

Schedule of Audit Findings and Responses

Town of Elmer City
Okanogan County
October 1, 2009

1. **The Town sold a parcel of property for considerably less than the fair market value, constituting a gift of public funds.**

Description of Condition

In August 2007, the Town of Elmer City sold a parcel of property to the Town's Clerk-Treasurer for \$200. According to the Okanogan County Assessor's Office, the assessed fair value of the property is \$5,500. The Town did not obtain an appraisal on the property before selling to ensure the price was reasonable. Further, the Town did not use a public process, such as soliciting bids, when selling the property to ensure it received the highest offer possible.

Cause of Condition

The Mayor and Council were not aware of Washington State Constitutional restrictions on gifts of public funds.

Effect of Condition

The Town violated the Washington State Constitution, Article VIII, Section 7, when it made a gift of public funds in the amount of approximately \$5,300 by selling property below fair market value.

Recommendation

We recommend the Town refrain from making gifts of public funds.

Town's Response

The Town of Elmer City appreciates the Washington State Auditor's Office bringing this to our attention. We express our gratitude to the Audit staff for the helpful and professional assistance given during this audit.

In August 2007, the Town of Elmer City sold surplus right-of-way property to the Town Clerk and her husband. At that time, the Town of Elmer City believed the transaction was in the best interest of the Town and did not perceive the transaction as gifting. The Town of Elmer City would no longer have to maintain the property; the property was of no present or foreseeable benefit to the Town. The property then would be placed on the tax rolls.

In the future the Town of Elmer City will make a conscious effort to research and comply with all applicable Washington State Laws.

Auditor's Remarks

We thank the Town of Elmer City for its cooperation and assistance during this audit. We will review this issue during our next audit.

Applicable Laws and Regulations

Washington State Constitution - Article VIII, Section 7, Credit Not To Be Loaned, states:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any association, company or corporation.