Office of the Washington State Auditor

Pat McCarthy

Financial Statements Audit Report

City of Newcastle

King County

For the period January 1, 2016 through December 31, 2016

Published November 2, 2017

Report No. 1020118

Office of the Washington State Auditor
Pat McCarthy

November 2, 2017

Council
City of Newcastle
Newcastle, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Newcastle
King County
January 1, 2016 through December 31, 2016

Council
City of Newcastle
Newcastle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Newcastle, King County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 26, 2017.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

October 26, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Newcastle
King County
January 1, 2016 through December 31, 2016

Council
City of Newcastle
Newcastle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Newcastle, King County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Newcastle has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

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 Newcastle, for the year ended December 31, 2016, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Newcastle, as of December 31, 2016, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The accompanying Schedule of Liabilities 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

October 26, 2017

FINANCIAL SECTION

City of Newcastle
King County
January 1, 2016 through December 31, 2016

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to the Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016

City of Newcastle
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	104 Transportation Impact Fee
Beginning Cash and Investments					
30810	Reserved	9,627,408	5,327,976	105,726	378,376
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	7,630,859	6,544,589	-	-
320	Licenses and Permits	791,988	791,988	-	-
330	Intergovernmental Revenues	1,036,846	225,080	247,344	-
340	Charges for Goods and Services	1,821,068	390,182	-	446,502
350	Fines and Penalties	20,365	20,365	-	-
360	Miscellaneous Revenues	333,269	162,767	704	-
Total Revenues:		11,634,396	8,134,971	248,048	446,502
Expenditures					
510	General Government	1,482,143	1,464,168	-	-
520	Public Safety	3,893,824	3,893,824	-	-
530	Utilities	664,544	-	-	-
540	Transportation	1,024,035	249,868	428,920	-
550	Natural and Economic Environment	770,879	770,879	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	521,561	521,561	-	-
Total Expenditures:		8,356,986	6,900,300	428,920	-
Excess (Deficiency) Revenues over Expenditures:		3,277,410	1,234,671	(180,872)	446,502
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	5,390,883	-	-	-
397	Transfers-In	4,889,335	125,793	219,931	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	754,052	447,690	-	-
381, 395, 398	Other Resources	23,603	-	-	-
Total Other Increases in Fund Resources:		11,057,873	573,483	219,931	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	8,508,520	53,147	-	-
591-593, 599	Debt Service	251,667	-	-	-
597	Transfers-Out	4,889,335	2,066,537	-	824,879
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	744,715	528,520	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		14,394,237	2,648,204	-	824,879
Increase (Decrease) in Cash and Investments:		**(58,954)**	**(840,050)**	**39,059**	**(378,377)**
Ending Cash and Investments					
5081000	Reserved	5,773,203	1,315,876	144,785	-
5088000	Unreserved	3,795,250	3,172,050	-	-
Total Ending Cash and Investments		**9,568,453**	**4,487,926**	**144,785**	**-**

The accompanying notes are an integral part of this statement.

City of Newcastle
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		107 Parks & Open Space Fund	202 Debt Service Fund	302 Trans Capital Investment	303 Parks Capital Investment
Beginning Cash and Investments					
30810	Reserved	981,662	-	10,577	-
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	29,472	-	-	-
340	Charges for Goods and Services	141,123	-	849	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	9,643
Total Revenues:		170,595	-	849	9,643
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		170,595	-	849	9,643
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	318,851	1,199,179	896,713
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	13,299	201,006
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	318,851	1,212,478	1,097,719
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	707,536	143,987
591-593, 599	Debt Service	-	212,967	-	-
597	Transfers-Out	951,251	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	201,006	-	10,577	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,152,257	212,967	718,113	143,987
Increase (Decrease) in Cash and Investments:		**(981,662)**	**105,884**	**495,214**	**963,375**
Ending Cash and Investments					
5081000	Reserved	-	105,884	505,791	963,375
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		**-**	**105,884**	**505,791**	**963,375**

City of Newcastle
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		304 REET Fund	401 SWM Mgmt & CIP Fund	501 Equipment Rental Fund	502 Unemployment Reserve Fund
Beginning Cash and Investments					
30810	Reserved	1,156,914	1,448,270	182,814	35,093
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,086,270	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	534,950	-	-
340	Charges for Goods and Services	-	842,412	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	18,028	14,730	776	-
Total Revenues:		1,104,298	1,392,092	776	-
Expenditures					
510	General Government	-	-	-	17,975
520	Public Safety	-	-	-	-
530	Utilities	-	664,544	-	-
540	Transportation	-	-	35,045	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	664,544	35,045	17,975
Excess (Deficiency) Revenues over Expenditures:		1,104,298	727,548	(34,269)	(17,975)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	94,718	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	2,733	-	-
381, 395, 398	Other Resources	-	-	23,603	-
Total Other Increases in Fund Resources:		-	2,733	118,321	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	639,473	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	492,576	398,868	-	17,117
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	4,612	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		492,576	1,042,953	-	17,117
Increase (Decrease) in Cash and Investments:		**611,722**	**(312,672)**	**84,052**	**(35,092)**
Ending Cash and Investments					
5081000	Reserved	1,768,636	512,398	266,866	-
5088000	Unreserved	-	623,200	-	-
Total Ending Cash and Investments		**1,768,636**	**1,135,598**	**266,866**	**-**

City of Newcastle
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		503 Facilities Fund
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	126,621
Total Revenues:		126,621
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	310,202
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		310,202
Excess (Deficiency) Revenues over Expenditures:		(183,581)
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	5,390,883
397	Transfers-In	2,034,150
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	89,324
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		7,514,357
Other Decreases in Fund Resources		
594-595	Capital Expenditures	6,964,377
591-593, 599	Debt Service	38,700
597	Transfers-Out	138,107
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		7,141,184
Increase (Decrease) in Cash and Investments:		**189,592**
Ending Cash and Investments		
5081000	Reserved	189,592
5088000	Unreserved	-
Total Ending Cash and Investments		**189,592**

Note 1 - Summary of Significant Accounting Policies

The City of Newcastle was incorporated on September 30, 1994 and operates under the laws of the State of Washington applicable to a Code City. The City of Newcastle is a general purpose local government and provides street improvement, parks and recreation, and general administrative services.

The City of Newcastle reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund (001)

This General Fund (001) is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds (100-199)

The City has three Special Revenue funds: Street (101), Transportation Impact Fees (104), and Parks Open Space & Acquisition Fund (107). These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government. A significant event for Transportation Impact Fees (104) and Parks Open Space & Acquisition Fund (107) is that these two funds are closed and obsolete at the end of December 31, 2016. The reporting of the impact fees will be collocated with the Transportation Capital and Parks Capital Projects fund respectively beginning January 1, 2017.

Debt Service Funds (200-299)

The City has a Debt Service Fund (202). This fund accounts for the financial resources that are restricted to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds (300-399)

The City has three capital project funds entitled; Transportation Capital Investment Program Fund (302), Parks Capital Investment Program Fund (303), and the Real Estate Excise Tax Capital Investment Program Fund (304). These funds account for financial resources which are restricted for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

This fund accounts for operations that provide goods or services to the general public and are supported primarily through user charges.

The City has one enterprise fund entitled Surface Water Management Fund (401). The Surface Water Management Fund is used to account for the City's surface water management fees and includes the repair, maintenance and capital costs for storm water infrastructure.

Internal Service Funds (500-599)

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis. As of December 31, 2016 the City has three internal service funds; Equipment Rental Fund (501), Unemployment Reserve Fund (502) and the Facilities Fund (503).

The City's Equipment Rental Fund (501) records monies for replacement of city assets as well as costs associated with operation and maintenance of vehicles and equipment. The Unemployment Reserve Fund (502) facilitates the city's ability to set aside reserves for future unemployment claims against the City. The unemployment fund beginning January 1, 2017 will become obsolete and all unemployment benefit claims will be expensed in the corresponding operating funds or departments. The Facilities Fund (503) records the operation, maintenance and repair to all City facilities. It includes all cost recovery for the City Hall, City Annex and the Lake Boren garage.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. The City of Newcastle does not have fiduciary funds or Private-Purpose Trust Funds.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

C. Budget Compliance

The City of Newcastle adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund #		2016 Amended Budget	2016 Actual	Variance
	Revenue			
001	General Fund	$ 8,713,403	$ 8,708,452	$ (4,951)
101	Street Fund	466,306	467,979	1,673
104	Transportation Impact Fund	650,734	446,502	(204,232)
107	Parks & Open Space Fund	458,161	170,595	(287,566)
202	Debt Service Fund	271,628	318,851	47,223
302	Transportation Capital Fund	2,658,365	1,213,327	(1,445,038)
303	Parks Capital Fund	1,385,285	1,107,362	(277,923)
304	Real Estate Excise Tax Capital Fund	882,830	1,104,298	221,468
401	SWM Fund	1,566,000	1,394,824	(171,176)
501	Equipment Rental Fund	94,718	119,097	24,379
502	Unemployment Reserve Fund	5,000	-	(5,000)
503	Facilities Fund	7,593,975	7,640,977	47,002
	Total Revenue	**$ 24,746,405**	**$ 22,692,264**	**$ (2,054,141)**
	Expenditure Appropriation			
001	General Fund	$ 10,074,832	$ 9,548,504	$ 526,328
101	Street Fund	466,306	428,920	37,386
104	Transportation Impact Fund	1,029,108	824,878	204,230
107	Parks & Open Space Fund	1,439,823	1,152,257	287,566
202	Debt Service Fund	210,968	212,968	(2,000)
302	Transportation Capital Fund	2,197,500	718,112	1,479,388
303	Parks Capital Fund	286,500	143,988	142,512
304	Real Estate Excise Tax Capital Fund	1,308,310	492,576	815,734
401	SWM Fund	1,959,060	1,707,497	251,563
501	Equipment Rental Fund	40,000	35,046	4,954
502	Unemployment Reserve Fund	40,092	35,093	4,999
503	Facilities Fund	7,593,975	7,451,385	142,590
	Total Expenditure Appropriation	**$ 26,646,474**	**$ 22,751,224**	**$ 3,895,250**

The Finance Director is authorized to transfer budgeted amounts within funds; however, any revisions which 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 of Newcastle's legislative body.

D. Cash and Investments

Deposits in the Washington State Treasurer's Local Government Investment Pool are stated at fair value, which is the same as the value of the pool shares. The Washington State Treasurer oversees the Local Government Investment Pool under state statute RCW 43.250.

The State Treasurer combines deposits from all governmental entities in the State, which participate in the Pool and purchases the following types of investments:

Certificates of Deposit, Commercial Paper, Demand Deposits,
Repurchase Agreements
U.S. Government Securities
Obligations of the State of Washington or its political subdivisions

The entities participating in the Pool own a percentage of each investment held. This percentage is calculated by dividing the individual entity's deposits by the total deposits held in the pool. The purpose of this is to:

Increase the overall rate of return.
Reduce the risk of default.
Place each entity under the FDIC and SLIC limits of $250,000.

The City of Newcastle is a member of the State of Washington Local Government Investment Pool (LGIP).

The City of Newcastle's Deposits and Investments

The amount of the City's cash deposits at year-end was $1,906,211.

Cash is classified as follows:

Cash, Governmental Funds	$1,696,528
Cash, Business-Type Activities	$ 209,683

It is the City of Newcastle's policy to invest all temporary cash surpluses. The interest on these investments is allocated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the city or its agent in the government's name. Daily cash is swept to overnight investments to protect the amounts exceeding FDIC insurance limits.

Investments are reported at original cost or cash value. Cash and investments by type at December 31, 2016 are as follows:

Government Activities	**Less than 1 year**	**1 to 5 years**	**Interest Rate**	**Fair Value**
HomeStreet Bank Cash	288,461		0.00%	288,461
HomeStreet Bank Investment MMKT	840,589		0.40%	840,589
U.S. Government Securities	2,097,158	300,000	.20% to 1.30%	2,397,158
Washington State Investment Pool	5,284,305		0.31%	5,284,305
Business Type Activities				
Cash and Cash Equivalents	777,160		0.00%	771,160
U.S. Government Securities	358,437		. 20% to 1.30%	358,437
Total Cash & Investments	$ 9,646,110	$ 300,000		$ 9,946,110 **(A)**

A. $9,946,110 is the bank balance as of December 31, 2016. The financial statements reflect a balance of $9,568,453. The $377,657 lower cash balance than the bank balance for FY2016 is due to the net effect of $377,907 outstanding checks and a bank deposit of $1,674 that cleared in FY2017 and an increase of $250 related to petty cash.

E. Capital Assets

Capital assets are assets with a life greater than one year and a value exceeding $5,000. The capital assets of the City of Newcastle are recorded as expenditures when purchased.

F. Compensated Absences

With the exception of one represented employee, all represented employees vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. The one employee exception may accumulate up to twice the employee's annual earned vacation days.

Non-represented employees vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Upon separation or retirement employees are paid out 25% of their accrued and unused sick leave to a maximum of 960 hours, provided they have a minimum of 96 hours accrued but unused sick leave at the time of separation or retirement. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 3, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The City of Newcastle's "*Other Financing Sources* or *Uses"* consist of Transfers-In and Out between funds and asset and/or liability account receipts/disbursements.

I. Risk Management

The City of Newcastle is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal 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 165 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 $4 million per occurrence self-insured layer, and $21 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are $25 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 $750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance. Insurance coverage for crime/fidelity limit is $2.5 million and has a $10,000 dollar deductible.

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 interlocal, 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.

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.

Unemployment Compensation – Reimbursable: The City of Newcastle has a reimbursable status and we are considered self-insured. The City of Newcastle is approved for this status by the Employment Security Department. The City of Newcastle reports quarterly wages to the Employment Security Department, but only pay when an unemployment claim is filed.

Worker's Compensation limits its exposure by not self-insuring against loss from claims. The City of Newcastle limits exposure by paying premiums to the Department of Labor and Industries. Premiums are adjusted annually based upon claims history. The City of Newcastle maintains a low loss history resulting in a discount for its premiums annually.

Use the following information to help complete the schedule if one or more class of risk has been retained by the entity (self-insurance).

J. Reserved Portion of Ending Cash and Investments

The reserved portion of the ending balance for all funds includes amount needed to cover the upcoming year's appropriation. A fund will reserve cash balances for the purpose of any deposits, sureties, or retainage being held by the City that may be refunded to the payee upon completion of a project. A fund will restrict fund balance for legal city commitments for committed obligations by the City like checks authorized, issued and not cleared by the bank by year end. Other reservations include special revenue funds that are designated for a specific purpose, council adopted fiscal policies for working capital, and enterprise funds whose cash is for a specific purpose.

K. Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Newcastle's portion, are more than shown.

L. Grants

Grant and contract expenditures are subject to the approval of various granting agencies. To be eligible for reimbursement of expenditures made under federal, state, and locally funded programs, the City must comply with regulations established by the related agency and non-compliance could result in disallowed costs and a liability for reimbursement received. During FY2016 the city had $3,236 in federal grants whereby the State of Washington is the cognizant agency. The amount of the federal grants is $3,236 which is related to traffic emphasis patrol.

M. Indirect Cost Rate

The City of Newcastle has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Property tax revenues are recognized when cash is received by the City of Newcastle. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is deemed delinquent.

The City of Newcastle's regular levy for the year 2016 was $4,724,894 on an assessed valuation of $2,691,890,112. The Levy rate per one thousand dollars of assessed value is $1.755.

Note 3 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Newcastle and summarizes the City's debt transactions for year ended December 31, 2016. During FY2016 the City issued both a taxable and nontaxable Limited Tax General Obligation (LTGO) Bonds. The City also has two Public Works Trust Fund (PWTF) loans. The City has never issued Revenue Bonds.

The 2016 Series A LTGO Bonds (tax-exempt) mature in 2035. The 2016 Series B LGTO Bonds (taxable) mature December 1, 2025. The final maturity over twenty years has an interest rate of .85% to 2.75% with true cost for the 2.179819%. Principal and interest payments are semi-annual on June 1 and Dec 1.

The $1 million PWTF loan issued in 2003 matures July 1, 2022. The $2.5 million PWTF loan issued in 2009 matures on July 1, 2028. Both PWTF loans are twenty years with a .5% and annual payments are July 1.

The debt service requirements for the limited general obligation bonds and PWTF loans include both principle and interest payments are as follows:

Limited Tax General Obligations Bond A (Non-Taxable) Bond B (Taxable)

Year	Principal	Interest	Total	Balance
2017	240,000	110,484	350,484	5,285,000
2018	240,000	108,444	348,444	5,045,000
2019	240,000	106,044	346,044	4,805,000
2020-2025	1,525,000	557,169	2,082,169	3,305,000
2026-2030	1,435,000	299,913	1,734,913	1,605,000
2031-2035	1,605,000	127,326	1,732,326	-

Public Works Trust Fund Loans

Year	Principal	Interest	Total	Balance
2017	171,199	8,689	179,887	1,737,719
2018	171,199	7,833	179,031	1,566,520
2019	171,199	6,977	178,175	1,395,322
2020-2025	868,860	24,675	893,535	355,263
2026-2030	355,263	3,553	358,816	-

Note 4 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

As of June 30, 2016 (the measurement date of the plans), the City of Newcastle's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Employer Contributions	Ending Balance
PERS 1UAAL	0.013077%	$ 74,158	$ 702,296
PERS 2/3	0.016732%	96,594	842,443
TOTAL		$ 170,752	$ 1,544,739

The City of Newcastle's allocation for PERS 1 & PERS 2 and 3 total $170,752 for FY2016.

Note 5 – Health & Welfare

The City of Newcastle is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of $1.5 million through Life Map, and Group Health ISL at $750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 6 - Other Disclosures

A. The City uses several funds as management funds to segregate funds. During fiscal year 2016 the city is combining permanently two of these funds into the General Fund and maintaining only the

Cumulative Reserve Fund to segregate monies. These funds are combined into the General Fund in FY2016 for reporting purposes: The General Fund #001 ending cash fund balance is $4,477,996, the Cumulative Reserve Fund #105 ending fund balance of $9,929; Historic Preservation Fund #108 ending fund balance of $0; Public Arts Fund #109 ending fund balance of $0. Also the Unemployment Fund #502 is displayed separately for FY2016 and the ending fund balance is $0. Beginning January 1, 2017 unemployment claims will be expensed in related operating funds or departments.

B. The ending cash balance in the General Fund #001 includes refundable cash deposits from developers and other deposits total $421,017. The developers selected cash deposits in lieu of securing surety or performance bonds. If performance on the development project is completed to City standards, the deposits in total will be refunded.

C. On June 7, 2016 City Council authorized the City manager to proceed with the purchase of "Newcastle Professional Center" building. CBRE consulting using conservative estimates of 4.25% financing demonstrated a $2,670,747 savings to the City over 10 years in buying the building over a continued lease. On July 5th the Finance Director demonstrated that further savings could be obtained by securing limited general obligation bonds to finance the purchase. On July 28, 2016 Standard & Poors assigned a rating for the City of Newcastle's bonds of AAA/Stable. Their rationale for the high rating was strong management, with good financial policies and practices under their own financial management methodology. On August 18, 2016 the City secured the $6.9 million dollar purchase of the building with the sale of 2,095,000 taxable and $3,190,000 nontaxable bonds with an interest rate of 2.18% providing additional savings above the $2,670,747 first provided to City Council on June 7. The taxable bonds provide the financing for the tenant occupied space while the remaining is nontaxable occupied by the City. The City provided the remaining $1,750,000 cash to lower the taxable portion of the bonds and provide a structured debt service payment that maintains a saving in the first year. The added debt service as compared to the tenant rents and annual city contributions into the future are below the future cost of the city's lease payments. The debt service requirements are found on footnote 3.

D. On May 2015 the City has an agreement with Coal Creek Utility District to not assume their operations. The consideration provided was from the purchase of the "City Hall Annex" formerly a CCUD Headquarters at a cost of $250,000 a lower cost than the appraised value of $750,000. The agreement of the lower price was settled for $250,000 plus a 10 year non-assumption clause.

E. The City of Newcastle contracts with the City of Bellevue Fire Department for fire and emergency services. The contract includes an allocation of the actuarial estimate of the LEOFF 1 pension payments to each of the contracting cities. For Newcastle, the total estimated liability at December 31, 2016 is $303,708. During FY2016 the city paid $27,486 towards the LEOFF 1 pension liability. The City of Bellevue's actuarial report reported balance value on December 31, 2016 was $303,708. The ending balance on December 31, 2015 reported was $344,695. An adjustment to reflect the actuarial report was made by $13,501 to agree with the City of Bellevue's actuarial report balance of $303,708.

F. The City's copy and production equipment is leased from Pacific Office Automation. The long term liability as of December 31, 2016 is $72,003 and expires November 2019. The City paid $41,756 comprised of $19,169 for maintenance and operation and $22,587 for the office copier equipment lease.

G. Grant and contract expenditures are subject to the approval of various granting agencies. To be eligible for reimbursement of expenditures made under federal, state, and locally funded programs, the City must comply with regulations established by the related agency and non-compliance could result in disallowed costs and a liability for reimbursement received. During the FY2016 the city had $9,363 in grants of which $6,127 is a State Grant from the Department of Ecology. The City also received federal grants whereby the Washington State Safety Commission is the cognizant agency. The amount of the federal grants is $3,236 which is related to traffic emphasis patrol.

H. Litigation

As of December 31, 2016 the City of Newcastle has either pending or threatening litigation claims. These claims are as follows:

1. Newport Wood v. City of Newcastle, King County Superior Court Cause No. 15-2-26491-5.
    a. Summary of Matter. Petitioner filed a petition under the Land Use Petition Act, alleging the Newcastle Hearing Examiner erred when approving a site plan permit for construction of a multi-family building, and disapproving an appeal filed under the State Environmental Policy Act ("SEPA"). A claim for reimbursement of approximately $8,000 in administrative fees was included in the petition.
    b. Status of matter. The LUPA case was heard and decided in January of 2016. The Court dismissed the petition, but dismissed without prejudice plaintiff's claim for reimbursement for application fees. No appeal was filed.
    c. Attorneys assigned to matter. The matter was handled by Inslee Best Doezie & Ryder (Dawn Reitan).

2. Newport Wood Community v. City of Newcastle, et. al., Superior Court Cause No. 2:16cv-00346RAJ
    a. Summary of Matter. In February of 2016, the same neighborhood group that brought the LUPA petition under No. 1 above (Newport Wood Community) filed a complaint for damages alleging violations of due process for the City's imposition of appeal fees for their land use to the Hearing Examiner. The complaint named as parties, the City, individual councilmembers and the City Manager. Plaintiffs claimed compensatory damages in the amount of $8,000, unspecified punitive damages and attorneys' fees.
    b. Status of matter. The City answer the complaint and removed the matter to federal court. The City filed a summary judgement motion, which petitioners did not respond to, but instead, agreed to dismiss the lawsuit.
    c. Attorneys assigned to matter. The matter was handled by insurance defense counsel, Adam Rosenberg, of Williams, Kastner, Gibbs PLLC.

3. City of Newcastle v. Jackman, King County Superior Court No. 16-2-11741-4: In May of 2016, the City filed a Complaint for a Warrant of Abatement of Public Nuisance in Superior Court to abate certain existing public nuisances/code violations being maintained by a specific property owner. State law authorizes the City to obtain a warrant of abatement where the costs of such abatement would be the responsibility of the property owner. If the costs are not paid by the property owner, the City has the authority to put a lien on the real property to recover the costs. Abatement costs could be approximately $5,000 - $10,000. The City obtained a default judgment against the property owner for failure to appear in the lawsuit. No appeal was filed. The matter is being handled by Inslee Best Doezie & Ryder (Curtis Chambers).

4. Claim for Damages: On May 1, 2015, the City received a claim for damages in the amount of $500,000. The claim for damages states that "NORCOM did not have the correct address information. Result was delay of in treatment causing death." The claim was forwarded to the City's insurance authority. On May 4, 2015, the Washington Cities Insurance Authority denied the claim, by stating, "The City of Newcastle does not operate any emergency dispatch services. Norcom is a separate municipal corporation. The City of Newcastle is not a participating member of the NORCOM interlocal. Your claim for damages does not make any allegations against the City of Newcastle. Your claim for damages against the City of Newcastle is respectfully denied." To date, the City has not been named or served as a party in any litigation relating to the May 1, 2015 claim for damages.

City of Newcastle
Schedule of Liabilities
For the Year Ended December 31, 2016

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	Capital Lease		94,590	-	22,587	72,003
251.11	2016A Limited Tax General Obligation (LTGO) Bonds Exempt	12/1/2035	-	3,190,000	-	3,190,000
251.11	2016B Limited Tax General Obligation (LTGO) Bonds Taxable	12/1/2025	-	2,095,000	-	2,095,000
263.81	Public Works Trust Fund Loan PW-02-691-038	7/1/2022	369,444	-	52,778	316,666
263.81	Public Works Trust Fund Loan PW-08-951-030	7/1/2028	1,539,474	-	118,421	1,421,053
263.98	Performance Deposits		515,727	-	94,710	421,017
263.98	LEOFF 1		344,695	-	40,987	303,708
	Total General Obligation Debt/Liabilities:		**2,863,930**	**5,285,000**	**329,483**	**7,819,447**
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		122,372	139,060	118,746	142,686
264.30	Net Pension Liability		1,245,798	469,692	170,751	1,544,739
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**1,368,170**	**608,752**	**289,497**	**1,687,425**
	Total Liabilities:		**4,232,100**	**5,893,752**	**618,979**	**9,506,872**

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.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov