Cemetary Creek 2	5/1/2024	2,895,374	-	361,922	2,533,453
263.82	PWTF Cemetary Creek 3	7/1/2027	810,527	-	73,684	736,842
259.12	Compensated Abs Proprietary	1/1/2014	85,698	150,727	135,017	101,407
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>10,795,738</b>	<b>451,914</b>	<b>2,596,803</b>	<b>8,650,849</b>
	<b>Total Liabilities:</b>		<b>11,235,738</b>	<b>451,914</b>	<b>2,636,803</b>	<b>9,050,849</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>



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

**Accountability Audit Report**  
**City of Snohomish**

**For the period January 1, 2017 through December 31, 2017**

**Published December 27, 2018**

**Report No. 1022744**





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

December 27, 2018

Mayor and City Council  
City of Snohomish  
Snohomish, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, City operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we noted certain matters that we communicated to City management and Mayor and City Council in a letter dated December 6, 2018, related to procurement, safeguarding of assets, and use of restricted funds. We appreciate the City's commitment to resolving those matters.

### About the audit

This report contains the results of our independent accountability audit of the City of Snohomish from January 1, 2017 through December 31, 2017.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved performing procedures to obtain evidence about the City's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the year ended December 31, 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Procurement – public works, purchases, professional services, day labor, and piggybacking
- Safeguarding of theft sensitive assets and capital asset recordkeeping
- Use of restricted funds – building/land use permit revenues and hotel/motel tax revenues
- Self-insurance – unemployment compensation
- Financial condition and fiscal sustainability

## RELATED REPORTS

### **Financial**

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE CITY

The City of Snohomish was established in 1890 and currently serves approximately 10,140 Snohomish citizens. The City provides services including parks and street maintenance, planning and development, water, sewer, storm water and solid waste utilities, law enforcement services and general administrative and financial services.

A council-mayor form of government administers the City with seven elected Council Members and a separately elected Mayor. The City has 50 full-time employees. For fiscal year 2017, the City had total expenditures of \$20.5 million.

### Contact information related to this report

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Contact:	Debbie Burton, Finance Director
Telephone:	(360) 282-3197
Website:	<a href="http://snohomishwa.gov/">http://snohomishwa.gov/</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the City of Snohomish at <http://portal.sao.wa.gov/ReportSearch>.

## 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.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
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<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>