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## PRESS RELEASE

### **Auditor's Office Releases Finding of 2007 Audit**

Sumner, WA—On March 13, 2009, the City of Sumner received the final report from the Washington State Auditor's Office of the city's annual audit for 2007. This audit focused on three areas:

1. the City's accountability for public resources and compliance with laws and regulations,
2. financial statements, and
3. Federal compliance.

The auditor reported no findings for the financial statements and Federal compliance but did have one finding within the area of accountability.

In the accountability section, the auditor reported that the City complied with state laws and regulations and its own policies and procedures in the areas examined. They also noted that internal controls were adequate to safeguard the public assets. However, there was one finding that interfund loans have not been repaid to the lending funds in accordance with repayment schedules.

Like most jurisdictions, the City government oversees many individual businesses that have their own finances or funds. The City may loan money from one fund to another under certain conditions: the loan must be authorized by the legislative body; the loan must be temporary in nature; the loan must have a planned schedule of repayment; and the loan must include a reasonable rate of interest paid to the lending fund. The City has responded, acknowledging that the loans noted by the auditor did not follow the planned schedules of repayment although they will be or have already been repaid.

More specifically, the auditor noted the loan of \$290,000 made in December 1999 from the Cemetery Endowment Fund to the Golf Course Operations Fund and the loan of \$490,000 made in December 2000 from the Storm Drainage Capital Asset fund to the Golf Course Operations fund. Neither ordinance had a stated repayment schedule. In 2004, the City completed a repayment plan that called for \$100,000 per year to be paid from the General Fund to the Golf Course toward the repayment to both the Cemetery and Storm Drainage funds. In 2005 and 2006, the City transferred \$100,000 from the General Fund to the Golf Course Fund and payments of \$100,000 were made on the Golf Course's loan from the Cemetery Endowment Fund. The General Fund has continued to contribute \$100,000 a year to the Golf Course Fund for repayment on these loans. In 2008, the City refinanced the bond debt for the Golf Course fund, and the resulting savings will be used to repay both loans.

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The auditor also noted a loan of \$200,000 made in December 2001 from the Storm Drainage Capital Asset Fund to the Street Fund with a repayment plan by February 28, 2002. The repayments were made in 2003, 2005 and 2008 and are now complete.

For all City interfund loans, the City will create a Council-approved repayment schedule, per the Auditor's recommendation.

Other than this finding, the accountability section of the City's audit noted that

- The annual financial report the City submitted to the State was timely, accurate and complete.
- Controls are adequate; those accounts receivable adjustments tested were adequately supported and properly authorized; and account balances were confirmed directly with customers with no exceptions reported.
- Selected expenditures were adequately supported, properly approved, reasonable and allowable.
- Meetings of the City Council were conducted in compliance with the Open Public Meetings Act although the Auditor recommended that announcements of executive sessions contain more detailed information of their purpose.
- The City was in compliance with Federal grant guidelines.
- Restricted money, such as Real Estate Excise Taxes (REET), were legally expended for their allowable purposes.

“Behind all this financial wording, what you're hearing is that the City of Sumner is financially accountable and accurate,” said Mayor Dave Enslow. “One of my highest priorities is that we are good stewards of the citizens' money. My background in banking says that all details are important, so I thank the state auditor for identifying the details where we could improve. We've already taken steps to fix this situation.”

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