

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

City of Sedro-Woolley
Skagit County

Audit Period
January 1, 2009 through December 31, 2009

Report No. 1003727

Issue Date
June 14, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

June 14, 2010

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Sedro-Woolley's financial statements and compliance with federal laws and regulations.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Skagit County
January 1, 2009 through December 31, 2009**

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Federal Summary

**City of Sedro-Woolley
Skagit County
January 1, 2009 through December 31, 2009**

The results of our audit of the City of Sedro-Woolley are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no significant deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

FEDERAL AWARDS

Internal Control Over Major Programs:

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no significant deficiencies that we consider to be material weaknesses.

We issued an unqualified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City qualified as a low-risk auditee under OMB Circular A-133.

Independent Auditor's Report on Internal
Control over Financial Reporting and on
Compliance and Other Matters in Accordance
with *Government Auditing Standards*

**City of Sedro-Woolley
Skagit County
January 1, 2009 through December 31, 2009**

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, Washington

We have audited the financial statements of the City of Sedro-Woolley, Skagit County, Washington, as of and for the year ended December 31, 2009, and have issued our report thereon dated April 20, 2010.

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 *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.

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 deficiencies, 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, the Mayor and City Council, federal awarding agencies and pass-through entities. 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

April 20, 2010

Independent Auditor's Report on Compliance with Requirements Applicable to its Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Sedro-Woolley
Skagit County
January 1, 2009 through December 31, 2009**

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, Washington

COMPLIANCE

We have audited the compliance of the City of Sedro-Woolley, Skagit County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The City's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal

control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Mayor and City Council, federal awarding agencies and pass-through entities. 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.

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BRIAN SONNTAG, CGFM
STATE AUDITOR

April 20, 2010

Independent Auditor's Report on Financial Statements

**City of Sedro-Woolley
Skagit County
January 1, 2009 through December 31, 2009**

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, Washington

We have audited the accompanying financial statements of the City of Sedro-Woolley, Skagit County, Washington, for the year ended December 31, 2009. 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 1 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 Sedro-Woolley, for the year ended December 31, 2009, on the basis of accounting described in Note 1.

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 Expenditures of Federal Awards is presented for

purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Debt is also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are 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.

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BRIAN SONNTAG, CGFM
STATE AUDITOR

April 20, 2010

Financial Section

**City of Sedro-Woolley
Skagit County
January 1, 2009 through December 31, 2009**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2009
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Schedule of Long-Term Debt – 2009
Schedule of Expenditures of Federal Awards – 2009
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CITY OF SEDRO-WOOLLEY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		Total for All	001 Current	101
		Funds	Expense	Parks
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$ 9,854,077	\$ 566,294	\$ 74,324
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
Revenues and Other Sources				
310	Taxes	4,479,831	2,676,609	511,518
320	Licenses and Permits	80,523	80,523	0
330	Intergovernmental	5,203,794	378,815	0
340	Charges for Goods and Services	5,008,622	72,082	44,768
350	Fines and Penalties	85,651	80,182	0
360	Miscellaneous	184,166	9,318	3,614
370	Capital Contributions	0	0	0
390	Other Financing Sources	1,249,437	691,318	82,970
Total Revenues and Other Financing Sources		16,292,024	3,988,847	642,870
Total Resources		26,146,101	4,555,141	717,194
Operating Expenditures:				
510	General Government	619,690	589,891	0
520	Public Safety	2,817,556	2,816,556	0
530	Physical Environment	3,102,407	173,373	0
540	Transportation	511,558	0	0
550	Economic Environment	234,926	231,729	0
560	Mental and Physical Health	22,715	22,715	0
570	Culture and Recreational	725,495	0	479,469
Total Operating Expenditures		8,034,347	3,834,264	479,469
591-593	Debt Service	592,198	50,557	53
594-595	Capital Outlay	9,758,195	299,072	82,263
Total Expenditures		18,384,740	4,183,893	561,785
597-599	Other Financing Uses	1,241,317	9,313	25,401
Total Expenditures and Other Financing Uses		19,626,057	4,193,206	587,186
Excess (Deficit) of Resources Over Uses		6,520,044	361,935	130,008
380	Nonrevenues (Except 384)	1,641,818	1,487	41,000
580	Nonexpenditures (Except 584)	873,178	0	41,000
Ending Cash and Investments:		\$ 7,288,684	\$ 363,422	\$ 130,008
508.10	Reserved 1/	\$ 525,838	\$ -	\$ 300
508.80	Unreserved 1/	\$ 6,762,846	\$ 363,422	\$ 129,708

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SEDRO-WOOLLEY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		102 Cemetery Actual Amount	103 Streets Actual Amount	104 Arterial Streets Actual Amount
Beginning Cash and Investments		\$ 41,486	\$ 109,447	\$ 1,341,152
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
Revenues and Other Sources				
310	Taxes	46,371	327,586	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	399	222,287	4,325,139
340	Charges for Goods and Services	95,655	905	52,361
350	Fines and Forfeits	0	0	0
360	Miscellaneous	1,227	853	10,147
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	56,869	89,000
Total Revenues and Other Sources		143,652	608,500	4,476,647
Total Resources		185,138	717,947	5,817,799
Operating Expenditures:				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	118,297	0	0
540	Transportation	0	466,761	0
550	Economic Environment	0	0	3,197
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	0
Total Operating Expenditures		118,297	466,761	3,197
591-593	Debt Service	0	0	0
594-595	Capital Outlay	4,650	35,999	5,626,071
Total Expenditures		122,947	502,760	5,629,268
597-599	Other Financing Uses	15,134	73,130	119,019
Total Expenditures and Other Financing Uses		138,081	575,890	5,748,287
Excess (Deficit) of Resources Over Uses		47,057	142,057	69,512
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	8,000	0
Ending Cash and Investments:		\$ 47,057	\$ 134,057	\$ 69,512
508.10	Reserved 1/	\$ -	\$ -	\$ -
508.80	Unreserved 1/	\$ 47,057	\$ 134,057	\$ 69,512

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SEDRO-WOOLLEY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		105	106 Cemetery	107 Cumulative
		Library	Endowment	Reserve - Parks
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$ 15,375	\$ 105,596	\$ 6,784
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
Revenues and Other Sources				
310	Taxes	271,103	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	24,099	0	0
340	Charges for Goods and Services	6,955	3,300	0
350	Fines and Forfeits	5,469	0	0
360	Miscellaneous	1,242	0	464
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	0
Total Revenues and Other Financing Sources		308,868	3,300	464
Total Resources		324,243	108,896	7,248
Operating Expenditures:				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	0	0	0
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	246,026	0	0
Total Operating Expenditures		246,026	0	0
591-593	Debt Service	52	0	0
594-595	Capital Outlay	28,902	0	1,050
Total Expenditures		274,980	0	1,050
597-599	Other Financing Uses	0	0	0
Total Expenditures and Other Financing Uses		274,980	0	1,050
Excess (Deficit) of Resources Over Uses		49,263	108,896	6,198
380	Nonrevenues (Except 384)	40,000	0	0
580	Nonexpenditures (Except 584)	44,900	0	0
Ending Cash and Investments:		\$ 44,363	\$ 108,896	\$ 6,198
508.10	Reserved 1/	\$ -	\$ -	\$ -
508.80	Unreserved 1/	\$ 44,363	\$ 108,896	\$ 6,198

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SEDRO-WOOLLEY

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		108 Stadium	109 Special	113 Paths
		Conv Center	Investigations	and Trails
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$ 45,858	\$ 6,317	\$ 38,744
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
Revenues and Other Sources				
310	Taxes	35,168	0	1,091
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	0	0	0
350	Fines and Forfeits	0	0	0
360	Miscellaneous	421	47	298
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	0
Total Revenues and Other Financing Sources		35,589	47	1,389
Total Resources		81,447	6,364	40,133
Operating Expenditures:				
510	General Government	29,799	0	0
520	Public Safety	0	1,000	0
530	Physical Environment	0	0	0
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	0
Total Operating Expenditures		29,799	1,000	0
591-593	Debt Service	0	0	0
594-595	Capital Outlay	0	0	1,893
Total Expenditures		29,799	1,000	1,893
597-599	Other Financing Uses	7,400		0
Total Expenditures and Other Financing Uses		37,199	1,000	1,893
Excess (Deficit) of Resources Over Uses		44,248	5,364	38,240
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
Ending Cash and Investments:		\$ 44,248	\$ 5,364	\$ 38,240
0.00	Reserved 1/	\$ -	\$ -	\$ -
508.80	Unreserved 1/	\$ 44,248	\$ 5,364	\$ 38,240

1/. Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SEDRO-WOOLLEY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		205	206 - 2008	230
		2008 G/O Bond	G/O Bond Reserve	1996 G/O Bond
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$ 45,696	\$ 150,000	\$ 78,209
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
Revenues and Other Sources				
310	Taxes	201,160	0	207,238
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	0	0	0
350	Fines and Forfeits	0	0	0
360	Miscellaneous	1,803	0	911
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	0
Total Revenues and Other Financing Sources		202,963	0	208,149
Total Resources		248,659	150,000	286,358
Operating Expenditures:				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	0	0	0
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	0
Total Operating Expenditures		0	0	0
591-593	Debt Service	150,550	0	207,082
594-595	Capital Outlay	0	0	0
Total Expenditures		150,550	0	207,082
597-599	Other Financing Uses	0	0	0
Total Expenditures and Other Financing Uses		150,550	0	207,082
Excess (Deficit) of Resources Over Uses		98,109	150,000	79,276
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
Ending Cash and Investments:		\$ 98,109	\$ 150,000	\$ 79,276
508.10	Reserved 1/	\$ -	\$ -	\$ -
508.80	Unreserved 1/	\$ 98,109	\$ 150,000	\$ 79,276

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SEDRO-WOOLLEY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		302	310 Mitigation	311 Mitigation
		Capital Outlay	Reserve - Police	Reserve - Parks
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$ 773,631	\$ 18,565	\$ 178,432
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
Revenues and Other Sources				
310	Taxes	166,636	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	0	0	12,000
350	Fines and Forfeits	0	0	0
360	Miscellaneous	6,028	1,973	1,132
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	0
Total Revenues and Other Financing Sources		172,664	1,973	13,132
Total Resources		946,295	20,538	191,564
Operating Expenditures:				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	0	0	0
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	0
Total Operating Expenditures		0	0	0
591-593	Debt Service	0	0	0
594-595	Capital Outlay	11,533	0	0
Total Expenditures		11,533	0	0
597-599	Other Financing Uses	409,224	0	40,000
Total Expenditures and Other Financing Uses		420,757	0	40,000
Excess (Deficit) of Resources Over Uses		525,538	20,538	151,564
380	Nonrevenues (Except 384)	81,000	0	0
580	Nonexpenditures (Except 584)	81,000	0	0
Ending Cash and Investments:		\$ 525,538	\$ 20,538	\$ 151,564
508.10	Reserved 1/	\$ 525,538	\$ -	\$ -
508.80	Unreserved 1/	\$ -	\$ 20,538	\$ 151,564

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SEDRO-WOOLLEY

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		312 Mitigation	330 Fire Station	401
		Reserve - Fire	2 Construction	Sewer Funds
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$ 107,262	\$ -	\$ 5,289,800
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
Revenues and Other Sources				
310	Taxes	0	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	104,646
340	Charges for Goods and Services	3,456	0	3,024,835
350	Fines and Forfeits	0	0	0
360	Miscellaneous	816	0	75,928
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	7,000	1,400
Total Revenues and Other Financing Sources		4,272	7,000	3,206,809
Total Resources		111,534	7,000	8,496,609
Operating Expenditures:				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	0	0	1,343,600
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	0
Total Operating Expenditures		0	0	1,343,600
591-593	Debt Service	0	0	183,904
594-595	Capital Outlay	0	5,811	3,049,082
Total Expenditures		0	5,811	4,576,586
597-599	Other Financing Uses	45,944	0	303,526
Total Expenditures and Other Financing Uses		45,944	5,811	4,880,112
Excess (Deficit) of Resources Over Uses		65,590	1,189	3,616,497
380	Nonrevenues (Except 384)	0	0	1,478,762
580	Nonexpenditures (Except 584)	0	0	698,278
Ending Cash and Investments:		\$ 65,590	\$ 1,189	\$ 4,396,981
508.10	Reserved 1/	\$ -	\$ -	\$ -
508.80	Unreserved 1/	\$ 65,590	\$ 1,189	\$ 4,396,981

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SEDRO-WOOLLEY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		412	425	501 Equipment
		Solid Waste	Stormwater	Replacement
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$ 365,760	\$ 58,644	\$ 436,701
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
Revenues and Other Sources				
310	Taxes	0	35,351	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	148,409
340	Charges for Goods and Services	1,490,391	201,914	0
350	Fines and Forfeits	0	0	0
360	Miscellaneous	62,555	1,559	3,830
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	320,880
Total Revenues and Other Financing Sources		1,552,946	238,824	473,119
Total Resources		1,918,706	297,468	909,820
Operating Expenditures:				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	1,253,188	213,949	0
540	Transportation	0	0	44,797
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	0
Total Operating Expenditures		1,253,188	213,949	44,797
591-593	Debt Service	0	0	0
594-595	Capital Outlay	694	0	611,175
Total Expenditures		1,253,882	213,949	655,972
597-599	Other Financing Uses	183,913	9,313	0
Total Expenditures and Other Financing Uses		1,437,795	223,262	655,972
Excess (Deficit) of Resources Over Uses		480,911	74,206	253,848
380	Nonrevenues (Except 384)	(431)	0	0
580	Nonexpenditures (Except 584)	0	0	0
Ending Cash and Investments:		\$ 480,480	\$ 74,206	\$ 253,848
508.10	Reserved 1/	\$ -	\$ -	\$ -
508.80	Unreserved 1/	\$ 480,480	\$ 74,206	\$ 253,848

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SEDRO-WOOLLEY
FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For The Year Ending December 31, 2009

	Total for All Funds		621 School Trust		631 Payroll Clearing		632 Claims Clearing	
	Total Amount	Actual Amount	Total Amount	Actual Amount	Total Amount	Actual Amount	Total Amount	Actual Amount
Beginning Cash and Investments	\$ 1,710,733	\$ -	\$ -	\$ -	\$ 281,851	\$ 281,851	\$ 1,428,882	\$ 1,428,882
Prior Period Adjustments	0	0	0	0	0	0	0	0
Revenue and Other Financing Sources	0	0	0	0	0	0	0	0
Total Resources	1,710,733	0	0	0	281,851	281,851	1,428,882	1,428,882
Expenditures And Other Financing Uses	\$0	0	0	0	0	0	0	0
Excess (Deficit) of Resources Over Uses	1,710,733	0	0	0	281,851	281,851	1,428,882	1,428,882
Nonrevenues (Except 384)	19,116,297	41,912	41,912	41,912	4,976,372	4,976,372	14,098,013	14,098,013
Nonexpenditures (Except 584)	19,459,589	41,912	41,912	41,912	5,005,581	5,005,581	14,412,096	14,412,096
Ending Cash and Investments	\$ 1,367,441	\$ -	\$ -	\$ -	\$ 252,642	\$ 252,642	\$ 1,114,799	\$ 1,114,799

The Accompanying Notes Are An Integral Part Of This Statement.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Sedro-Woolley 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 accounting and 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.

The City of Sedro-Woolley was incorporated in December 1898. On September 3, 2007 the City became a Noncharter Code City pursuant to the Optional Municipal Code of the State of Washington, retaining the Mayor-Council plan of government. The City operates under the laws of the state of Washington applicable to a Noncharter Code City. The City of Sedro-Woolley is a general purpose government and provides applicable municipal services. The City of Sedro-Woolley uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Sedro-Woolley are organized on the basis of funds, 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 of Sedro-Woolley'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 of Sedro-Woolley:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City of Sedro-Woolley. It accounts for all financial resources 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 of Sedro-Woolley.

Debt Service Funds

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

Capital Projects 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 or services to the general public and are supported primarily through user charges. The following sewer proprietary funds are rolled into Fund 401 Sewer Funds

for clarity in financial reporting: 401 Sewer Operations Fund, 402 Sewer Operations Reserve Fund, 407 Sewer Revenue Bond, 410 Cumulative Reserve -- Sewer, 411 Sewer Revenue Bond Reserve and 332 Public Works Trust Fund (P WTF) Sewer Construction Fund.

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Sedro-Woolley in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account for assets that the City of Sedro-Woolley 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 of Sedro-Woolley also recognizes expenditures paid during twenty days 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. Budgets

The City of Sedro-Woolley adopts annual appropriated budgets for all funds. These budgets are adopted at the fund level for all funds. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The Finance Director is authorized to transfer budgeted amounts between departments within any fund as well as object classes within departments. 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 of Sedro-Woolley's legislative body.

Council approved budget amendments during 2009 primarily related to changes in construction projects as well as changes in the local economy.

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance under/(over)
General Fund	\$4,901,435	\$4,193,206	\$708,229
Parks Fund	806,574	628,186	178,388
Cemetery Fund	175,237	138,081	37,156
Street Fund	779,097	583,890	195,207
Arterial Street Fund	9,528,197	5,748,287	3,779,910
Library Fund	395,173	319,880	75,293
Cemetery Endowment Fund	107,596	0	107,596
Cumulative Reserve for Parks Fund	7,739	1,050	6,689
Stadium/Convention Center Fund	76,658	37,199	39,459
Special Investigations Fund	6,409	1,000	5,409
Paths and Trails Fund	40,644	1,893	38,751
G/O 2008 Bond Redemption Fund	250,696	150,550	100,146
G/O 2008 Bond Reserve Fund	150,000	0	150,000
G/O 1996 Bond Redemption Fund	285,709	207,082	78,627
Cumulative Reserve for Current Expense Capital	1,265,631	501,757	763,874
Mitigation Reserve for Police Fund	28,465	0	28,465
Mitigation Reserve for Parks Fund	220,932	40,000	180,932
Mitigation Reserve for Fire Fund	130,062	45,944	84,118
Fire Station 2 Construction Fund	50,000	5,811	44,189
PWTF Sewer Construction Fund	3,947,845	1,854,425	2,093,420
Sewer Operations Fund	4,172,497	3,654,049	518,448
Cumulative Reserve for Sewer Operations Fund	404,925	0	404,925
1998 Sewer Revenue Bond Fund	783,856	448,904	334,952
Cumulative Reserve for Sewer Facilities Fund	4,344,284	1,481,639	2,862,645
1998 Sewer Revenue Bond Reserve Fund	376,482	0	376,482
Solid Waste Fund	1,799,760	1,437,795	361,965
Stormwater Fund	295,344	223,262	72,082
Equipment Replacement Fund	762,581	655,972	106,609
Suspense (Sedro-Woolley Schools Impact Fees)	100,500	41,912	58,588

d. Cash

It is the City of Sedro-Woolley's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The City of Sedro-Woolley's deposits and certificates of deposit are covered by the Washington Public Deposit Protection Commission.

f. Investments See Note #3

g. Capital Assets

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

h. Compensated Absences

Vacation leave may be accumulated up to 280 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 1,440 hours. Upon separation employees do not receive payment for unused sick leave. Upon retirement employees receive payment for 25% of unused sick leave.

i. Long-Term Debt See Note #5j. Other Financing Sources Or Uses

The City of Sedro-Woolley's "Other Financing Sources or Uses" consist of Operating Transfers-in, Sale of Fixed Assets, Bond Proceeds, and Operating Transfers-out.

k. Risk Management

The City of Sedro-Woolley is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2009, the CIAW had 86 regular members and 170 associate members.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, account education, claims handling, etc. Coverage for Employment Practices and Management Liability is on a "claims made basis". All other coverages are on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, law enforcement liability, automobile liability, employment practices liability, boiler and machinery, bonds of various types, and management liability.

The pool acquires liability insurance through St. Paul Fire & Marine Insurance Company (Travelers) that is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. The insurance carrier covers insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool also purchases a Stop Loss Policy in the amount of \$5,500,000 to cap the total claims paid by the pool in any one year.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Each new regular member pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member remains responsible for

contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the years ended August 31, 2008 and 2009 were \$1,321,289 and \$1,389,379 respectively.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates to perform day-to-day administration of the pool. This pool has no employees. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

I. Reserved Fund Balance

The City of Sedro-Woolley has a portion of ending fund balances which are reserved and are not available for expenditure. The amounts segregated at December 31, 2009 and their funds are listed below.

<u>Fund</u>	<u>Amount</u>	<u>Description</u>
101 Parks	\$ 300	Damage deposits - 2010 Community Center Rentals
302 Cum Reserve Current	\$470,229	REET 1 tax projects
Expense Capital	2,335	REET 2 tax projects
	<u>52,974</u>	Cell phone utility tax - City Hall
	\$525,538	

NOTE 2 - 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 of Sedro-Woolley.

NOTE 3 - INVESTMENTS

The City of Sedro-Woolley's investments are either insured, registered or held by the City or its agent in the City's name. Investments are presented at cost.

Investments by type at December 31, 2009 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Local Government Investment Pool	\$5,308,310
U.S. Government Securities	<u>2,009,353</u>
TOTAL	\$7,317,663

NOTE 4 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month. Property tax revenues are recognized when cash is received by the City of Sedro-Woolley. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The City of Sedro-Woolley's regular levy for 2009 was \$1.8569, the General Obligation Bond levy was \$0.2291, for a total levy of \$2.0860 per \$1,000 on an assessed valuation of \$930,140,024, regular levy and \$916,624,824 bond levy, for a total property tax levy of \$1,937,176.

NOTE 5 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City of Sedro-Woolley and summarizes the city's debt transactions for 2009. The beginning balance of the Bank of America bond was adjusted on Schedule 09 due to prior year interest adjustments by the bondholder. This bond was paid in full during 2009. The debt service payment for the fiscal year being reported and future payment requirements including interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debts</u>	<u>Total Debts</u>
2009	\$ 410,661	\$ 881,879	\$ 0	\$ 1,292,540
2010	352,149	1,082,509	0	1,434,658
2011	361,900	1,093,141	0	1,455,041
2012	365,549	1,076,049	0	1,441,598
2013	373,750	1,049,158	0	1,422,908
2014-2018	1,445,149	5,176,721	0	6,621,870
2019-2023	752,749	2,986,637	0	3,739,386
2024-2028	752,749	1,910,901	0	2,663,650
2029-2033	752,749	0	0	752,749
2034-2038	752,749	0	0	752,749
2039-2043	752,749	0	0	752,749
2044-2048	<u>744,203</u>	<u>0</u>	<u>0</u>	<u>744,203</u>
TOTALS	\$7,817,106	\$15,256,995	\$ 0	\$23,074,101

NOTE 6 - PENSION PLANS

Substantially all City of Sedro-Woolley full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) or Law Enforcement Officer's and Fire Fighter's Retirement System (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 PO Box 48380
 Olympia, WA 98504-8380

NOTE 7 - INTERFUND LOANS

During 2009 the City of Sedro-Woolley City Council approved Resolution 794-09 authorizing short-term interfund loans from the Cumulative Reserve/Current Expense Fund to funds supported by property taxes to maintain cash flow. The interest rate equals the average of the Washington State Treasurer's Local Government Investment Pool rate for the period which the loan is outstanding. The Parks Fund and the Library Fund received and repaid short term loans under this resolution in 2009.

During 2009 the City of Sedro-Woolley City Council also approved Resolution 820-09 authorizing an interfund loan from the Sewer Cumulative Reserve Fund to the Arterial Street Fund to maintain cash flow. An interfund loan was not required in 2009 under this resolution.

The following table displays interfund loan activity during 2009:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 01/01/09</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/09</u>
Streets	Sewer Reserve	\$ 24,530	\$ 0	\$ 7,834	\$ 16,696
Stormwater	Sewer Reserve	139,003	0	0	139,003
Library	Sewer Reserve	14,540	0	4,588	9,952
Parks	Cumulative Res	0	41,000	41,000	0
Library	Cumulative Res	<u>0</u>	<u>40,000</u>	<u>40,000</u>	<u>0</u>
TOTALS		\$178,073	\$ 81,000	\$ 93,422	\$165,651

SCHEDULE OF LONG TERM DEBT

For the Year Ended December 31, 2009

X GO Debt
Revenue Debt
Assessment Debt

ID NO.	Date of Original Issue	Date of Maturity	(1)		(2)		(3)			(4)	
			Beginning Outstanding Debt 01/01/09	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	ENDING OUTSTANDING DEBT 12/31/09 (1) + (2) - (3)	
251.11	09/02	09/09	(1) 49,402	0				49,402	591.22.64.10	001	0
251.12	02/05	12/16	1,470,000	0				150,000	591.21.71	230	1,320,000
251.11	08/08	08/48	2,925,000	0				31,491	591.35.71	205	2,893,509
TOTALS			\$ 4,444,402	\$0				\$ 230,893			\$ 4,213,509

(1) beginning balance adjusted due to prior year interest adjustments by bondholder

SCHEDULE OF LONG TERM DEBT

For the Year Ended December 31, 2009

--GO Debt
 Revenue Debt
 Assessment Debt

ID NO.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 01/01/09	(2)		(3)		(4)		
				Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	ENDING OUTSTANDING DEBT 12/31/09 (1) + (2) - (3)
263.82	5/13/2005	7/1/2010	474,099	176,625	382.80.00	332	38,278	582.35.10	410	612,446
263.82	7/6/2006	7/1/2026	6,300,000	0			350,000	582.35.10	410	5,950,000
252.11	5/7/2008	6/1/2018	3,620,000	0			310,000	582.35.72	407	3,310,000
263.82	7/21/2008	7/1/2038	2,320,628	1,289,237	382.90.01	332	0	582.35.10	410	3,609,865
TOTALS			\$ 12,714,727	\$ 1,465,862			\$ 698,278			\$ 13,482,311

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2009

1 Federal Agency Name / Pass- Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other Identification Number	5 Expenditures			6 Foot note Ref.
				Pass- Through	Direct Awards	Total	
U.S. Department of Agriculture, Rural Development	Community Facilities (loan)	10.766			2,893,509	2,893,509	3
Dept of Transportation Federal Highway Administration/Pass- Through from WA State Dept of Transportation	Highway Planning & Construction	20.205	REV-STPUS 0020(117) LA-4441	862,551			2
	ARRA - High Priority Project		LA-6522	134,867			2,4
	High Priority Project		LA-6522	587,340			2
	STPE 0009(057)		LA-6320	<u>351,490</u>			2
	subtotal			1,936,248		1,936,248	
Institute of Museum and Library Services/Pass-Through from the Sec of State WA State Library	Grants to States LSTA State Library Program	45.310	G-3946	6,506			
	LSTA OCLC Services		G-4153	<u>3,392</u>			
	subtotal			9,898		9,898	
Department of Homeland Security/ Pass-Through from WA State Division of Emergency Mgmt, Military Dept.	Disaster Grants Public Assistance Program	97.036	057-63175-00 1825-DR-WA	4,887			2
	Public Assistance Program		057-63175-00 1817-DR-WA	<u>1,484</u>			2
	subtotal			6,371		6,371	
Department of Homeland Security	ARRA-Assistance to Firefighters Grant	97.115	EMW-2009- FC-01076R		5,811	5,811	2,4
TOTAL FEDERAL AWARDS EXPENDED				\$ 1,952,517	\$ 2,899,320	\$ 4,851,837	

CITY OF SEDRO-WOOLLEY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City of Sedro-Woolley's financial statements. The City uses the cash basis of accounting.

NOTE 2 - 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's portion, are more than shown.

Expenditures listed for the FEMA 057-63175-00 1825-DR-WA public assistant grant and the Washington State Division of Emergency Management , Military Department grant D09-404 were paid in 2008 and determined to be eligible in 2009, thus are shown as current year.

NOTE 3 - FEDERAL LOANS

The City of Sedro-Woolley was approved by USDA Rural Development to receive a loan totaling \$2,925,000 to build a City Hall. The amount listed includes the outstanding loan balance from prior years for which there are continuing compliance requirements. This loan is also reported on the City of Sedro-Woolley's Schedule of Long-Term Debt.

NOTE 4 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.



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.

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
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Ted Rutt
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