

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**City of Snohomish**  
**Snohomish County**

Audit Period  
**January 1, 2007 through December 31, 2007**

**Report No. 1000828**

Issue Date  
**March 16, 2009**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

March 16, 2009

Council  
City of Snohomish  
Snohomish, Washington

***Report on Financial Statements***

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

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

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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Snohomish County  
January 1, 2007 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*

**City of Snohomish  
Snohomish County  
January 1, 2007 through December 31, 2007**

Council  
City of Snohomish  
Snohomish, Washington

We have audited the financial statements of the City of Snohomish, Snohomish County, Washington, as of and for the year ended December 31, 2007, and have issued our report thereon dated January 28, 2009.

We conducted our audit 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 audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City'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 City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

This report is intended for the information and use of management and the Council. 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

January 28, 2009

# Independent Auditor's Report on Financial Statements

## **City of Snohomish Snohomish County January 1, 2007 through December 31, 2007**

Council  
City of Snohomish  
Snohomish, Washington

We have audited the accompanying financial statements of the City of Snohomish, Snohomish County, Washington, for the year ended December 31, 2007. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Snohomish, for the year ended December 31, 2007, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued our report 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 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 audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Debt is presented for purposes of additional analysis as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

January 28, 2009

# Financial Section

**City of Snohomish  
Snohomish County  
January 1, 2007 through December 31, 2007**

## ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2007  
Notes to the Financial Statements – 2007

## ***SUPPLEMENTAL INFORMATION***

Schedule of Long-Term Debt – 2007

**City of Snohomish**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
**For the Year Ended December 31, 2007**

BARS CODE		Current Expense 001		Street Fund 102	
		Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$972,975	\$1,089,071	\$38,365	\$38,365
<b>Revenues and Other Sources</b>					
310	Taxes	5,683,815	6,335,166	2,500	0
320	Licenses and Permits	458,850	452,206	0	0
330	Intergovernmental	158,615	250,448	245,010	244,404
340	Charges for Goods and Services	352,355	1,001,870	0	0
350	Fines and Forfeits	163,000	209,374	0	0
360	Miscellaneous	27,500	100,821	500	6,802
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	683,935	55,371	319,563	319,563
<b>Total Revenues and Other Sources</b>		7,528,070	8,405,257	567,573	570,770
<b>Total Resources</b>		8,501,045	9,494,328	605,938	609,135
Operating Expenditures:					
510	General Government	2,245,231	2,243,403	0	0
520	Public Safety	3,351,606	3,164,733	0	0
530	Physical Environment	978,659	1,003,568	0	0
540	Transportation	0	0	586,222	488,045
550	Economic Environment	553,425	522,778	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreation	415,394	387,451	0	0
<b>Total Operating Expenditures</b>		7,544,315	7,321,934	586,222	488,045
591-593	Debt Service				
594-595	Capital Outlay				
<b>Total Expenditures</b>		7,544,315	7,321,934	586,222	488,045
597-599	Other Financing Uses	609,262	543,853	5,420	5,420
<b>Total Expenditures and Other Uses</b>		8,153,577	7,865,787	591,642	493,465
<b>Excess (Deficit) of Resources Over Uses</b>		347,468	1,628,541	14,296	115,669
380	Nonrevenues (Except 384 and 388.80)		136,643		
580	Nonexpenditures (Except 584 and 588.80)				
<b>Ending Net Cash and Investments</b>		\$347,468	\$1,765,184	\$14,296	\$115,669

*The Accompanying Notes Are An Integral Part Of This Statement.*

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
For the Year Ended December 31, 2007

BARS CODE		Real Estate Excise Res. 117		Street Impact Fee Res. 125	
		Budget	Actual	Budget	Actual
		<b>Beginning Net Cash and Investments</b>		\$1,192,505	\$1,112,206
<b>Revenues and Other Sources</b>					
310	Taxes	700,000	409,055	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	0	0	0
340	Charges for Goods and Services	0	0	378,000	338,795
350	Fines and Forfeits	0	0	0	
360	Miscellaneous	17,000	22,180	13,000	8,147
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	0	0	0	0
<b>Total Revenues and Other Sources</b>		717,000	431,236	391,000	346,942
<b>Total Resources</b>		1,909,505	1,543,442	438,500	409,039
Operating Expenditures:					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Physical Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreation	0	0	0	0
<b>Total Operating Expenditures</b>		0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Outlay	0	0	0	0
<b>Total Expenditures</b>		0	0	0	0
597-599	Other Financing Uses	1,785,000	1,420,000	140,000	185,000
<b>Total Expenditures and Other Uses</b>		1,785,000	1,420,000	140,000	185,000
<b>Excess (Deficit) of Resources Over Uses</b>		124,505	123,442	298,500	224,039
380	Nonrevenues (Except 384 and 388.80)	0	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>		\$124,505	\$123,442	\$298,500	\$224,039

*The Accompanying Notes Are An Integral Part Of This Statement.*

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
 For the Year Ended December 31, 2007

BARS CODE		Rivertrail Construction 303		Municipal Capital Projects 310	
		Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$140,000	\$371,599	\$0	\$0
<b>Revenues and Other Sources</b>					
310	Taxes	0	0	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	302,504	625,000	41,036
340	Charges for Goods and Services	0	0	0	0
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	0	14,361	0	8,541
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	0	0	840,000	537,562
<b>Total Revenues and Other Sources</b>		0	316,865	1,465,000	587,139
<b>Total Resources</b>		140,000	688,464	1,465,000	587,139
Operating Expenditures:					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Physical Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreation	0	0	0	0
<b>Total Operating Expenditures</b>		0	0	0	0
591-593	Debt Service	0	607,256	0	0
594-595	Capital Outlay	140,000	250	1,465,000	322,709
<b>Total Expenditures</b>		140,000	607,506	1,465,000	322,709
597-599	Other Financing Uses	0	0	0	0
<b>Total Expenditures and Other Uses</b>		140,000	607,506	1,465,000	322,709
<b>Excess (Deficit) of Resources Over Uses</b>		0	80,958	0	264,431
380	Nonrevenues (Except 384 and 388.80)		0	0	0
580	Nonexpenditures (Except 584 and 588.80)		0	0	0
<b>Ending Net Cash and Investments</b>		\$0	\$80,958	\$0	\$264,431

*The Accompanying Notes Are An Integral Part Of This Statement.*

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
For the Year Ended December 31, 2007

BARS CODE		Street Capital Projects 311		Water 401	
		Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$0	\$0	\$99,520	\$99,673
<b>Revenues and Other Sources</b>					
310	Taxes	0	0	0	0
320	Licenses and Permits	0	0	12,000	4,410
330	Intergovernmental	60,000	0	0	43,601
340	Charges for Goods and Services	0	0	1,713,900	1,587,366
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	0	22,926	38,800	35,652
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	810,000	1,275,000	0	0
<b>Total Revenues and Other Sources</b>		870,000	1,297,926	1,764,700	1,671,029
<b>Total Resources</b>		870,000	1,297,926	1,864,220	1,770,702
Operating Expenditures:					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Physical Environment	0	0	1,758,471	1,465,987
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreation	0	0	0	0
<b>Total Operating Expenditures</b>		0	0	1,758,471	1,465,987
591-593	Debt Service	0	0	0	0
594-595	Capital Outlay	870,000	660,368	0	0
<b>Total Expenditures</b>		870,000	660,368	1,758,471	1,465,987
597-599	Other Financing Uses	0	0	0	173,244
<b>Total Expenditures and Other Uses</b>		870,000	660,368	1,758,471	1,639,231
<b>Excess (Deficit) of Resources Over Uses</b>		0	637,558	105,749	131,470
380	Nonrevenues (Except 384 and 388.80)	0	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>		\$0	\$637,558	\$105,749	\$131,470

*The Accompanying Notes Are An Integral Part Of This Statement.*

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
For the Year Ended December 31, 2007

BARS CODE		Sewer Operation 402		Solid Waste 403	
		Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$150,897	\$134,452	\$128,500	\$54,699
<b>Revenues and Other Sources</b>					
310	Taxes	0	0	0	0
320	Licenses and Permits	3,500	1,500	0	0
330	Intergovernmental	35,000	7,512	0	0
340	Charges for Goods and Services	2,262,000	2,155,475	1,157,690	1,213,262
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	5,000	9,613	2,500	2,150
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	0	85,000	0	0
<b>Total Revenues and Other Sources</b>		2,305,500	2,259,099	1,160,190	1,215,412
<b>Total Resources</b>		2,456,397	2,393,551	1,288,690	1,270,111
Operating Expenditures:					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Physical Environment	2,276,867	1,897,572	1,288,880	1,218,876
540	Transportation	0	148	0	0
550	Economic Environment	0	0	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreation	0	0	0	0
<b>Total Operating Expenditures</b>		2,276,867	1,897,720	1,288,880	1,218,876
591-593	Debt Service	0	0	0	0
594-595	Capital Outlay	0	0	0	0
<b>Total Expenditures</b>		2,276,867	1,897,720	1,288,880	1,218,876
597-599	Other Financing Uses	0	361,456	0	0
<b>Total Expenditures and Other Uses</b>		2,276,867	2,259,176	1,288,880	1,218,876
<b>Excess (Deficit) of Resources Over Uses</b>		179,530	134,376	0	51,236
380	Nonrevenues (Except 384 and 388.80)	0	1,425	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	(12,000)	0	0
<b>Ending Net Cash and Investments</b>		\$179,530	\$123,801	\$0	\$51,236

*The Accompanying Notes Are An Integral Part Of This Statement.*

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
For the Year Ended December 31, 2007

BARS CODE		Storm Drainage Fund 404		Utility Capital Projects 432	
		Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$212,800	\$228,607	\$0	\$0
<b>Revenues and Other Sources</b>					
310	Taxes	0	0	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	410	0	0
340	Charges for Goods and Services	436,769	572,245	0	0
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	2,500	16,824	0	54,467
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	0	0	2,868,000	1,841,000
<b>Total Revenues and Other Sources</b>		439,269	589,480	2,868,000	1,895,467
<b>Total Resources</b>		652,069	818,087	2,868,000	1,895,467
Operating Expenditures:					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Physical Environment	0	1,129	0	0
540	Transportation	625,375	267,078	0	0
550	Economic Environment	0	0	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreation	0	0	0	0
<b>Total Operating Expenditures</b>		625,375	268,207	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Outlay	0	0	2,868,000	752,588
<b>Total Expenditures</b>		625,375	268,207	2,868,000	752,588
597-599	Other Financing Uses	0	350,000	0	0
<b>Total Expenditures and Other Uses</b>		625,375	618,207	2,868,000	752,588
<b>Excess (Deficit) of Resources Over Uses</b>		26,694	199,880	0	1,142,880
380	Nonrevenues (Except 384 and 388.80)	0	0	0	750,000
580	Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>		\$26,694	\$199,880	\$0	\$1,892,880

*The Accompanying Notes Are An Integral Part Of This Statement.*

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
For the Year Ended December 31, 2007

BARS CODE		Trunkline 433		Utility System Replace 473	
		Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$3,728,000	\$29	\$3,046,000	\$1,556,658
<b>Revenues and Other Sources</b>					
310	Taxes	0	0	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	0	0	0
340	Charges for Goods and Services	175,000	174,483	469,500	152,206
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	0	20,057	160,000	97,273
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	1,258,450	1,100,000	800,000	800,000
<b>Total Revenues and Other Sources</b>		1,433,450	1,294,540	1,429,500	1,049,479
<b>Total Resources</b>		5,161,450	1,294,569	4,475,500	2,606,137
Operating Expenditures:					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Physical Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreation	0	0	0	0
<b>Total Operating Expenditures</b>		0	0	0	0
591-593	Debt Service	584,540	439,889	0	0
594-595	Capital Outlay	6,192,634	5,193,223	0	0
<b>Total Expenditures</b>		6,777,174	5,633,112	0	0
597-599	Other Financing Uses	0	0	2,328,000	1,819,000
<b>Total Expenditures and Other Uses</b>		6,777,174	5,633,112	2,328,000	1,819,000
<b>Excess (Deficit) of Resources Over Uses</b>		(1,615,724)	(4,338,542)	2,147,500	787,137
380	Nonrevenues (Except 384 and 388.80)	2,983,289	5,719,650	0	1,377,724
580	Nonexpenditures (Except 584 and 588.80)	(1,367,565)	(1,367,565)	0	(660,500)
<b>Ending Net Cash and Investments</b>		\$0	\$13,543	\$2,147,500	\$1,504,360

*The Accompanying Notes Are An Integral Part Of This Statement.*

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
For the Year Ended December 31, 2007

BARS CODE		City Shop 501		Information Services 502	
		Budget	Actual		
<b>Beginning Net Cash and Investments</b>		\$6,725	\$17,123	\$25,213	\$19,208
<b>Revenues and Other Sources</b>					
310	Taxes	0	0	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	2,601	0	0
340	Charges for Goods and Services	397,636	347,006	452,500	423,313
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	500	733	550	2,205
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	0		0	0
<b>Total Revenues and Other Sources</b>		398,136	350,340	453,050	425,518
<b>Total Resources</b>		404,861	367,463	478,263	444,726
Operating Expenditures:		0	0	0	0
510	General Government	0	0	455,535	373,530
520	Public Safety	0	0	0	0
530	Physical Environment	0	0	0	0
540	Transportation	384,814	362,535	0	0
550	Economic Environment	0	0	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreation	0	0	0	0
<b>Total Operating Expenditures</b>		384,814	362,535	455,535	373,530
591-593	Debt Service	0	0	0	
594-595	Capital Outlay	0	0	0	
<b>Total Expenditures</b>		384,814	362,535	455,535	373,530
597-599	Other Financing Uses	0	0	0	0
<b>Total Expenditures and Other Uses</b>		384,814	362,535	455,535	373,530
<b>Excess (Deficit) of Resources Over Uses</b>		20,047	4,928	22,728	71,196
380	Nonrevenues (Except 384 and 388.80)	0	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>		\$20,047	\$4,928	\$22,728	\$71,196

*The Accompanying Notes Are An Integral Part Of This Statement.*

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
 For the Year Ended December 31,2007

BARS CODE		Equipment Replacement 505	
		Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$458,000	\$160,348
<b>Revenues and Other Sources</b>			
310	Taxes	0	0
320	Licenses and Permits	0	0
330	Intergovernmental	0	0
340	Charges for Goods and Services	0	0
350	Fines and Forfeits	0	0
360	Miscellaneous	7,580	244,831
370	Capital Contributions	0	0
390	Other Financing Sources	249,720	25,055
<b>Total Revenues and Other Sources</b>		257,300	269,886
<b>Total Resources</b>		715,300	430,234
Operating Expenditures:			
510	General Government	18,835	20,452
520	Public Safety	153,735	97,295
530	Physical Environment	0	0
540	Transportation	0	(284,958)
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	27,100	28,851
<b>Total Operating Expenditures</b>		199,670	(138,360)
591-593	Debt Service		
594-595	Capital Outlay	199,670	0
<b>Total Expenditures</b>		399,340	(138,360)
597-599	Other Financing Uses	0	0
<b>Total Expenditures and Other Uses</b>		399,340	(138,360)
<b>Excess (Deficit) of Resources Over Uses</b>		315,960	568,594
380	Nonrevenues (Except 384 and 388.80)		
580	Nonexpenditures (Except 584 and 588.80)		
<b>Ending Net Cash and Investments</b>		\$315,960	\$568,594

*The Accompanying Notes Are An Integral Part Of This Statement.*

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
 For the Year Ended December 31, 2007

Fund Type: Special Revenue Funds	Park Impact Fee 104		Annual Leave Reserve 106	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$11,150	\$0	\$52,925	\$53,612
Revenue and Other Financing Sources	269,000	29,610	2,150	2,707
<b>Total Resources</b>	280,150	29,610	55,075	56,319
<b>Expenditures And Other Financing Uses</b>	20,000	0	4,000	0
<b>Excess (Deficit) of Resources Over Uses</b>	260,150	29,610	51,075	56,319
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>	\$260,150	\$29,610	\$51,075	\$56,319

Fund Type: Special Revenue Funds	Visitor Promotion 107		Parking and Business Imp 108	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$10,270	\$17,040	\$25,665	\$29,815
Revenue and Other Financing Sources	7,905	11,483	23,500	25,029
<b>Total Resources</b>	18,175	28,523	49,165	54,844
<b>Expenditures And Other Financing Uses</b>	12,222	12,222	30,000	592
<b>Excess (Deficit) of Resources Over Uses</b>	5,953	16,301	19,165	54,252
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>	\$5,953	\$16,301	\$19,165	\$54,252

Fund Type: Special Revenue Funds	Real Property Reserve 110		Police Operation Res. 113	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$176,100	\$195,563	\$34,970	\$37,962
Revenue and Other Financing Sources	3,900	56,141	1,030	2,254
<b>Total Resources</b>	180,000	251,704	36,000	40,216
<b>Expenditures And Other Financing Uses</b>	0	0	1,500	0
<b>Excess (Deficit) of Resources Over Uses</b>	180,000	251,704	34,500	40,216
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>	\$180,000	\$251,704	\$34,500	\$40,216

The Accompanying Notes Are An Integral Part Of This Statement.

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
 For the Year Ended December 31, 2007

Fund Type: Special Revenue Funds	Municipal Cap. Res. 118		Harbor Improvement 174	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$246,190	\$118,173	\$12,080	\$12,355
Revenue and Other Financing Sources	54,960	53,179	420	328
<b>Total Resources</b>	301,150	171,352	12,500	12,683
<b>Expenditures And Other Financing Uses</b>	260,000	130,000	10,000	10,000
<b>Excess (Deficit) of Resources Over Uses</b>	41,150	41,352	2,500	2,683
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>	\$41,150	\$41,352	\$2,500	\$2,683

Fund Type: Special Revenue Funds	Debt Service 205		LID Guarantee 206	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$1,550	\$29,406	\$8,765	\$8,823
Revenue and Other Financing Sources	145,555	146,657	435	446
<b>Total Resources</b>	147,105	176,063	9,200	9,269
<b>Expenditures And Other Financing Uses</b>	145,430	145,425	0	0
<b>Excess (Deficit) of Resources Over Uses</b>	1,675	30,638	9,200	9,269
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>	\$1,675	\$30,638	\$9,200	\$9,269

Fund Type: Special Revenue Funds	CLID 86-187-1 214		Storm Water Management 434	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$580	\$592	\$0	\$3,945
Revenue and Other Financing Sources	20	30	0	199
<b>Total Resources</b>	600	622	0	4,144
<b>Expenditures And Other Financing Uses</b>	0	0	0	0
<b>Excess (Deficit) of Resources Over Uses</b>	600	622	0	4,144
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>	\$600	\$622	\$0	\$4,144

*The Accompanying Notes Are An Integral Part Of This Statement.*

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
 For the Year Ended December 31, 2007

Fund Type: Special Revenue Funds	W/S Bond Reserve 451		Utility Rate Reserve 452	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$980,000	\$980,000	\$65,490	\$211,105
Revenue and Other Financing Sources	21,000	48,868	23,785	29,765
<b>Total Resources</b>	1,001,000	1,028,868	89,275	240,870
<b>Expenditures And Other Financing Uses</b>	21,000	21,000	85,000	85,000
<b>Excess (Deficit) of Resources Over Uses</b>	980,000	1,007,868	4,275	155,870
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>	\$980,000	\$1,007,868	\$4,275	\$155,870

Fund Type: Debt Service Funds	Utility Connection Res. 471		W/S Equip. Replac. 472	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$2,455,685	\$1,028,144	\$865,635	\$920,994
Revenue and Other Financing Sources	527,115	822,173	113,910	93,948
<b>Total Resources</b>	2,982,800	1,850,317	979,545	1,014,942
<b>Expenditures And Other Financing Uses</b>	2,307,000	1,122,000	666,615	307,671
<b>Excess (Deficit) of Resources Over Uses</b>	675,800	728,317	312,930	707,271
Nonrevenues (Except 384 and 388.80)	0	0		
Nonexpenditures (Except 584 and 588.80)		0		
<b>Ending Net Cash and Investments</b>	\$675,800	\$728,317	\$312,930	\$707,271

Fund Type: Debt Service Funds	Sewer Bio-Solid 474		Self Insurance Fund 503	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$506,000	\$491,919	\$20,560	\$40,882
Revenue and Other Financing Sources	49,000	55,118	43,140	66,086
<b>Total Resources</b>	555,000	547,037	63,700	106,968
<b>Expenditures And Other Financing Uses</b>	50,000	25,000	35,000	11,645
<b>Excess (Deficit) of Resources Over Uses</b>	505,000	522,037	28,700	95,324
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>	\$505,000	\$522,037	\$28,700	\$95,324

Fund Type: Debt Service Funds	Miller Library Trust 602		Senior Center Trust 603	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$5,200	\$5,279	\$610	\$611
Revenue and Other Financing Sources	225	267	25	31
<b>Total Resources</b>	5,425	5,546	635	642
<b>Expenditures And Other Financing Uses</b>	0	0	0	0
<b>Excess (Deficit) of Resources Over Uses</b>	5,425	5,546	635	642
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>	\$5,425	\$5,546	\$635	\$642

The Accompanying Notes Are An Integral Part Of This Statement

Washington State Auditor's Office

City of Snohomish  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
 For the Year Ended December 31, 2007

Fund Type: Debt Service/Capital Funds	Carnegie Restoration 604		Gateway Trust 605	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$53,480	\$47,738	\$5,877	\$3,313
Revenue and Other Financing Sources	12,075	14,939	145	91
<b>Total Resources</b>	65,555	62,677	6,022	3,404
<b>Expenditures And Other Financing Uses</b>	0	0	5,124	2,562
<b>Excess (Deficit) of Resources Over Uses</b>	65,555	62,677	898	842
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
<b>Ending Net Cash and Investments</b>	\$65,555	\$62,677	\$898	\$842

Fund Type: Special Revenue Funds	UGA Expansion Trust 621		Treasurer's Trust 631	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>	\$0	\$0	\$0	\$27,064
Revenue and Other Financing Sources	35,000	20,012	0	0
<b>Total Resources</b>	35,000	20,012	0	27,064
<b>Expenditures And Other Financing Uses</b>	35,000	28,888	0	0
<b>Excess (Deficit) of Resources Over Uses</b>	0	(8,876)	0	27,064
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				(27,064)
<b>Ending Net Cash and Investments</b>	\$0	(\$8,876)	\$0	\$0

*The Accompanying Notes Are An Integral Part Of This Statement.*

**Notes to the Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Snohomish was incorporated on June 30, 1890 and operates under the laws of the State of Washington, applicable to a Category II city, with a Council/Manager form of government. The City is a general-purpose government and provides public safety, fire prevention, street improvements, parks and recreation, water/sewer/stormwater/solid waste, and general administrative services. The City of Snohomish uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The City of Snohomish reports financial activity using the revenue and expenditure classifications, statements and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

a. Fund Accounting

The accounts of the City are organized on the basis of fund, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City.

**GOVERNMENTAL FUND TYPES**

Governmental fund operating statements focus on measuring changes in financial position, rather than net income; they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses).

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Project Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

## **PROPRIETARY FUND TYPES**

### Enterprise Funds

These funds account for operations that provide goods and services to the general public and are supported primarily through user fees. The City of Snohomish operates water / sewer / stormwater / solid waste utility operations.

### Internal Service Funds

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

## **FIDUCIARY FUND TYPES**

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds.

### Trust Funds

These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of operations. These funds earn revenue on behalf of the parties for which the trust was established, but the principal of the trust must remain intact.

### Agency Funds

These funds are used to account for assets that the City holds for others in an agency capacity.

#### **b. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

#### **c. Budget**

Annual appropriated budgets are adopted for the Current Expense, Special Revenue, Debt Service, Capital Projects Funds, Proprietary Funds, and Trust and Agency Funds. Budgetary accounts are integrated in fund ledgers for all budgeted funds. The financial statements include budgetary comparisons for those funds.

Annual appropriated budgets are adopted at the fund level, except in the general fund, where budgets are adopted at the department level and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Appropriations lapse at the fiscal period end.

The City's budget procedures are mandated by Chapter 35A.33 RCW. The steps in the budget process are as follows:

Prior to November 1, the City Manager submits a proposed budget to the city council. This budget is based on priorities established by the council and estimates provided by city departments during the preceding months, and balanced with revenue estimates made by the City Treasurer.

The Council conducts public hearings on the proposed budget in November and December.

The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.

Within 30 days of adoption, the final budget is available to the public.

The City Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

d. Cash

It is the City's policy to maximize return on investment. All cash surpluses are invested. Cash surpluses are invested in instruments, which allow the City to match investment maturities with liquidity needs. The amounts are included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated and posted to appropriate funds. The City does not maintain compensating balances with any financial institution.

e. Deposits

The City's deposits are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

f. Investments See Investment Note #3.

g. Capital Assets

Capital assets are long-lived assets of the City and are recorded as expenditures when purchased.

h. Compensated Absences

The City records accumulated unused vacation, sick leave, or annual leave in the Annual Leave Reserve Fund (106). The City's total liability for unused vacation, sick leave, and annual leave as of December 31, 2007 is \$335,576.

<b>Owing Fund</b>	<b>Annual Leave Compensatory Time</b>	<b>Sick Leave</b>	<b>Totals</b>
General Fund	<b>\$246,229</b>	<b>\$26,532</b>	<b>\$272,761</b>
Street Fund	<b>15,800</b>	<b>0</b>	<b>15,800</b>
Internal Services Funds	<b>26,475</b>	<b>0</b>	<b>26,475</b>
Utility Funds	<b><u>20,540</u></b>	<b><u>0</u></b>	<b><u>20,540</u></b>
<b>Total</b>	<b>\$309,044</b>	<b>\$26,532</b>	<b>\$335,576</b>

Annual leave and vacation, which may be accumulated up to 240 hours, is payable upon resignation, retirement, death, or upon request during the term of employment not to exceed cashing out 240 hours per employee. Sick leave may accumulate up to a maximum of 960 hours for law enforcement officers,

1/3 of which is payable upon resignation up to a total of 160 hours, retirement or death. In 1989, the City created an Annual Leave Reserve Fund that is funded from the various operating funds. These monies are used to cash out annual leave, vacation, and sick leave as needed. As of December 31, 2007 the balance in this fund was \$56,320.

i. Long Term Debt See Long Term Debt Note #8.

j. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consist of interfund transfers without the flow of assets or the requirement for repayment.

k. Non-Revenues and Non-Expenditures

The City's non-revenues and non-expenditures consist of interfund loans.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.**

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the City.

**NOTE 3: INVESTMENTS AND DEPOSITS**

The City's investments are either insured, registered or held by the City or it's agent in the City's name. Investments at December 31, 2007 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Local Government Investment Pool	\$ 11,737,407
<b>Total</b>	<b>\$ 11,737,407</b>

To meet immediate claims and payroll demands, the City had deposits at their primary financial institution a total amount of \$459,244 as of December 31, 2007. To meet daily liquidity needs, the City held \$5,820 in various petty cash and imprest funds.

**NOTE 4: PROPERTY TAXES**

The County Treasurer for Snohomish County act as an agent to collect property taxes levied in their respective county for all taxing authorities.

Property taxes are recorded as revenues when they are received. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, subject to limitations:

- a) Washington State law in RCW 84.55.010 limits the growth of regular property taxes to 1 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 1 percent due to revaluation, the levy rate will be decreased.
- b) The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.
- c) The City of Snohomish limits the total regular property tax by the amount levied by the Sno-Isle Regional Library System.

The City's regular levy for 2007 was \$0.9196 per \$1,000 on an assessed valuation of \$996,852,980 for a regular levy of \$916,706

The City's General Obligation bond levies for 2007 were \$0.0589 per \$1,000 on an assessed valuation of \$946,519,525 for a bond levy of \$55,750.

The total 2007 levy for the City was \$972,456.

#### **NOTE 5: PENSION PLANS**

Substantially all City full-time and qualifying part-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 retirement benefits are vested after an employee completes 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 five years of service, or at the age of 55 with 25 years of service. The annual benefit 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. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes 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 2 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 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. 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 1 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 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 at 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 Non-vested	49,812
<b>Total</b>	<b>250,838</b>

#### 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 unit employees, and at 7.5 percent for state government elected officials. 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, 2006, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	6.13%	6.13%	6.13%**
Employee	6.00%	4.15%	***

\* The employer rates include the employer administrative expense fee currently set at 0.18%.

\*\* Plan 3 defined benefit portion only.

\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both City and the employees made the required contributions. The City's required contributions for the years ending December 31 were as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2007	\$ 3,235	\$ 156,537	\$ 0
2006	\$ 3,651	\$ 80,124	\$ 0
2005	\$ 3,184	\$ 45,245	\$ 584

**Law Enforcement Officers' & Fire Fighters' Retirement System (LEOFF) Plans 1 and 2**

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

<b>Term of Service</b>	<b>Percent of Final Average Salary</b>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. 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.

There are 376 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	8,951
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	602
Active Plan Members Vested	12,711
Active Plan Members Nonvested	3,603
<b>Total</b>	<b>25,867</b>

**Funding Policy**

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board in accordance with 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature has the ability, by means of a special funding arrangement, to appropriate money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

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

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.35%**
Employee	0.00%	8.64%
State	N/A	3.45%

\*The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\* The employer rate for ports and universities is 8.80%.

Both City and the employees made the required contributions. The City's required contributions for the years ending December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2007	\$ -0-	\$ 74,354
2006	\$ -0-	\$ 56,760
2005	\$ -0-	\$ 39,167

**NOTE 6: RISK MANAGEMENT**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter-local Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 126 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and \$12 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$15

million per occurrence subject to aggregate sub limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

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

#### **NOTE 7: LONG-TERM DEBT AND CAPITAL LEASES**

General Obligation Bonds are direct obligations of the City, for which its full faith and credit are pledged. General Obligation Bonds may be either councilmanic or council approved, or non-councilmanic, which are voter approved. Councilmanic bonds are funded through existing revenue sources. Non-councilmanic bonds are funded through increases to the property tax levy. Debt service is paid from Debt Service Fund (205). As of December 31, 2007, the City had no outstanding councilmanic debt.

The Public Work Trust Funds was created by the State of Washington in 1985 to assist local municipalities and other government agencies within the state to fund local public works projects with low interest loans. Under R.C.W. 39.69, Public Works Trust Fund loans do not impact the City's statutory debt limitation, although the constitutional limitation of debt is effected. Security for repayment of the loans is similar to general obligation and revenue bonds; however, the claims of the City's general creditors are prior to claims of the Public Work Trust Fund.

#### **Debt Outstanding at 12/31/07.**

##### General Obligation Bonds

The 1995 Unlimited Fire Station Construction provided funding for the construction of a jointly owned fire station, the purchase of a fire truck and two ambulances, and other improvement to capital facilities. The bonds mature serially to 2014. The interest rates range from 4.3% to 5.85%.

Outstanding Debt \$325,000

The 2005 Unlimited Rivertrail (\$765,000) 800 Mhz (\$180,000) provided funding for the Snohomish Rivertrail and the City's required radios and infrastructure to join Snohomish County's 800 Mhz radio system. The bonds mature serially to 2025. Interest rates range from 4.65% to 5.00%.

Outstanding Debt 875,000

1988 Public Works Trust Fund loan provided funding for improvements to Avenue J. The loan is paid in equal installments and matures in 2008. The interest rate is 3% on the outstanding principal balance.

Outstanding Debt 4,968

**Total General Obligation Debt Outstanding \$ 1,204,968**

Revenue Bonds and Other Revenue Debt Obligations

The 1981 USDA Rural Development Loan provided low cost funds for improvement to the City's Water Treatment Plant located on the Pilchuck River. The loan is paid in equal installments and matures in 2021. The interest rate is 5% on the outstanding principal balance.

Outstanding Debt \$747,000

1988 Public Works Trust Fund loan provided funding for construction of the 2.6 million gallon North Zone Water Tank. The loan is paid in equal installments and matures in 2008. The interest rate is 1% on the outstanding principal balance.

Outstanding Debt \$33,375

The 1996 Refunding Bonds provided funding for the redemption of 1990A Water and Sewer Revenue Bonds, which refunded 1987 Revenue Bonds, which provided infrastructure improvements to the water and wastewater system. The bonds mature serially to 2009. The interest rates range from 4.00% to 5.4%.

Outstanding Debt \$410,000

The 1996 Department of Rural and Economic Development (RECD) Loan provided funding for some of the construction of the wastewater treatment plant. The loan matures in 2036 with semi-annual payments of 29,200. The interest rate on the loan is 5.125%.

Outstanding Debt \$875,228

The 2003 Public Works Trust Fund loan provides funding for the design, right-of-way acquisition and construction of Trunkline. The loan was approved for \$1,000,000. Revenues for the repayment of the debt shall come from a special project development fee established on all new connections within the benefit area.

Outstanding Debt \$ 826,480

The 2004 Public Work's Trust Fund Loan provides funding for the construction of the Trunkline. The loan was approved for \$6,934,300, at an annual interest rate of .5%. Currently, the City has drawn 6,587,585. Revenues for the repayment of the debt shall come from a special project development fee established on all new connections within the benefit area. Close out of the loan is expected in 2008 with the final draw of approximately \$347,000.

Outstanding Debt \$ 6,152,671

On June 13, 2007 the City of Snohomish signed a Public works Trust Fund Construction Loan Agreement in the amount of \$7,000,000. The loan agreement is for 20 years at 0.5%. The City of Snohomish is required to provide locally generated revenues in the amount of \$910,384. The loan is for the construction of the Trunkline System that provides sanitary sewer to the City's northern Urban Growth Area (UGA). On June 27, 2007 the City of Snohomish drew \$1,400,000 on this loan.

Outstanding Debt \$ 1,400,000

The City of Snohomish signed a Public Works Trust Fund Pre-Construction Loan Agreement in 2007 in the amount of \$490,000. The loan agreement is for 5 years at 0.5%. The loan is for the pre-construction and design work for the wastewater treatment plant upgrade. On September 7, 2007 the City of Snohomish drew \$367,000 on this loan. Payments begin in 2008 with interest only. Principal and interest payments begin in 2009.

Outstanding Debt \$ 367,500

The City of Snohomish signed a Public Works Trust Fund Pre-Construction Loan Agreement in 2007 in the amount of \$510,000. The loan agreement is for 5 years at 0.5%. The loan is for the pre-construction and design work for the Combined Sewer Overflow improvements-Phase I on September 7, 2007 the City of Snohomish drew \$392,500 on this loan. Payments begin in 2008 with interest only. Principal and interest payments begin in 2009.

Outstanding Debt \$ 382,500

The 1994 State Revolving Fund loan provides funding for the construction of the City's Wastewater Treatment Plant. The loan was approved for \$10,829,270. The loan is paid in equal installments and matures in 2016. The loan is at a zero interest rate.

Outstanding Debt \$ 4,691,550

**Total Revenue Bonds and Other Revenue Debt Obligations Outstanding \$ 15,886,304**

**Total Debt Obligations Outstanding \$ 17,091,272**

**Annual Debt Service to Maturity**

The following schedule outlines the City annual debt service to maturity on all bonded debt. Special Assessment debt is an estimate based upon expected collection of outstanding assessments.

Year	General Obligation Debt - Bonded		General Obligation Debt - Other		Total-Principal	Total-Interest
	Principal	Interest	Principal	Interest		
2008	\$80,000	\$61,038	\$4,968	\$149	\$84,968	\$61,187
2009	80,000	56,778	0	0	80,000	56,778
2010	95,000	52,497	0	0	95,000	52,497
2011	95,000	47,410	0	0	95,000	47,410
2012	100,000	42,300	0	0	100,000	42,300
2013-2017	350,000	136,512	0	0	350,000	136,512
2018-2022	230,000	74,638	0	0	230,000	74,638
2023-2027	170,000	16,560	0	0	170,000	16,560
2028-2036	0	0	0	0	0	0
<b>Totals</b>	<b>\$1,200,000</b>	<b>\$487,733</b>	<b>\$4,968</b>	<b>\$149</b>	<b>\$1,204,968</b>	<b>\$487,882</b>

Year	Revenue Debt - Bonded		Revenue Debt - Other		Total-Principal	Total-Interest
	Principal	Interest	Principal	Interest		
2008	\$200,000	\$21,940	\$1,124,956	127,428	\$1,324,956	\$149,368
2009	210,000	11,340	1,281,789	122,689	1,491,789	134,028
2010	0	0	1,284,534	116,522	1,284,534	116,522
2011	0	0	1,287,317	110,216	1,287,317	110,216
2012	0	0	1,290,140	103,771	1,290,140	103,771
2013-2017	0	0	4,739,206	425,761	4,739,206	425,761
2018-2022	0	0	2,816,433	263,392	2,816,433	263,392
2023-2027	0	0	1,235,294	141,229	1,235,294	141,229
2028	0	0	416,635	108,965	416,635	108,965
<b>Totals</b>	<b>\$410,000</b>	<b>\$33,280</b>	<b>\$15,476,304</b>	<b>\$1,519,972</b>	<b>\$15,886,304</b>	<b>\$1,553,252</b>

**NOTE 9: CONTINGENCIES AND LITIGATION**

As of December 31, 2007, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from a single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits would materially affect the financial condition of the City.

**NOTE 10: INTERFUND LOANS AND ADVANCES**

The following table displays interfund loan activities during 2007:

Borrowing Fund	Lending Fund	Balance 1-Jan-07	New Loans	Payments	Balance 31-Dec-07
303**	471	\$520,790	\$0	\$(520,790)	\$0
311*	471	58,000	0	58,000	0
433	473	1,367,565	602,500	(1,367,565)	602,500
<b>Totals</b>		<b>\$1,946,355</b>	<b>\$602,500</b>	<b>\$(1,946,355)</b>	<b>\$602,500</b>

\* Was paid off by Fund 473 as stated in ordinance 2117 (LID closeout).

\*\* Was paid off by Fund 303 as stated in JE AJ71001.

**NOTE 11: SUBSEQUENT EVENT – DRAW ON PWTF LOAN**

In May, 2008 the City of Snohomish signed a Public Works Trust Fund Construction Loan Agreement in the amount of \$4,500,000 for its Wastewater Treatment Plant Upgrade project. The loan agreement is for 20 years at 0.5%. The total cost of the project is estimated to be \$13,100,000. The City of Snohomish is required to provide locally generated revenues in the amount of \$880,620. The balance of the funding is anticipated to come from federal and state grants.

The City of Snohomish has not drawn on this loan as of the date of this report.

In May, 2008 the City of Snohomish signed a Public Works Trust Fund Construction Loan Agreement in the amount of \$2,000,000 for its Combined Sewer Overflow Phase I Project. The loan agreement is for 20 years at 0.5%. The total cost of the project is estimated to be \$6,600,000. The City of Snohomish is required to provide locally generated revenues in the amount of \$2,040,000. The balance of the funding is anticipated to come from other state and federal loan programs.

The City of Snohomish has not drawn on this loan as of the date of this report

**City of Snohomish  
Schedule of Long Term Debt  
For The Year Ending December 31, 2007**

G.O. Debt: \_\_\_\_\_ X  
 Revenue Debt: \_\_\_\_\_  
 Assessment Debt: \_\_\_\_\_  
 Refunded Debt: \_\_\_\_\_  
 Debt of Special Purposes: \_\_\_\_\_

I.D. Number And Description	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt	Amount Issued Current Period	Amount Redeemed Current Period	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt
251.11 PWTF - 1988 Streets (88596240)	07/1988	07/2008	9,937	0	4,968	591.10.71	205	4,968
251.15 ULMT Bond - Rivertrail/800 MHZ	07/2005	07/2025	915,000	0	40,000	591.10.71	205	875,000
251.15 ULMT G.O. Bond - 1995 Fire Station	07/1995	07/2114	360,000	0	35,000	591.10.71	205	325,000
<b>TOTAL G.O. DEBT</b>			<b>\$1,284,937</b>	<b>\$0</b>	<b>\$79,968</b>			<b>\$1,204,968</b>

**City of Snohomish**  
**Schedule of Long Term Debt**  
**For The Year Ending December 31, 2007**

G.O. Debt: \_\_\_\_\_  
 Revenue Debt:       X        
 Assessment Debt: \_\_\_\_\_  
 Refunded Debt: \_\_\_\_\_  
 Debt of Special Purposes: \_\_\_\_\_

I.D. Number And Description	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt	Amount Issued Current Period	Amount Redeemed Current Period	BARS Code for Redemption	Redeeming Fund Number	Outstanding Debt
251.11 Federal Home Loan -WWTP	12/1981	12/2021	\$783,720	\$0	\$36,720	534.90.78	401	\$747,000
252.11 PWTF-N. Pressure Zone Water Tower	06/1988	06/2008	66,749	0	33,375	534.80.78	401	\$33,375
251.11 Refunding Bond - 1996	11/1996	11/2009	595,000	0	185,000	535.80.72	401 402	\$410,000
251.11 REC'D Loan - WWTP	10/1996	10/2037	888,747	0	13,519	535.85.78	402	\$875,228
251.11 SRF Loan - Loan # L9400002	05/1994	05/2015	5,243,497	0	551,947	535.85.78	402	\$4,691,550
251.11 PWTF-Cemetery Creek Trunk Sewer 1	09/2007	09/2012	0	382,500	0	592.35.78	432	\$382,500
251.11 PWTF-CTED-WWTP-upgrades	09/2007	07/2012	0	367,500	0	592.35.83	432	\$367,500
251.11 PWTF-Cemetery Creek Trunk Sewer 1	03/2002	03/2022	631,581	250,000	55,101	596.00.71	433	\$826,480
251.11 PWTF-Cemetery Creek Trunk Sewer 2	05/2004	05/2024	3,047,442	3,467,150	361,922	596.00.73	433	\$6,152,670
251.11 PWTF-Cemetery Creek Trunk Sewer 3	06/2007	07/2027	0	1,400,000	0	591.35.78	433	\$1,400,000
<b>TOTAL REVENUE DEBT</b>			<b>\$11,256,736</b>	<b>\$5,867,150</b>	<b>\$1,237,583</b>			<b>\$15,886,304</b>



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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 employees are located around the state to deliver our services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. 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 quality assurance program.

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**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
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