

Washington State Auditor's Office

Audit Report

City of Sultan Snohomish County

Audit Period
January 1, 1999 through December 31, 1999

Report No. 61877

Issue Date
December 22, 2000



Washington _____
State Auditor
_____ Brian Sonntag

Audit Summary

**City of Sultan
Snohomish County
January 1, 1999 through December 31, 1999**

ABOUT THE AUDIT

This report contains the results of our annual independent audit of the City of Sultan for the period January 1, 1999, through December 31, 1999.

We performed procedures to determine whether the City complied with state laws and regulations and its own policies and procedures. We also audited the City's financial statements and evaluated internal controls established by management. Our work focused on specific areas that have potential for abuse and misuse of public resources.

RESULTS

The City complied with state laws and regulations and its own policies and procedures. We did not identify any areas that were significant enough to report as findings.

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Snohomish County
January 1, 1999 through December 31, 1999**

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Description of the City

City of Sultan Snohomish County January 1, 1999 through December 31, 1999

ABOUT THE CITY

The City of Sultan was established in 1905 and serves a population of 3,180. The City encompasses approximately 2.5 square miles in Snohomish County and is administered by a mayor-council form of government. There are five elected Council Members and an elected Mayor. The City's 33 employees provide administrative, planning, water, sewer, police, solid waste collection, and public works services with an annual budget of \$17,860,973 for all funds. The City contracts its library services through the Sno-Isle Regional Library District.

ELECTED OFFICIALS

These officials served during the audit period:

Mayor	Robert Broughton
Council Members:	Carolyn Eslick
	Robert Ostrom
	Jim Porter
	C.H. Rowe
	Mark Tuohy

APPOINTED OFFICIALS

City Administrator/City Attorney	William Trippett
City Attorney	Donald Lyderson (appointed 11/99)
Clerk-Treasurer	Laura Koenig
Chief of Police	Fred Walser

ADDRESS

City	Suite 200
	319 Main Street
	P.O. Box 1199
	Sultan, WA 98294
	(360) 793-2231

Audit Areas Examined

City of Sultan Snohomish County January 1, 1999 through December 31, 1999

In keeping with general auditing practices, we do not examine every portion of the City of Sultan's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the City were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Bid laws and prevailing wage requirements
- Insurance and bonding
- Police Department receipting, citation/infracton controls, and evidence room controls
- Budgets
- Open Public Meetings Act
- Ethics/conflict of interest laws
- Long-term debt

INTERNAL CONTROL

We evaluated the following areas of the City's internal control structure:

- Cash receipts
- Change funds/petty cash
- Billings for utilities
- Cash disbursements
- Payroll

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we audited the following areas:

- Cash and investments
- Expenditures
- Revenue
- Long-term debt
- Overall presentation of the financial statements

FEDERAL PROGRAMS

We evaluated internal controls and tested compliance with the following federal requirements for the City's major federal programs, which are listed in the Federal Summary section of this report:

- Spending of grant funds for allowable purpose
- Financial reporting
- Prevailing wage requirements under the Davis-Bacon Act

Audit Overview

**City of Sultan
Snohomish County
January 1, 1999 through December 31, 1999**

AUDIT HISTORY

The City of Sultan is usually audited every two years, however, an annual audit was required to meet federal single audit requirements. There were two audit findings in the last two audit reports that were resolved. Over the years, audit recommendations have been positively acknowledged and implemented by the City.

CONCLUSIONS

The City complied with state laws and regulations and its own policies and procedures. We did not identify any conditions significant enough to report as findings.

City officials are committed to maintaining a comprehensive framework of internal controls to address its operational effectiveness and efficiency, legal compliance and financial reporting.

We thank City officials and personnel for their assistance and cooperation during the audit.

Status of Prior Audit Findings

City of Sultan Snohomish County January 1, 1999 through December 31, 1999

The status of findings contained in prior audit reports of the City of Sultan is provided below:

Findings this audit: 0
Findings last audit: 1
Number of repeat findings: 0

1. The former City Administrator/Attorney used his position for personal benefit.

Background

During our prior audit, we received a citizen referral alleging that the City Administrator/City Attorney was using his position for personal benefit. The citizen raised a number of issues including misuse of City facilities, equipment, time and resources. We gathered information from the City Administrator's City-owned computers, interviewed City employees and examined certain City financial records. Our audit procedures disclosed that the former City Administrator/City Attorney:

- Operated a private law practice using City facilities, equipment, time and resources.
- Improperly used City-owned computers.
- Incurred inappropriate and/or questionable expenditures to the City.

Status

We consider this finding adequately resolved. The City Administrator/Attorney has left City employment. The City has established policies and procedures to help prevent to reoccurrence of the conditions described above.

Federal Summary

City of Sultan Snohomish County January 1, 1999 through December 31, 1999

The results of our audit of the City of Sultan are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

- We issued an unqualified opinion on the City's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the City.
- We issued an unqualified opinion on the City's compliance with requirements applicable to its major federal programs.
- We reported no findings which are required to be disclosed under OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.
- The City did not qualify as a low-risk auditee under OMB Circular A-133.
- The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.218	HUD Block Grant
16.710	U.S. Department of Justice COPS Fast Program

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with Government Auditing Standards

City of Sultan Snohomish County January 1, 1999 through December 31, 1999

Mayor and City Council
City of Sultan
Sultan, Washington

We have audited the financial statements of the City of Sultan, Snohomish County, Washington, as of and for the year ended December 31, 1999, and have issued our report thereon dated September 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the City complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the City's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the City and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

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

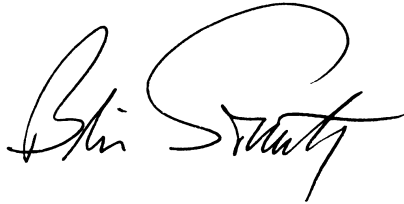
INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Mayor and City Council, and federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large loop at the end of the last name.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 22, 2000

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Sultan
Snohomish County
January 1, 1999 through December 31, 1999**

Mayor and City Council
City of Sultan
Sultan, Washington

COMPLIANCE

We have audited the compliance of the City of Sultan, Snohomish County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. The City's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit in compliance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

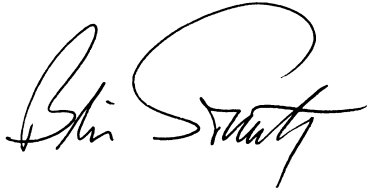
INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low

level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Mayor and City Council, and federal awarding agencies and pass-through entities. 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.

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BRIAN SONNTAG, CGFM
STATE AUDITOR

September 22, 2000

Independent Auditor's Report on Financial Statements

City of Sultan Snohomish County January 1, 1999 through December 31, 1999

Mayor and City Council
City of Sultan
Sultan, Washington

We have audited the accompanying financial statements of the City of Sultan, Snohomish County, Washington, for the year ended December 31, 1999. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

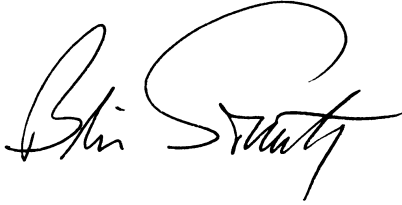
As described in Note 1b to the financial statements, the City prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of the City of Sultan for the year ended December 31, 1999, on the cash basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2000, on our consideration of the City's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local*

Governments, and Non-Profit Organizations. The accompanying Schedule of Long-Term Debt and Schedule of State and Local Financial Assistance are also presented for purposes of additional analysis. These schedules are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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BRIAN SONNTAG, CGFM
STATE AUDITOR

September 22, 2000

Financial Statements

**City of Sultan
Snohomish County
January 1, 1999 through December 31, 1999**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 1999
Notes to Financial Statements – 1999

ADDITIONAL INFORMATION

Schedule of Long-Term Debt – 1999
Schedule of State and Local Financial Assistance – 1999
Schedule of Expenditures of Federal Awards – 1999
Notes to Schedule of Financial Assistance – 1999