

Washington State Auditor's Office
Financial Statements Audit Report

Beacon Hill Sewer District
Cowlitz County

Audit Period
January 1, 2006 through December 31, 2007

Report No. 1000016

Issue Date
November 3, 2008





**Washington State Auditor
Brian Sonntag**

November 3, 2008

Board of Commissioners
Beacon Hill Sewer District
Kelso, Washington

Report on Financial Statements

Please find attached our report on the Beacon Hill Sewer District's financial statements.

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

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Cowlitz County
January 1, 2006 through December 31, 2007**

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

**Beacon Hill Sewer District
Cowlitz County
January 1, 2006 through December 31, 2007**

Board of Commissioners
Beacon Hill Sewer District
Kelso, Washington

We have audited the basic financial statements of the Beacon Hill Sewer District, Cowlitz County, Washington, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 12, 2008.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District'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*.

This report is intended for the information and use of management and the Board of Commissioners. 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 the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 12, 2008

Independent Auditor's Report on Financial Statements

Beacon Hill Sewer District Cowlitz County January 1, 2006 through December 31, 2007

Board of Commissioners
Beacon Hill Sewer District
Kelso, Washington

We have audited the accompanying basic financial statements of the Beacon Hill Sewer District, Cowlitz County, Washington, as of and for the years ended December 31, 2007 and 2006, as listed on page 5. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Beacon Hill Sewer District, as of December 31, 2007 and 2006, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 6 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 12, 2008

Financial Section

**Beacon Hill Sewer District
Cowlitz County
January 1, 2006 through December 31, 2007**

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2007 and 2006

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2007 and 2006

Statement of Revenues, Expenditures and Changes in Net Assets – 2007 and 2006

Comparative Statement of Cash Flows – 2007 and 2006

Notes to Financial Statements – 2007 and 2006

**BEACON HILL SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ending December 31, 2007 and 2006**

MCAG No. 2122

INTRODUCTION

Beacon Hill Sewer District is a public entity established in 1961 to provide wastewater collection and transportation for the Beacon Hill and Columbia Heights areas located just north of the city limits of Longview and Kelso. The Lexington area customers were added to the system in the early 1970's. The District's total service area is bordered by the Cowlitz River to the east, the Longview City limits to the south, Columbia Heights Road to the west and King Road to the north. The District Office is located on SR-411 at 1121 West Side Highway, Kelso, WA 98626.

The District is governed by a three-person Board of Commissioners who are elected by a vote of the customers to serve a six-year term. The Board is the District's policy making and decision making body. State regulatory oversight of the wastewater collection system is by the Washington State Department of Health.

EXECUTIVE SUMMARY

Beacon Hill Sewer District (District) has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions.

The Cowlitz County Auditor's Office audits, processes and mails all expenses for the District. The Cowlitz County Treasurer's Office is the District's custodian for all cash received and all investments. District staff reconciles all revenue and expenses with the monthly reports generated by the Auditor and Treasurer offices.

The Annual Financial Report (AFR) for 2006 and 2007 is in accordance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments" (GASB 34). This statement is intended to provide supplemental information to benefit our ratepayers, regulators and other readers of our AFR.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2007, 2006 and 2005 and our financial performance for the years then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include a statement of net assets, statement of revenues, expenses, and changes in net assets, statement of cash flows and notes to the financial statements.

Statement of Net Assets provides a record, or snapshot, of the assets and liabilities at December 31, 2007 and 2006. It presents the financial position of the District on a full accrual historical cost basis.

Statement of Revenues, Expenses, and Changes in Net Assets presents the results of the business activities for the years ending December 31, 2007 and 2006, and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, and to evaluate profitability and credit worthiness.

The *Statement of Cash Flows* reports cash receipts, cash payments and net changes resulting from operating, financing and investing activities as of December 31, 2007 and 2006.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements provide useful information regarding the District's significant accounting policies, explain significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

RESULTS OF OPERATIONS

Net assets for the District totaled \$5.8 million at December 31, 2007, an increase of 15.6% over the December 31, 2006 balance of \$5.1 million. The 2006 balance increased 2.9% over the December 31, 2005 balance of \$4.9 million.

Condensed Statement of Assets @ December 31

	2007	2006	2005
Current and other assets	\$ 3,400,787	\$ 2,826,823	\$ 2,599,964
Capital Assets, Net of Depreciation	<u>2,646,452</u>	<u>2,599,467</u>	<u>2,354,857</u>
Total assets	\$ 6,047,239	\$ 5,426,290	\$ 4,954,821
Current liabilities	\$ 110,366	\$ 311,372	\$ 179,238
Long Term Liabilities	<u>37,460</u>	<u>14,046</u>	<u>0</u>
Total liabilities	\$ 147,826	\$ 325,418	\$ 179,238
Invested in Capital Assets, Net of related debt	2,621,398	2,599,468	2,990,085
Unrestricted Net Assets	<u>3,278,015</u>	<u>2,501,404</u>	<u>1,785,498</u>
Total liabilities and net assets	\$ 6,047,239	\$ 5,426,290	\$ 4,954,821

Beacon Hill Sewer District Change in Net Assets @ December 31

	2007	2006	2005
Sewer service revenues	\$ 1,620,178	\$ 1,389,535	\$ 1,288,472
Other Revenues	<u>35,397</u>	<u>74,979</u>	<u>123,853</u>
Total Operating Revenues	1,655,575	1,464,514	1,412,326
Sewer treatment expense	620,437	658,356	457,960
General and administrative expenses	617,689	605,071	549,300
Depreciation	<u>148,404</u>	<u>182,212</u>	<u>141,949</u>
Total Operating Expenses	1,386,530	1,445,639	1,149,209
Operating Income	269,045	18,875	263,117
Non-operating Income	<u>698,800</u>	<u>306,415</u>	<u>113,503</u>
Increase in net assets	\$ 967,845	\$ 325,290	\$ 375,556

The District's overall financial position continues to be strong as the customer base and system improvements continue to grow. In June 2006, the Board of Commissioners adopted a rate plan for the period 7/01/06 through 12/31/08. The goal of the rate plan is to allocate revenue for upcoming increases to operating expenses for treatment and to fund capital improvements identified in the comprehensive plan. Sewer service revenues in 2007 reflect the full impact of the \$5.00 per month rate increase implemented on July 1, 2006.

District operations are funded from customer revenues. The District's year end customer base was as follows:

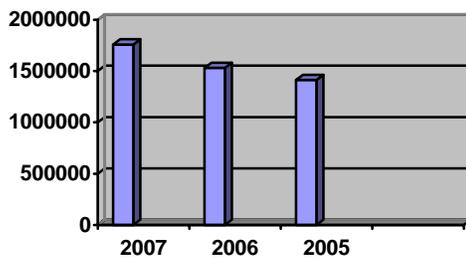
Year	Residential Units	Commercial Units (res equiv)	Metered Accounts (res equiv)	Total Residential Equivalents	Increase
2007	2,414	652	4	3,070	2.0%
2006	2,352	652	4	3,008	1.1%
2005	2,317	652	4	2,973	1.0%

Residential units are single family dwellings based on a flat rate of \$45.00 per month for 1,000 cubic feet of water per residential unit. The 652 commercial units consist of 4 mobile home parks with

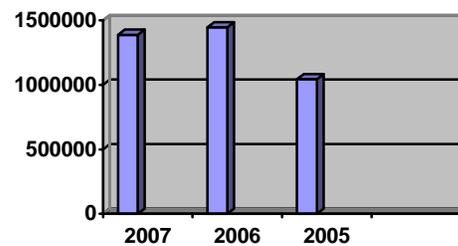
approximately 240 residential units; 4 apartment complexes with approximately 230 residential units and approximately 175 single family residential accounts with monthly electronic fund transfer payments. The 4 metered accounts are comprised of 2 schools and 2 adult care facilities. The sewer service rates for the adult care facilities is one residential equivalent for every 1,000 cubic feet of water metered. The monthly sewer service charge for schools is 1,000 cubic feet of water metered for each of the months October through May and 1/8 of the total of monthly charges for the previous October through May for each of the months June through September.

Treatment costs were decreased for 2007 by approximately \$38,000.00, however, the cost of the December 2006 emergency sinkhole repair, classified as a sewerline repair in 2007, augmented operation expenses by \$169,300.00. The following charts indicate operating revenues and expenses:

OPERATING REVENUES

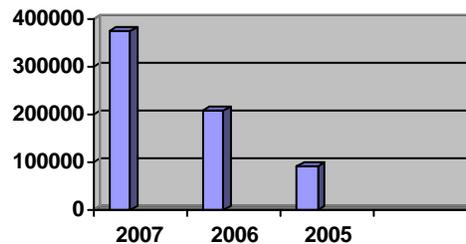


OPERATING EXPENSES



Capital Assets are funded by capital contributions from new sewer service connections and developer's extensions. The following chart indicates capital contributions received over the last three years.

CAPITAL CONTRIBUTIONS



The contributions are indicative of District growth and include donated systems totaling \$143,550.00 and \$273,000.00 in 2006 and 2007, respectively. 2005 donated systems total \$40,000.00.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets. The District's investment for system improvements as of December 31, 2007 total \$2,646,452 (net depreciation). Capital assets additions totaled \$300,898 in 2007. Significant capital asset additions include developer's contributions \$273,000, office building painting project, \$7,826, office computers, \$8,344, and a hoist system, a fire proof safe and employee lockers, \$6,557.

The District's investment for system improvements as of December 31, 2006 total \$2,599,468 (net depreciation). Capital assets increased \$256,684 in 2006. Significant capital asset additions include developer's contributions, \$143,550, pump station building replacement, \$3,254, office furniture, EFT billing module and telephone system, \$9,624, camera equipment, \$34,905, and completion of the District's 20 year comprehensive plan, \$83,384.

The District's investment for system improvements as of December 31, 2005 total \$2,354,857 (net depreciation). Capital assets increased \$106,910 in 2005. Significant capital asset additions include developer's contributions, \$40,000, pump replacement at Louise Street pump station, \$3,382, purchase of a copier/FAX/printer and one office computer, \$9,765 and a portion District's 20 year comprehensive plan, \$51,375.

	2007	2006	2005
Main Sewerlines	\$ 273,000	\$123,570	\$ 40,000
Pump Station Maintenance		3,354	3,382
Office Furniture	9,270	9,624	9,066
Paint Office/Shop Bldg	7,826		
Misc Bldg Maintenance	4,245		
Miscellaneous Equipment	6,557		3,087
Comprehensive Plan		83,383	51,375
Camera Equipment		<u>34,905</u>	
	<u>\$ 300,898</u>	<u>\$254,836</u>	<u>\$106,910</u>

ADDITIONAL COMMENTS

The District is dependent on the Three Rivers Regional Wastewater Authority for the treatment of sewage collected. The Association is governed by a board consisting of the following member entities: Beacon Hill Sewer District, City of Longview, City of Kelso and Cowlitz County. The District's treatment costs are directly related to the treatment plant's budget divided by a percentage of total flow established by entity usage.

Also, on November 20, 2007, Beacon Hill Sewer District (BHSD) entered into an Interlocal Agreement with Public Utility District No. 1 of Cowlitz County (the PUD), for the purpose of transferring the operation and maintenance of the PUD's water system to BHSD, effective January 1, 2008, for a three year Transition Period, with joint oversight by the Board of Commissioners of both the PUD and BHSD; and with the intention of the PUD initiating the process to convey full ownership of the water system to BHSD on or before the expiration date of the Agreement. This change will be both financially and operationally beneficial to both water and sewer customers.

**Beacon Hill Sewer District
STATEMENT OF NET ASSETS
December 31, 2006 and 2007**

MCAG No. 2122

	2007	2006
ASSETS		
Cash	\$ 108,271.79	\$ 35,050.15
Investments-Cash Equivalents	1,079,306.00	1,323,926.87
Receivables	94,412.07	103,869.36
Prepaid Expenses	14,662.49	13,587.48
Other Receivables	21,844.35	6,862.35
Inventories	24,166.81	30,445.45
Total Current Assets	<u>1,342,663.51</u>	<u>1,513,741.66</u>
Investments for Capital Projects	2,058,123.73	1,313,080.97
Capital Assets Not Being Depreciated		
Land	8,224.46	8,224.46
Construction in Progress		169,303.64
Water Utility Feasibility Study	63,793.07	
Capital Assets Net of Accumulated Depreciation:		
Office Bldg & Shop	49,529.41	39,832.99
Pumping Plant & Mains	2,433,492.90	2,286,269.04
Equipment	91,412.11	95,837.75
Total Capital Assets-Net of Accum Depreciation	<u>2,646,451.95</u>	<u>2,599,467.88</u>
Total Assets	<u>6,047,239.19</u>	<u>5,426,290.51</u>
LIABILITIES		
Current Liabilities-Due within One Year:		
Accounts Payable	110,056.71	311,372.29
Accrued Interest Payable	309.35	
Total Current Liabilities	<u>110,366.06</u>	<u>311,372.29</u>
Long Term Liabilities-Due in more than One Year:		
PWTF Loan	24,744.81	
Compensated Balances	12,714.97	14,045.87
Total Long Term Liabilities	<u>37,459.78</u>	<u>14,045.87</u>
Total Liabilities	<u>147,825.84</u>	<u>325,418.16</u>
NET ASSETS		
Invested in Capital Assets, Net of related debt	2,621,397.79	2,599,467.88
Unrestricted	3,278,015.56	2,501,404.47
Total Net Assets	<u>5,899,413.35</u>	<u>5,100,872.35</u>

The Notes to Financial Statements are an integral part of this statement.

**BEACON HILL SEWER DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006**

MCAG No. 2122

	<u>2007</u>	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash Received from Customers	\$ 1,650,050.68	\$ 1,482,033.96
Cash Payments for Goods & Services	(832,414.27)	(894,240.04)
Payments for Personal Services	(449,151.29)	(412,872.77)
<i>NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>	<u>368,485.12</u>	<u>174,921.15</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Miscellaneous Non-Operating Revenue-Permits	2,190.00	1,755.00
<i>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES:</i>	<u>2,190.00</u>	<u>1,755.00</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Connection Fees	101,500.00	64,790.00
Payments for Sewer System Improvements	(245,695.65)	(129,259.85)
Payments received on Note Receivable		1,365.80
Proceeds from PWTF Loan	144,000.00	
Principal Paid on PWTF Loan	(119,255.19)	
Federal Emergency Grant	176,278.58	
<i>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED ACTIVITIES:</i>	<u>56,827.74</u>	<u>(63,104.05)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investments Bought	(3,535,812.54)	(7,465,972.26)
Investments Sold & Maturities	2,790,769.78	7,340,947.95
Interest on Investments	146,140.67	119,627.25
<i>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:</i>	<u>(598,902.09)</u>	<u>(5,397.06)</u>
Net Decrease/Increase in Cash & Cash Equivalents:	(171,399.23)	108,175.04
Cash & Cash Equivalents at beginning of year:	1,358,977.02	1,250,801.98
	<u>1,187,577.79</u>	<u>1,358,977.02</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
OPERATING INCOME (LOSS)	269,044.74	18,875.02
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation Expense	148,404.00	182,212.47
(Increase)/Decrease in Accounts Receivable	9,457.29	24,381.58
(Increase)/Decrease in Inventory	6,278.64	(11,006.90)
(Increase)/Decrease in Prepaid Expenses	(1,075.01)	(1,538.05)
Increase /Decrease) in Accounts Payable	(61,357.51)	(21,869.67)
Increase /Decrease) in Compensated Balances	12,714.97	14,045.87
(Increase)/Decrease in Other Receivables	(14,982.00)	(6,862.35)
Extraordinary Expense		(23,316.82)
<i>TOTAL ADJUSTMENTS</i>	<u>99,440.38</u>	<u>156,046.13</u>
Net Cash Provided by Operating Activities:	<u>\$ 368,485.12</u>	<u>\$ 174,921.15</u>
<u>Non cash investing, capital and financing activities</u>		
Developers Contributions to Plant	273,000.00	143,550.00

The Notes to Financial Statement are an integral part of this statement.

BEACON HILL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2006 thru DECEMBER 31, 2007

These notes are an integral part of the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Beacon Hill Sewer District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The District has elected to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 to the extent that it does not conflict with or contradict guidance of the Governmental accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement 34, Basic Financial Statement and Management Discussion and Analysis for State and Local Governments. The 2006 and 2007 financial statements were prepared in accordance to generally accepted accounting principals-Statement 34. The following is a summary of the District's most significant policies.

A. Reporting Entity

Beacon Hill Sewer District is a municipal corporation governed by an elected three member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The District has no component units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for at the time the debt is incurred.

Beacon Hill Sewer District operated on a proprietary type fund basis. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the district is charges to customers for sewer service. Operating expenses for the District include costs for plant operations and maintenance, collection, administrative expenses, supplies, contractual services and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District recognizes the amounts collected for new connections to the system as non-operating revenue.

C. **ASSETS, LIABILITES AND NET ASSETS**

1. ***Deposits and Investments***

The District's cash and cash equivalents are considered to be cash on hand and short term investments with original maturities of three months or less from the date of acquisition.

2. ***Receivables and Payables***

Customer accounts receivable consists of amounts owned for goods and services. Delinquent receivables are secured by liens against the serviced property; therefore there are no accounts "written off" as uncollectable. The District's policy is to begin foreclosure proceedings on sewer service accounts with balances in excess of \$4,000.00.

Other receivables consist of Federal Emergency Management Grant for 2007 and inspection fees owed from developers on sewerlines installed.

Accounts payable represents amounts for good and services received by the district through year end that will be paid in January of the following fiscal year.

3. Inventories and Prepaid Items

Inventories, or materials and supplies on hand, are valued at cost which approximates the market value, using FIFO, first-in, first out method.

Prepaid Expense represents payments for insurance and similar services extending to future periods.

4. Capital Assets

Capital assets include land, office site, pumping plant, mains and equipment. These assets are capitalized if their asset value is \$500.00 or more and an estimated useful life of 3 years or more. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

Capital assets are recorded at historical cost. Where historical cost is not known, assets are recorded at estimated historical cost. Donations by developers and customers are recorded at the contract price or donor cost or appraised value at the date the asset was received by the District.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of assets constructed.

Capital assets are depreciated using the straight-line method. Estimated useful lives are as follows;

<u>Asset</u>	<u>Years</u>
Office and Shop Bldg	3-50
Pumping Plant & Mains	10-33
Equipment	3-15

5. Restricted Net Assets-None

The District presently has no restricted assets.

However, connection fees received from new customers are placed in a special fund and are "intended" to be used for capital purposes, but are not restricted. In 2007, the District transferred \$572,264 from the operating fund to the capital reserve fund.

These funds are shown on the Statement of Net Assets as:

	<u>2007</u>	<u>2006</u>
Investments for Capital Assets	2,058,123.73	1,313,080.97

6. Compensated Absences

The District recognizes vacation benefits when earned. Vacation is earned in amounts varying from twelve (12) days after the first year to twenty-two (22) days after 18 years of service. It may accumulate to a total of thirty (30) days. Sick leave is granted at the rate

of one working day per month and may accumulate to a total of one hundred fifty (150) days. An employee separated from employment due to retirement, or termination short of retirement age, except for due cause, shall be compensated one hundred (100) percent of his/her sick leave up to a maximum of ninety days, provided they have completed ten (20) 10 years of service.

7. Investments

All investments are in the custody of the Cowlitz County Treasurer. As required by state law, investments of the district’s funds are obligations of the U.S. Government, the State Treasurer’s Investment Pool, bankers’ acceptances, certificates, government agencies or deposits with Washington State Banks. As such, all District investments are entirely covered by federal depository insurance (FDIC) or by collateral administered by the Washington Public Deposit Protection Commission (PDPC). The Cowlitz County Treasurer governs all District cash and investments, and sets policies for credit risks or interest rate risks for which the District complies. District investments are stated at cost approximates market value.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

The District’s deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All District investments are in the custody of the Cowlitz County Treasurer. At December 31, 2007 all investments of the District were in certificates of deposit.

At December 31, 2006 the only investment, other than certificates of deposit, that requires investment disclosure was:

	Maturity Weighted <u>Average Days</u>	<u>Fair Value</u>
US Government Securities	185	\$1,323,927

All District investments are in the custody of the Cowlitz County Treasurer.

Interest Rate Risk –The County does not have a formal written investment policy that limits the investment maturities as a mean of limiting exposure to fair value losses arising from increasing interest rates. However, the District has held investments to maturity therefore not being subject to loss due to current market values.

Credit Risk – State law limits investments to obligations of the U.S. Government, the State Treasurer’s Investment Pool, banker’s acceptances, deposits with Washington State banks and savings and loan institutions and certain other governmental obligations. The County’s investment policy does not further limit its investment choices.

NOTE 3 – CAPITAL ASSETS (UTILITY PLANT & DEPRECIATION)

Capital Assets are defined by the District as assets with initial individual cost of more than \$500.00 and an estimated useful life in excess of 3 years. Major expenses for capital assets including major repairs that increase useful lives are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

Utility plant in service and other capital assets are recorded at cost where the historical cost is known. Where historical cost is not known, assets are recorded at estimated historical cost. Donations by developers and customers are recorded at the contract price or donor cost or appraised value at the date the asset was received by the District. The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. Contributions from developers and customers are recorded at the contract price or donor cost or appraised value at the date the asset was received by the District. The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation.

Depreciation is computed on the straight-line method with useful lives of 3 to 50 years and a minimum threshold set at \$500.00. Initial depreciation on utility plant is recorded in the year subsequent to purchase. The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation.

Capital Asset activity for the years ended December 31, 2007 and 2006 was as follows:

Capital Asset Activity for 2007

	2007 Beginning Balance	Increase	Decrease	2007 Ending Balance
Utility Plant not being Depreciated				
Land	8,224.46			8,224.46
Water System Study		63,793.07		63,793.07
Construction in Progress	169,303.64		169,303.64	-
Total Utility Plant Not Dep	177,528.10	63,793.07	169,303.64	72,017.53
Utility Plant on Depreciation:				
Office Site	119,049.80	12,071.50		131,121.30
Pumping Plant & Mains	5,162,723.99	273,000.00		5,435,723.99
Equipment	326,814.02	15,827.14	12,124.45	330,516.71
Total Utility Plant on Depreciation	5,608,587.81	300,898.64	12,124.45	5,897,362.00
Less Accum Depreciation:				
Office Site	79,216.81	2,375.08		81,591.89
Pumping Plant & Mains	2,876,454.95	125,776.14		3,002,231.09
Equipment	230,976.27	20,252.78	12,124.45	239,104.60
Total Accum Depreciation	3,186,648.03	148,404.00	12,124.45	3,322,927.58
Total Utility Plant Net of Depreciation	2,421,939.78	152,494.64	-	2,574,434.42
TOTAL UTILITY PLANT, NET	2,599,467.88	216,287.71	169,303.64	2,646,451.95

Capital Asset Activity for 2006

	2006 Beginning Balance	Increase	Decrease	2006 Ending Balance
Utility Plant not being Depreciated				
Land	8,224.46			8,224.46
Construction in Progress		169,303.64		169,303.64
Total Utility Plant Not being Dep	8,224.46	169,303.64	-	177,528.10
Utility Plant on Depreciation:				
Office Site	119,049.80			119,049.80
Pumping Plant & Mains	4,952,516.32	210,207.67		5,162,723.99
Equipment	285,422.95	47,311.86	5,920.79	326,814.02
Total Utility Plant on Depreciation	5,356,989.07	257,519.53	5,920.79	5,608,587.81
Less Accum Depreciation:				
Office Site	76,660.49	2,556.32		79,216.81
Pumping Plant & Mains	2,722,953.46	153,501.49		2,876,454.95
Equipment	210,742.40	26,154.66	5,520.79	230,976.27
Total Accum Depreciation	3,010,356.35	182,212.47	5,920.79	3,186,648.03
Total Utility Plant Net of Depreciation	2,346,632.72	75,307.06	-	2,421,939.78
TOTAL UTILITY PLANT, NET	2,354,857.18	244,610.70	-	2,599,467.88

Construction in Progress

Construction in progress at year end 2006 represents expenditures for the Early Bird Drive/West Side Highway interceptor failure project. It was determined in 2007 that the project should have been charged to repairs for the damaged sewerline. A prior period adjustment was made to correct this entry.

<u>Construction in Progress</u>	<u>Expenditures through 12/31/06</u>	<u>Remaining Commitment</u>
Interceptor	\$169,304	\$13,655

The District initially used funds on hand for the remaining commitment. Eventually, the District was reimbursed approximately 75% of the total cost.

NOTE 4 – JOINT VENTURE

In 1996 the District entered into an interlocal agreement with Cowlitz County, City of Kelso and City of Longview, to form the Three Rivers Regional Waste Water Authority. The TRRWA was created so that the participating entities can equitably share in the operations and improvements of the central sewage treatment facility. The TRRWA is governed by a four member board. This board is made up of an appointed representative from each jurisdiction. Each entity is obligated to make monthly payments to the TRRWA based on the following criteria: TRRWA formulates its preliminary annual budget by the last working day in September each year. Each entity's representative then submits its proportionate share of TRRWA's budget to their respective jurisdiction for incorporation of the entity's enterprise fund budget. Expenses for maintenance and operations, repairs and replacements to existing facilities, and debt service are funded by the participating entities based on their proportionate share of flow to the Facilities as determined by the TRWWA. Capital improvements to the Facility are funded by System Development Charges by each entity's sewage utility fund or in proportion to each jurisdictions respective flow to the facilities. Payments made to TRRWA by the District in 2006 and 2007 \$658,437.00 and \$621,437.00 respectively.

This agreement may not be terminated so long as there remains outstanding any bonds or other debt or loan obligations payable from TRRWA rates described above. Upon termination of the agreement, each entity's interest in the net assets shall be deemed to be equal to their proportionate share of payments over the then previous 12 calendar months. Complete financial statements for the TRRWA can be obtained from the TRRWA at 207 4th Avenue North, Kelso, WA 98626.

NOTE 5 – LONG TERM DEBT & LIABILITIES

In early 2007 the District obtained a 20 year Public Works Trust Fund Loan, with an interest rate of 3%, from the Washington State Public Works Board for repair of the Lexington Interceptor Failure project which resulted from a storm event on 11/21/06. The District received a total of \$144,000.00 in loan monies.

During the year ended December 31, 2007, the following changes occurred in long-term liabilities:

	Beginning Balance 1/01/07	Additions	Reductions	Ending Balance 12/31/07
PWTF Loan	\$ 0.00	\$144,000.00	\$119,255.19	\$24,744.81
Compensated Absences	<u>14,045.87</u>	<u>26,404.30</u>	<u>27,735.20</u>	<u>12,714.97</u>
	\$14,045.87	\$170,404.30	\$146,990.39	\$37,459.78

Due within one year: \$2,375.09

During the year ended December 31, 2006, the following changes occurred in long-term liabilities:

	Beginning Balance 1/01/06	Additions	Reductions	Ending Balance 12/31/06
Compensated Absences	\$13,586.46	\$22,906.78	\$22,447.36	\$14,045.87

The annual requirements to amortize all debts outstanding as of December 31, 2007, including interest are as follows:

Fiscal Year Ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$	\$
2008		2,375.09	2,375.09
2009	1,302.36	742.34	2,044.70
2010	1,302.36	703.27	2,005.63
2011	1,302.36	664.20	1,966.56
2012	1,302.36	625.13	1,927.49
2013-2027	19,535.37	4,688.49	24,223.86

NOTE 6 – PENSION PLANS

Substantially all Beacon Hill Sewer District full time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers.

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges; college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. Plan 1 retirement from inactive status prior to the age of 65 may receive actuarially reduced benefits. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index), capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of two percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent

per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1,188 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	70,201
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	25,610
Active Plan Members Vested	105,215
Active Plan Members Nonvested	<u>49,812</u>
Total:	250,838

Funding Policy

Each Biennium the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government employees and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2007, were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	6.13%**	6.13%	6.13%***
Employee	6.00%***	4.15%	*****

*The employer rates include the employer administrative expense fee currently set at 0.16%.
 ** The employer rate for state elected officials is 9.12% for Plan 1 and 6.13% for Plan 2 and Plan 3
 ***Plan 3 defined benefit portion only
 ****The employee rate for state elected officials is 7.50% for Plan 1 and 4.15% for Plan 2
 *****Variable from 5.0% minimum to 15% maximum based on rate selected by the PERS 3 member.

Both the district and the employees made the required contributions. The District's covered retirement payroll for years ending December 31, 2006 and December 31, 2007 were \$311,901.21 and \$333,332.80, respectively. The District's required contributions for the years ended December 31 were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
<u>2007</u>	\$60.60	\$9,591.85	\$ 7,270.06
<u>2006</u>	\$28.33	\$7,311.93	\$ 1,991.52
<u>2005</u>	\$2,309.52	4,020.99	\$ 737.90

NOTE 7 – RISK MANAGEMENT

The District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions on Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 65 members. The Pool's fiscal year is November 1st through October 31st.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group purchased insurance coverage for its members: Property (including Building, Electronic Data Processing, Boiler & Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability; Crime; Public Officials Liability; Identity Fraud Reimbursement Program; and bonds of various types. All coverages are on an "occurrence" basis.

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters which are subject to a per occurrence deductible or self-insured retention as follows: General Liability of \$200,000.00 (including general liability, Public Officials Liability and Automobile Liability; additional \$50,000.00 per occurrence corridor insurance in excess of \$250,000.00); Property Insurance of \$25,000.00 (except earthquake and flood which is subject to a deductible of 5% of the values at risk at the time of the loss subject to a minimum of \$100,000.00. For flood, those properties NOT located in NFIP Flood Zones A and V are subject to a \$100,000.00 deductible while those properties located in NFIP Flood Zones A and V are subject to a \$250,000.00 deductible); Boiler and Machinery which is \$25,000.00; and Crime which is \$15,000.00 per occurrence. Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention. The insurance carriers then cover the loss to the maximum limit of the policy. Each Beacon Hill Sewer District Notes to Financial Statements –December 31, 2007 member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims).

Upon joining, the members contract to remain in the Pool one full policy period. Following completion of one full policy period, members must give six months notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2008, written notice must be in the Pool possession by April 30, 2008). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is governed by a Board of Directors which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting, and is responsible for conducting the business affairs of the Pool and providing direction to the Pool's Executive Director. The District presently has no claims outstanding.

NOTE 8 – PRIOR PERIOD ADJUSTMENTS

Repair of the District's main interceptor failure located at the intersection of Early Bird Drive and Westside Highway, occurring in late November 2006, was completed in early 2007. The project was disclosed as Construction in Progress on the 2006 Financial Statements, \$169,303.64, but the classification was changed in 2007 to a sewer system repair and the expense was moved to the maintenance category of collection and transmission.

NOTE 9 – SUBSEQUENT EVENT

Cowlitz PUD. On November 20, 2007, Beacon Hill Sewer District (BHSD) entered into an Interlocal Agreement with Public Utility District No. 1 of Cowlitz County Washington (the PUD), effective January 1, 2008. The Agreement provides a mechanism for an orderly transfer of the operation and maintenance of the water system from Cowlitz PUD to BHSD under joint oversight by the Boards of Commissioners of both the PUD and BHSD; for a three year transition period with the intention of the parties, should the parties elect to complete the transfer, whereby the PUD will convey full ownership of the water system to BHSD on or before December 31, 2012. Should ownership be transferred to BHSD it will be in exchange for a pledge to continue to operate the Water System for the benefit of current and future customers and to accept both the assets and the liabilities of the system as they exist at the time of the transfer. In the interim, BHSD accepts responsibility for water utility accounting, water service billing, and physical operation and maintenance of the water assets. Should the Agreement be terminated under its terms and conditions without the parties having reached agreement for final conveyance of the assets and liabilities of the Water System to BHSD, the Cowlitz PUD will resume full responsibility of the Water System.

The financial benefits due to added efficiencies and shared overhead will benefit BHSD customers. Overhead items such as shared equipment, property, wages and benefits and utilities are split between the two utilities as a percentage of the entire cost based upon how many customers are served by each utility. This will result in a budgeted savings of approximately 30% in 2008 for the sewer utility. We will be able to save \$41,000 alone on the new billing system needed by the District due to cost sharing. Overall, the savings to the District will allow BHSD to cancel a projected 5% rate increase for sewer service that was to be implemented in January of 2008.

Sanitary Sewer Overflow. At approximately 12:00 pm on March 11, 2008, staff was overseeing a contractor cleaning the wet in our Nevada Drive pump stations. It was necessary for staff to plug the incoming lines to the pump station for the cleaning contractor in order to extract material from the wet well. The cleaning took longer than anticipated and BHSD staff underestimated how long the line could remain plugged. As the result, a nearby business, Air Pro Heating & Cooling, reported they had sewer backup in their building. Upon inspection, it was determined that sewage flowed into their warehouse through the toilet, through the wall from a manhole located just outside of the building and into an adjacent retail building through a floor drain.

After receiving reports and drawings from the cleaning contractor, it appears that less than 200 gallons flowed into the building, the material had no visible solids and the effluent was contained to an approximate 12'x11' area at the lowest point of the building.

The District is insured through, and turned this incident over to, the Water and Sewer Risk Management Pool, 1750 112th Avenue, Suite B-215, Bellevue, WA 98004. Pool members are responsible for a deductible and the Pool is responsible for the remainder of the self-insured retention. The insurance carriers then cover the loss to the maximum limit of the policy. The District has a \$5 thousand per occurrence deductible and \$10 million liability coverage with the Pool. The District's total liability portion of this incident is a per occurrence deductible, or \$5,000.00. It is not anticipated that \$10 million liability coverage will be executed will be executed by the property damage claim.



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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular 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. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

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