



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Roy

For the period January 1, 2021 through December 31, 2024

Published September 9, 2025

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

September 9, 2025

Mayor
City of Roy
Roy, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources. As this report documents, the City faces a declining financial condition. The Mayor and City Council, therefore, have a shared responsibility to jointly provide adequate financial oversight as explained in this report.

Attached is our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

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

As referenced above, we identified areas where the City could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters related to employee compensation that we communicated to City management and the Mayor in a letter dated September 8, 2025. We appreciate the City's commitment to resolving those matters.

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

About the audit

This report contains the results of our independent accountability audit of the City of Roy from January 1, 2021 through December 31, 2024.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2024, 2023, 2022 and 2021, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts payable – general disbursements, credit cards, electronic funds transfers, and City review of bank statements
- Payroll – gross wages
- Conflict of interest – review elected official’s occupations and business interests
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Roy January 1, 2021 through December 31, 2024

2024-001 The City does not have adequate controls over financial operations, placing public resources at risk of loss or misappropriation and limiting management's ability to effectively operate the City.

Background

The City Council has the power to enact laws and policies regulating local and municipal affairs. This includes enacting a City budget, determining employees' compensation, imposing taxes, and approving claims against the City. The Mayor is responsible for fulfilling the policies set by the Council, ensuring local laws are enforced and monitoring staff to ensure public funds are accurately accounted for. Collectively, the Council, the Mayor and management are responsible for managing financial resources to meet the City's responsibilities to its residents, and along with the public, rely on information included in City's financial reports to make informed financial decisions.

State law (RCW 43.09.230) requires the City to submit an annual report with accurate, summarized financial information and supporting schedules to the State Auditor's Office within 150 days after the end of its fiscal year.

The City of Roy operates on an annual budget of about \$1.3 million and employs seven full-time employees and one part-time employee. This includes a full-time Clerk-Treasurer who is responsible for the day-to-day accounting and oversight of City finances.

Description of Condition

During the course of our audit we noted the Mayor, Council members, and City employees have not communicated effectively, resulting in frequent disagreements that appear to hinder the progress of City business at Council meetings.

We identified significant concerns with the City's oversight and monitoring of its financial operations. Specifically:

- Bank reconciliations were not performed consistently and timely, if at all.
- Financial reports provided at Council meetings and during our audit were inaccurate and not adequately supported by accounting records.

The above control weaknesses prevented the governing body from effectively monitoring and operating the City. The City was unable to provide us with reliable financial reports for 2024 or 2025 and has not filed the required 2024 annual report to our Office within 150 days of fiscal year-end. Without these reports, we were unable to distinguish the unrestricted portion of the City’s cash and investments from the portion restricted for specific purposes such as water utilities or capital projects, as there are limitations on how these types of funds can be used.

However, to assist in preparing the 2025 budget, the City contracted with a certified public accountant (CPA) who, during the November 2024 Council meeting, shared concerns about general fund balance projections through 2026. Using the CPA’s analysis of general fund revenues, expenditures, and fund balance since 2021, we noted the City’s general fund balance has declined since 2022, with significant decreases projected in 2024 and 2025 as shown in the following table:

	As of the year ending December 31:			
	2022	2023	2024*	2025*
General fund balance	\$ 511,940	\$ 413,355	\$ 298,779	\$ 227,907
Change in general fund balance from prior year	7.9%	- 19.3%	- 27.7%	- 23.7%

*These years contain figures that are projected estimates as calculated by the CPA

Cause of Condition

Disagreements between the City’s elected officials while making business decisions were significant enough to negatively affect operations, in some cases stalling them. For example, the Council has approved budgets that exceed available and estimated operating revenues.

Additionally, since 2021, the City has experienced turnover in key positions including the Mayor, multiple Council members, and the Clerk-Treasurer position. Since March 2023, five people have held the role of Clerk-Treasurer. The governing body has not dedicated the necessary time and resources to ensure staff understand and are trained in proper accounting procedures. Therefore, staff responsible for financial report preparation and oversight lacked the level of technical knowledge needed to ensure the reports are accurate and complete.

Effect of Condition

The City has not fully reconciled its bank accounts to the general ledger since June 2023. Further, between December 2021 and January 2023, our audit noted 10 instances when City staff did not perform monthly bank reconciliations timely, and waited several months before reconciling all bank statements to the general ledger. As a result, the governing body did not receive timely and accurate information necessary to effectively monitor financial resources and make decisions.

Delays in the availability of complete financial reports prevent City officials, the public and other interested parties from obtaining timely information. Such delays also hinder public transparency and our Office's efforts to compile statistical and financial information that the Legislature and other parties use.

Our audit noted numerous instances, either during council meetings or interactions with the Mayor or Council members, where concerns about communication and the flow of information between the Mayor, Council and the public were raised. The lack of control and oversight of the City's finances increases the risk that misappropriation or misuse of City resources could occur without timely detection, if at all. Additionally, the City's financial position increases its risk of not being able to sustain operations or provide sufficient levels of service.

Recommendation

We recommend the Mayor and Council work cooperatively to provide staff with the necessary resources and training to prepare accurate and complete financial reports. We also recommend the City establish controls over key financial operations to guarantee staff are completing tasks and providing the information needed by elected officials.

Additionally, we recommend the City establish a comprehensive plan to address its declining financial position and closely monitor and evaluate the City's financial condition. The plan should be revised as needed to achieve desired results.

City's Response

The State Auditor's Office (SAO) reviewed the City of Roy for 2021–2024 and highlighted areas for improvement, including financial reporting, payroll, and communication. The City has already made several changes related to the items identified by the SAO prior to and during this review and will continue to present and execute viable solutions to address these issues. Such changes and solutions will include, but not necessarily be limited to, updating policies, providing appropriate training for all City officials and employees, and creating a more comprehensive long-term financial plan to protect our budget and services. The Mayor and City Council remain committed to transparency, accountability, and keeping the community informed as these improvements are implemented.

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the City's corrective action during our next audit.

Applicable Laws and Regulations

RCW 43.09.200, Local government accounting – Uniform system of accounting

RCW 43.09.230, Local government accounting – Annual reports – Comparative statistics.

Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.9, Bank Reconciliations

Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3, Internal Control

*Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3.30, states in part, "The governing body has *ultimate* responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management."*

INFORMATION ABOUT THE CITY

The City of Roy was incorporated in 1908 in Pierce County and serves approximately 800 citizens. The City provides an array of services including police protection, Municipal Court, street and parks maintenance, building permits, and water utilities.

An elected, five-member Council and an independently elected Mayor govern the City. Council Members serve four-year, staggered terms. The Council appoints management to oversee the City's daily operations. The City has seven full-time and one part-time employees. For 2021, 2022, 2023 and 2024 the City's revenues approximated \$1.31 million, \$1.36 million, \$1.35 million and \$1.17 million respectively.

Contact information related to this report

Contact:	Kris Ballerini, Clerk Treasurer
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Website:	http://www.cityofroywa.us

Information current as of report publish date.

Audit history

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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