



Exit Conference: City of Mercer Island

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Accountability audit for January 1, 2021 through December 31, 2021 – see draft report.
- Financial statement audit for January 1, 2021 through December 31, 2021 – see draft report.

Audit Highlights

- We would like to thank LaJuan Tuttle, Deputy Finance Director, as well as other City staff for their cooperation and timely responses to our requests throughout the audit, especially since the audit was performed in a remote environment.
- We thank the City for its commitment to strengthen the relationship with the Office of the Washington State Auditor.

Recommendations not included in the Audit Reports

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or noncompliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Financial Statement Audit Communication

We would like to bring the following to your attention:

- We did not identify any material misstatements during the audit.
- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements. However, the conditions that led to these misstatements may result in more significant misstatements if not corrected.
- The audit addressed the following risks, which required special consideration:
 - Due to the possibility that management may be able to circumvent certain controls, standards require the auditor to assess the risk of management override.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via email in a .pdf file. We also offer a subscription service that notifies you by email when audit reports are released or posted to our website. You can sign up for this convenient service at <https://portal.sao.wa.gov/SAOPortal>.

Management Representation Letter

We have included a copy of representations received from management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be \$77,400, plus travel costs and actual audit costs will approximate that amount.

Your Next Scheduled Audit

Your next audit started in August 2023 and is in progress. It will cover the following general areas:

- Accountability for public resources
- Financial statement
- Federal programs

The estimated cost for the next audit based on new rates is \$95,900 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

Working Together to Improve Government

Audit Survey

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally, this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation at the Office of the Washington State Auditor offers services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean process improvement, peer-to-peer networking, and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning

how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

Kelly Collins, CPA, CFE, Director of Local Audit, (564) 999-0807, Kelly.Collins@sao.wa.gov

Wendy Choy, Assistant Director of Local Audit, (425) 502-7067, Wendy.Choy@sao.wa.gov

Haji Adams, Audit Manager, (425) 900-5277, Haji.Adams@sao.wa.gov

Lorraine Nitta, Assistant Audit Manager/Audit Lead, (425) 900-5631, Lorraine.Nitta@sao.wa.gov



Office of the Washington State Auditor
Pat McCarthy

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Accountability Audit Report

City of Mercer Island

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

Published (Inserted by OS)

Report No. 1033120



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

Issue Date – (Inserted by OS)

Council
City of Mercer Island
Mercer Island, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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.

Attached is 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 value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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

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AUDIT RESULTS

Results in brief

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

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the City of Mercer Island from January 1, 2021 through December 31, 2021.

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 Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2021, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts payable – general disbursements, credit cards and travel expenditures
- Procurement – public works
- Payroll – gross wages
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

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>.

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INFORMATION ABOUT THE CITY

The City of Mercer Island was incorporated in 1960. The City operates under the council-manager form of government, and has seven council members. The Council elects one of its members to serve a two-year term as Mayor. The Council appoints a City Manager to oversee the City's daily operations as well as its 225 employees.

The City serves approximately 24,000 residents. The City provides a full range of services to the public including general government, public safety, municipal court, street and trails maintenance, utilities maintenance, parks and recreation activities, public improvements, planning and zoning, and youth and family services.

The City is funded by a variety of revenue sources, including property taxes, sales taxes, utility taxes, business taxes, charges for services, and grants. In fiscal year 2021, the City's general fund operating budget was approximately \$30.5 million.

Contact information related to this report	
Address:	City of Mercer Island 9611 S.E. 36th Street Mercer Island, WA 98040
Contact:	LaJuan Tuttle, Deputy Finance Director
Telephone:	(206) 275-7785
Website:	www.mercerisland.gov

Information current as of report publish date.

Audit history

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

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.

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Other ways to stay in touch

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



Office of the Washington State Auditor
Pat McCarthy

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Financial Statements Audit Report

City of Mercer Island

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

Published (Inserted by OS)

Report No. 1033119



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

Issue Date – (Inserted by OS)

Council
City of Mercer Island
Mercer Island, Washington

Report on Financial Statements

Please find attached our report on the City of Mercer Island’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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Americans with Disabilities

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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 Mercer Island January 1, 2021 through December 31, 2021

Council
City of Mercer Island
Mercer Island, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mercer Island, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 5, 2023.

REPORT ON 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) 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control 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*.

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.



Pat McCarthy, State Auditor

Olympia, WA

September 5, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Mercer Island January 1, 2021 through December 31, 2021

Council
City of Mercer Island
Mercer Island, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mercer Island, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mercer Island, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 as a whole 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
- 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2023 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 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

September 5, 2023

FINANCIAL SECTION

City of Mercer Island January 1, 2021 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021

Statement of Activities – 2021

Balance Sheet – Governmental Funds – 2021

Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Funds
– 2021

Statement of Net Position – Proprietary Funds – 2021

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
– 2021

Statement of Cash Flows – Proprietary Funds – 2021

Statement of Fiduciary Net Position – Fiduciary Funds – 2021

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2021

Notes to the Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
– General Fund – 2021

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
– Street Fund – 2021

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
– ARPA Fund – 2021

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, PSERS,
LEOFF 1, LEOFF 2 – 2021

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2 –
2021

GASB 67 Schedule of Changes in Net Pension Liability and Related Ratios – Firefighters
Pension Fund – 2021

GASB 67 Money-Weighted Rate of Return – Firefighters Pension Fund – 2021

GASB 75 Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1
Retiree Medical and Long-Term Care Benefits – 2021

Notes to Required Supplementary Information – 2021

ABOUT THE STATE AUDITOR'S OFFICE

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- Explore public financial data with the [Financial Intelligence Tool](#)

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- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov

**City of Mercer Island
Summary of Uncorrected Items
Fiscal Year 2021**

Description	Statement / Schedule	Opinion Unit
Cash & Investments is understated by \$253,611 This amount represents the City's contribution to ARCH (A Regional Coalition for Housing) that is held in the ARCH Trust Fund account	Statement of Net Position	Governmental Activities
Governmental Activities payroll expenses are overstated by \$402,773 due to the City not performing a year-end accrual for payroll.	Statement of Net Position / Statement of Activities	Governmental Activities
General Fund payroll expenditures are overstated by \$365,585 due to the City not performing a year-end accrual for payroll.	Governmental Funds Balance Sheet / Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance	General Fund
Street Fund payroll expenditures are overstated by \$7,540 due to the City not performing a year-end accrual for payroll.	Governmental Funds Balance Sheet / Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance	Street Fund
ARPA Fund payroll expenditures are understated by \$2,246 due to the City not performing a year-end accrual for payroll.	Governmental Funds Balance Sheet / Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance	ARPA Fund
Capital Improvement Fund payroll expenditures are overstated by \$4,590 due to the City not performing a year-end accrual for payroll.	Governmental Funds Balance Sheet / Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance	Capital Improvement
Water Fund payroll expenses are overstated by \$26,541 due to the City not performing a year-end accrual for payroll.	Proprietary Funds Statement of Net Position / Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position	Water Fund
Sewer Fund payroll expenses are overstated by \$14,716 due to the City not performing a year-end accrual for payroll.	Proprietary Funds Statement of Net Position / Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position	Sewer Fund
Storm Drain Fund payroll expenses are overstated by \$13,447 due to the City not performing a year-end accrual for payroll.	Proprietary Funds Statement of Net Position / Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position	Storm Drain
Aggregate Remaining Fund payroll expenditures/expenses are overstated by \$27,304 due to the City not performing a year-end accrual for payroll.	Governmental Funds Balance Sheet / Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance Proprietary Funds Statement of Net Position / Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position	Aggregate Remaining



September 5, 2023

Office of the Washington State Auditor
40 Lake Bellevue Drive Suite 123
Bellevue, WA 98005

Dear Office of the Washington State Auditor:

We are providing this letter in connection with your audit of City of Mercer Island for the period from January 1, 2021 through December 31, 2021. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

1. We have provided you with unrestricted access to people you wished to speak with and made available all requested and relevant information of which we are aware, including:
 - a. Financial records and related data.
 - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
 - d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
 - e. Related party relationships and transactions.
 - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.

2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.
3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.
6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
7. We have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records, notwithstanding immaterial uncorrected items referenced below.

Additional representations related to the financial statements:

10. We acknowledge our responsibility for fair presentation of financial statements and believe financial statements are fairly presented in conformity with generally accepted accounting principles in the United States of America.
11. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.
12. The financial statements include financial information of the primary government and all component units, fiduciary and other activity required by generally accepted accounting principles to be included in the financial reporting entity.
13. The financial statements properly classify all funds and activities.
14. All funds that meet the quantitative criteria in GASB requirements or are otherwise particularly important to financial statement users, are presented as major funds.
15. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and depreciated as applicable.

16. We have no plans or intentions that may materially affect the reported value or classification of assets, liabilities or net position.
17. Revenues are appropriately classified by fund and account.
18. Expenses have been appropriately classified by fund and account, and allocations have been made on a reasonable basis.
19. Net position components (net investment in capital assets, restricted and unrestricted) and fund balance components (non-spendable, restricted, committed, assigned and unassigned) are properly classified and, as applicable, approved.
20. Significant assumptions we used in making accounting estimates are reasonable.
21. The following have been properly classified, reported and disclosed in the financial statements, as applicable:
 - a. Interfund, internal, and intra-entity activity and balances.
 - b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - c. Joint ventures and other related organizations.
 - d. Guarantees under which the government is contingently liable.
 - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements, and other loss contingencies.
22. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
23. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.
24. We acknowledge our responsibility for the supplementary information required by generally accepted accounting principles in the United States (RSI) and believe RSI is measured and presented within prescribed guidelines.
25. We have disclosed to you all significant changes in the methods of measurement and presentation of RSI, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the RSI.

26. We believe the effects of uncorrected financial statement misstatements summarized in the schedule of uncorrected items provided to us by the auditor are not material, both individually and in the aggregate, to each applicable opinion unit.
27. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.



Jessi Bon
City Manager



LaJuan Tuttle
Deputy Finance Director