

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

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**City of Sedro-Woolley**  
**Skagit County**

Audit Period  
**January 1, 2008 through December 31, 2008**

**Report No. 1002234**

Issue Date  
**September 28, 2009**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

September 28, 2009

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, 2008 through December 31, 2008**

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# Federal Summary

**City of Sedro-Woolley  
Skagit County  
January 1, 2008 through December 31, 2008**

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>
10.766	Community Facilities Loans and Grants

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 did not qualify 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, 2008 through December 31, 2008

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, 2008, and have issued our report thereon dated September 14, 2009.

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 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.

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**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 14, 2009

# **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, 2008 through December 31, 2008**

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, 2008. 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, 2008.

## **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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 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

September 14, 2009

# **Independent Auditor's Report on Financial Statements**

**City of Sedro-Woolley  
Skagit County  
January 1, 2008 through December 31, 2008**

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, 2008. 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 1b 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, 2008, on the basis of accounting described in Note 1b.

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.

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

September 14, 2009

# **Financial Section**

**City of Sedro-Woolley  
Skagit County  
January 1, 2008 through December 31, 2008**

## ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2008  
Notes to Financial Statements – 2008

## ***SUPPLEMENTAL INFORMATION***

Schedule of Long-Term Debt – 2008  
Schedule of Expenditures of Federal Awards – 2008  
Notes to the Schedule of Expenditures of Federal Awards – 2008

CITY OF SEDRO-WOOLLEY  
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
 For The Year Ending December 31, 2008

BARS CODE	General/Special Revenue Fund	Fund Number and Name 001 Current Expense		Fund Number and Name 101 Parks	
		BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments		\$ 1,216,625	\$ 1,261,976	\$ 49,693	\$ 58,154
Revenues and Other Sources:					
310	Taxes	2,822,850	2,840,212	478,000	478,000
320	Licenses and Permits	306,335	115,949	0	0
330	Intergovernmental	338,935	338,324	0	1,184
340	Charges for Goods and Services	274,650	121,497	84,800	88,511
350	Fines and Forfeits	48,150	82,127	0	0
360	Miscellaneous	80,050	35,485	10,000	10,455
390	Other Financing Sources	360,000	335,553	286,000	275,091
Total Revenues and Other Source		4,230,970	3,869,147	858,800	853,241
Total Resources		5,447,595	5,131,123	908,493	911,395
Operating Expenditures:					
510	General Government	772,625	678,954	0	0
520	Security of Persons & Property	3,199,470	2,904,687	0	0
530	Physical Environment	282,789	186,404	0	0
540	Transportation	0	0	0	0
550	Economic Environment	288,016	281,387	0	0
560	Mental & Physical Health	22,442	22,193	0	0
570	Culture & Recreational	0	0	499,330	490,860
Total Operating Expenditures		4,565,342	4,073,625	499,330	490,860
591-93	Debt Service	53,640	53,637	0	0
594-96	Capital Outlay	389,547	427,362	310,100	301,611
Total Expenditures		5,008,529	4,554,624	809,430	792,471
597-599	Other Financing Uses	10,730	10,730	44,600	44,600
Total Expenditures and Other Use		5,019,259	4,565,354	854,030	837,071
Excess (Deficit) of Resources Over Uses		428,336	565,769	54,463	74,324
380	Nonrevenues (Except 384)	14,450	2,031	0	0
580	Nonexpenditures (Except 584)	1,400	1,506	0	0
Ending Net Cash and Investments		\$ 441,386	\$ 566,294	\$ 54,463	\$ 74,324

*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 Ending December 31, 2008

BARS CODE	Special Revenue Funds	Fund Number and Name 103 Street		Fund Number and Name 104 Arterial Streets	
		BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments		\$ 49,693	\$ 53,754	\$ 1,294,822	\$ 1,570,450
Revenues and Other Sources					
310	Taxes	393,000	393,000	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	248,000	226,631	2,024,947	208,580
340	Charges for Goods and Services	0	650	150,000	75,215
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	5,000	2,011	100,000	42,293
390	Other Financing Sources	168,000	93,474	0	0
Total Revenues and Other Sources		814,000	715,766	2,274,947	326,088
Total Resources		863,693	769,520	3,569,769	1,896,538
Operating Expenditures:					
510	General Government	0	0	0	0
520	Security of Persons & Property	0	0	0	0
530	Physical Environment	0	0	0	0
540	Transportation	590,300	532,919	0	0
550	Economic Environment	0	0	3,722	3,205
560	Mental & Physical Health	0	0	0	0
570	Culture & Recreational	0	0	0	0
Total Operating Expenditures		590,300	532,919	3,722	3,205
591-93	Debt Service	0	0	0	0
594-96	Capital Outlay	101,000	24,354	3,104,868	661,015
Total Expenditures		691,300	557,273	3,108,590	664,220
597-599	Other Financing Uses	94,800	94,800	0	0
Total Expenditures and Other Uses		786,100	652,073	3,108,590	664,220
Excess (Deficit) of Resources Over Uses		77,593	117,447	461,179	1,232,318
380	Nonrevenues (Except 384)	0	0	125,000	108,834
580	Nonexpenditures (Except 584)	8,000	8,000	0	0
Ending Net Cash and Investments		\$ 69,593	\$ 109,447	\$ 586,179	\$ 1,341,152

*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 Ending December 31, 2008

BARS CODE	Special Revenue/Capital Project Funds	Fund Number and Name 105 Library		Fund Number and Name 302 Capital Outlay	
		BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments		\$ 33,231	\$ 22,014	\$ 1,588,709	\$ 879,144
Revenues and Other Sources					
310	Taxes	275,000	275,000	460,000	432,613
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	31,958	23,885	0	0
340	Charges for Goods and Services	6,100	6,782	0	0
350	Fines and Forfeits	4,000	5,266	0	0
360	Miscellaneous	3,100	2,420	45,000	30,428
390	Other Financing Sources	0	0	472,965	472,565
Total Revenues and Other Sources		320,158	313,353	977,965	935,606
Total Resources		353,389	335,367	2,566,674	1,814,750
Operating Expenditures:					
510	General Government	0	0		0
520	Security of Persons & Property	0	0	0	0
530	Physical Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture & Recreational	289,660	273,992	0	0
Total Operating Expenditures		289,660	273,992	0	0
591-93	Debt Service	0	0	0	0
594-96	Capital Outlay	50,193	60,650	0	0
Total Expenditures		339,853	334,642	0	0
597-599	Other Financing Uses	0	0	1,241,879	1,041,119
Total Expenditures and Other Uses		339,853	334,642	1,241,879	1,041,119
Excess (Deficit) of Resources Over Uses		13,536	725	1,324,795	773,631
380	Nonrevenues (Except 384)	14,700	14,650	0	0
580	Nonexpenditures (Except 584)	0	0	0	0
Ending Net Cash and Investments		\$ 28,236	\$ 15,375	\$ 1,324,795	\$ 773,631

*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 Ending December 31, 2008

BARS CODE	Capital Projects	Fund Number and Name		Fund Number and Name	
		331 City Hall Construction		332 PWTf Sewer Construct	
		BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments		\$ 62	\$ 107,043	\$ 1,304,315	\$ 1,693,396
Revenues and Other Sources					
310	Taxes	0	0	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	0	0	267,003
340	Charges for Goods and Services	0	0	0	0
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	40	1,452	20,000	44,489
390	Other Financing Sources	5,469,406	4,008,030	4,976,625	4,216,970
	Total Revenues and Other Sources	5,469,446	4,009,482	4,996,625	4,528,462
	Total Resources	5,469,508	4,116,525	6,300,940	6,221,858
Operating Expenditures:					
510	General Government	0	0	0	0
520	Security of Persons & Property	0	0	0	0
530	Physical Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture & Recreational	0	0	0	0
	Total Operating Expenditures	0	0	0	0
591-93	Debt Service	3,800,000	2,881,228	0	0
594-96	Capital Outlay	1,669,508	1,235,297	6,269,818	5,956,961
	Total Expenditures	5,469,508	4,116,525	6,269,818	5,956,961
597-599	Other Financing Uses	0	0	0	0
	Total Expenditures & Other Uses	5,469,508	4,116,525	6,269,818	5,956,961
Excess (Deficit) of Resources Over Uses		0	0	31,122	264,897
380	Nonrevenues (Except 384)	0	0	0	0
580	Nonexpenditures (Except 584)	0	0	0	0
Ending Net Cash and Investments		\$ -	\$ 0	\$ 31,122	\$ 264,897

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 Ending December 31, 2008

BARS CODE	Enterprise Funds	Fund Number and Name 401 Sewer		Fund Number and Name 407 Sewer Revenue Bond	
		BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments		\$ 615,099	\$ 542,098	\$ 180,776	\$ 194,416
Revenues and Other Sources					
310	Taxes	0	0	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	17	0	0
340	Charges for Goods and Services	2,500,800	2,610,919	0	0
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	88,600	49,665	21,450	22,417
390	Other Financing Sources	375,000	0	642,757	757,569
	Total Revenues and Other Sources	2,964,400	2,660,601	664,207	779,986
	Total Resources	3,579,499	3,202,699	844,983	974,402
Operating Expenditures:					
510	General Government	0	0	0	0
520	Security of Persons & Property	0	0	0	0
530	Physical Environment	1,401,875	1,355,496	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture & Recreational	0	0	0	0
	Total Operating Expenditures	1,401,875	1,355,496	0	0
591-93	Debt Service	0	0	186,500	224,046
594-96	Capital Outlay	809,500	166,492	0	0
	Total Expenditures	2,211,375	1,521,988	186,500	224,046
597-599	Other Financing Uses	1,079,689	1,089,689	0	0
	Total Expenditures & Other Uses	3,291,064	2,611,677	186,500	224,046
Excess (Deficit) of Resources Over Uses		288,435	591,022	658,483	750,356
380	Nonrevenues (Except 384)	0	0	0	3,620,000
580	Nonexpenditures (Except 584)	0	0	360,239	4,050,000
Ending Net Cash and Investments		\$ 288,435	\$ 591,022	\$ 298,244	\$ 320,356

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 Ending December 31, 2008

BARS CODE	Enterprise Funds	Fund Number and Name		Fund Number and Name	
		410 Cum Reserve - Sewer		412 Solid Waste	
		BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments		\$ 3,157,440	\$ 3,559,390	\$ 312,606	\$ 353,386
Revenues and Other Sources					
310	Taxes	0	0	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	0	0	167
340	Charges for Goods and Services	879,426	360,022	1,434,500	1,387,097
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	150,000	98,126	42,600	55,776
390	Other Financing Sources	316,159	316,159	0	0
	Total Revenues and Other Sources	1,345,585	774,307	1,477,100	1,443,040
	Total Resources	4,503,025	4,333,697	1,789,706	1,796,426
Operating Expenditures:					
510	General Government	0	0	0	0
520	Security of Persons & Property	0	0	0	0
530	Physical Environment	0	11,500	1,404,023	1,247,118
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture & Recreational	0	0	0	0
	Total Operating Expenditures	0	11,500	1,404,023	1,247,118
591-93	Debt Service	29,520	31,198	0	0
594-96	Capital Outlay	0	0	3,500	0
	Total Expenditures	29,520	42,698	1,407,523	1,247,118
597-599	Other Financing Uses	625,000	396,342	181,530	185,530
	Total Expenditures & Other Uses	654,520	439,040	1,589,053	1,432,648
Excess (Deficit) of Resources Over Uses		3,848,505	3,894,658	200,653	363,778
380	Nonrevenues (Except 384)	8,000	8,000	0	1,982
580	Nonexpenditures (Except 584)	401,339	392,538	0	0
Ending Net Cash and Investments		\$ 3,455,166	\$ 3,510,119	\$ 200,653	\$ 365,760

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 Ending December 31, 2008

BARS CODE	Enterprise/Internal Service Funds	Fund Number and Name 425 Stormwater		Fund Number and Name 501 Equipment Replacement	
		BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments		\$ 24,510	\$ 48,457	\$ 262,932	\$ 166,135
Revenues and Other Sources					
310	Taxes	4,500	4,500	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	0	0	0
340	Charges for Goods and Services	210,120	198,777	0	0
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	3,900	2,583	20,000	7,113
390	Other Financing Sources	0	0	360,090	377,590
Total Revenues and Other Sources		218,520	205,860	380,090	384,703
Total Resources		243,030	254,317	643,022	550,838
Operating Expenditures:					
510	General Government	0	0	0	0
520	Security of Persons & Property	0	0	0	0
530	Physical Environment	223,535	195,673	0	0
540	Transportation	0	0	55,090	50,587
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture & Recreational	0	0	0	0
Total Operating Expenditures		223,535	195,673	55,090	50,587
591-93	Debt Service	0	0	0	0
594-96	Capital Outlay	0	0	415,850	63,550
Total Expenditures		223,535	195,673	470,940	114,137
597-599	Other Financing Uses	0	0	0	0
Total Expenditures & Other Uses		223,535	195,673	470,940	114,137
Excess (Deficit) of Resources Over Uses		19,495	58,644	172,082	436,701
380	Nonrevenues (Except 384)	0	0	0	0
580	Nonexpenditures (Except 584)	0	0	0	0
Ending Net Cash and Investments		\$ 19,495	\$ 58,644	\$ 172,082	\$ 436,701

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 Ending December 31, 2008

Fund Type: Special Revenue	Fund Number and Name 102 Cemetery Fund		Fund Number and Name 106 Cemetery Endowment	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments	\$ 49,693	\$ 53,755	\$ 121,196	\$ 121,096
Revenues and Other Financing Sources	137,500	143,549	2,500	2,500
Total Resources	187,193	197,304	123,696	123,596
Expenditures and Other Financing Uses	172,150	155,818	118,000	18,000
Excess (Deficit) of Resources Over Uses	15,043	41,486	5,696	105,596
Non-Revenues	0	0	0	0
Non-Expenditures	0	0	0	0
Ending Net Cash and Investments	\$ 15,043	\$ 41,486	\$ 5,696	\$ 105,596

Fund Type: Special Revenue	Fund Number and Name 107 Cum Reserve - Parks		Fund Number and Name 108 Stadium /Conv Center	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments	\$ 5,769	\$ 5,979	\$ 11,733	\$ 27,479
Revenues and Other Financing Sources	3,300	982	26,000	41,061
Total Resources	9,069	6,961	37,733	68,540
Expenditures and Other Financing Uses	4,000	177	24,650	22,682
Excess (Deficit) of Resources Over Uses	5,069	6,784	13,083	45,858
Non-Revenues	0	0	0	0
Non-Expenditures	0	0	0	0
Ending Net Cash and Investments	\$ 5,069	\$ 6,784	\$ 13,083	\$ 45,858

Fund Type: Special Revenue	Fund Number and Name 109 Special Investigations		Fund Number and Name 113 Paths & Trails	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments	\$ 4,013	\$ 4,008	\$ 37,905	\$ 37,928
Revenues and Other Financing Sources	3,700	3,659	3,050	2,159
Total Resources	7,713	7,667	40,955	40,087
Expenditures and Other Financing Uses	1,350	1,350	10,000	1,343
Excess (Deficit) of Resources Over Uses	6,363	6,317	30,955	38,744
Non-Revenues	0	0	0	0
Non-Expenditures	0	0	0	0
Ending Net Cash and Investments	\$ 6,363	\$ 6,317	\$ 30,955	\$ 38,744

*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 Ending December 31, 2008

Fund Type: Debt Service	Fund Number and Name 205 2008 G/O Bond		Fund Number and Name 206 2008 G/O Bond Reserve	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments	\$ -	\$ -	\$ -	\$ -
Revenues and Other Financing Sources	45,408	45,696	150,000	150,000
Total Resources	45,408	45,696	150,000	150,000
Expenditures and Other Financing Uses	0	0	0	0
Excess (Deficit) of Resources Over Uses	45,408	45,696	150,000	150,000
Non-Revenues	0	0	0	0
Non-Expenditures	0	0	0	0
Ending Net Cash and Investments	\$ 45,408	\$ 45,696	\$ 150,000	\$ 150,000

Fund Type: Debt Service/Capital Projects	Fund Number and Name 230 1996 G/O Bond		Fund Number and Name 310 Mitigation Reserve-Police	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments	\$ 67,121	\$ 67,653	\$ 105,777	\$ 53,686
Revenues and Other Financing Sources	205,500	210,750	34,800	4,879
Total Resources	272,621	278,403	140,577	58,565
Expenditures and Other Financing Uses	200,000	200,194	40,000	40,000
Excess (Deficit) of Resources Over Uses	72,621	78,209	100,577	18,565
Non-Revenues	0	0	0	0
Non-Expenditures	0	0	0	0
Ending Net Cash and Investments	\$ 72,621	\$ 78,209	\$ 100,577	\$ 18,565

Fund Type: Capital Projects	Fund Number and Name 311 Mitigation Reserve-Parks		Fund Number and Name 312 Mitigation Reserve-Fire	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments	\$ 185,198	\$ 186,293	\$ 105,424	\$ 111,765
Revenues and Other Financing Sources	60,000	32,139	29,500	15,888
Total Resources	245,198	218,432	134,924	127,653
Expenditures and Other Financing Uses	106,349	40,000	45,000	20,391
Excess (Deficit) of Resources Over Uses	138,849	178,432	89,924	107,262
Non-Revenues	0	0	0	0
Non-Expenditures	0	0	0	0
Ending Net Cash and Investments	\$ 138,849	\$ 178,432	\$ 89,924	\$ 107,262

*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 Ending December 31, 2008

Fund Type: Enterprise	Fund Number and Name 402 Sewer Facilities Reserve		Fund Number and Name 411 Sewer Bond Reserve	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments	\$ -	\$ -	\$ 519,239	\$ 519,239
Revenues and Other Financing Sources	230,000	226,924	0	
Total Resources	230,000	226,924	519,239	519,239
Expenditures and Other Financing Uses	150,000	0	142,757	142,757
Excess (Deficit) of Resources Over Uses	80,000	226,924	376,482	376,482
Non-Revenues	0	0	0	0
Non-Expenditures	0	0	0	0
Ending Net Cash and Investments	\$ 80,000	\$ 226,924	\$ 376,482	\$ 376,482

Fund Type: Fudiciary/Clearing	Fund Number and Name 621 Suspense		Fund Number and Name 631 Payroll Clearing Fund	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments	\$ -	\$ -	\$ -	\$ 237,947
Revenues and Other Financing Sources	0	0	0	
Total Resources	0	0	0	237,947
Expenditures and Other Financing Uses	0	0	0	0
Excess (Deficit) of Resources Over Uses	0	0	0	237,947
Non-Revenues	100,500	50,885	0	4,997,871
Non-Expenditures	100,500	50,885	0	4,953,967
Ending Net Cash and Investments	\$ -	\$ -	\$ -	\$ 281,851

Fund Type: Clearing	Fund Number and Name 632 Claims Clearing Fund		Fund Number and Name	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Beginning Net Cash and Investments	\$ -	\$ 939,712	\$ -	\$ -
Revenues and Other Financing Sources	0	0	0	
Total Resources	0	939,712	0	0
Expenditures and Other Financing Uses	0	0	0	0
Excess (Deficit) of Resources Over Uses	0	939,712	0	0
Non-Revenues	0	16,401,967	0	0
Non-Expenditures	0	15,912,797	0	0
Ending Net Cash and Investments	\$ -	\$ 1,428,882	\$ -	\$ -

The Accompanying Notes are an Integral Part of this Statement.

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

The City of Sedro-Woolley uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System (BARS)* manual. The manual 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.

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.

Expendable Trust Funds

These funds account for assets where both principal and interest may be spent.

Non-expendable Trust Funds

These funds account for assets of which the principal may not be spent.

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 budget appropriations as required by state law.

In accordance with state law the City of Sedro-Woolley also recognized expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of fixed assets are expensed during the year of acquisition. There is no capitalization of fixed 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

Annual appropriated budgets are adopted for all funds. The financial statements include budgetary comparisons for those funds.

Annual appropriated 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 period end.

The Finance Director is authorized to transfer budgeted amounts between 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.

d. Cash

It is the City of Sedro-Woolley's policy to invest all temporary cash surpluses. The amount is included in the net 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. Fixed Assets

Fixed 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 30 days 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 #5

## j. 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. Currently, the CIAW has 97 cities and 162 fire and special districts in the program.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials 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 public official liability.

The pool acquires liability insurance from unrelated underwriters that are 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. Insurance carriers cover 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, however, purchases a Stop Loss Policy in the amount of \$5,500,000 to eliminate any risk to members and funds the stop loss in the budget.

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 member now 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 year ended August 31, 2007 and 2008 were \$1,242,382 and \$1,321,289 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, Inc. 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.

**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 by type at December 31, 2008 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Local Government Investment Pool	\$10,850,456
TOTAL	\$10,850,456

**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 2008 was \$2.1444, the General Obligation Bond levy was \$0.2743, for a total levy of \$2.4187 per \$1,000 on an assessed valuation of \$778,278,230, regular levy and \$765,517,905 bond levy, for a total property tax levy of \$1,878,922.

**NOTE 5 - LONG-TERM DEBT**

In August 2008, the City of Sedro-Woolley issued a bond payable to the United States Department of Agriculture Rural Development Program totaling \$2,925,000 at 4.125% interest, payable over 40 years. The proceeds were used to pay off a short-term financing bond and retainage for the construction of City Hall. The City Council has designated revenues from the City’s cell phone utility tax as the source of payment on this debt. The current revenues are more than adequate to meet the annual payment as well as fully funding the USDA bond reserve requirement.

In May 2008, the City refunded \$4,050,000 of its outstanding sewer revenue bonds with a new issuance totaling \$3,620,000 at 4.0% interest with the same maturity dates as the refunded bonds. The City also received \$1,750,000 in draws on its 2006 Public Works Board Construction Loan and \$2,320,628 in draws on its 2008 Public Works Board Construction Loan for critical sewer interceptor replacement projects. These loans have an interest rate of 0.5% with a 20 year amortization schedule.

The accompanying Schedule of Long-Term Debt provides a listing of the outstanding debt of the City of Sedro-Woolley and summarizes the city’s debt transactions for 2008. The debt service requirements, including interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debts</u>	<u>Total Debts</u>
2008	253,224	4,637,425	0	4,890,649
2009	410,662	1,004,399	0	1,415,061
2010	352,150	1,017,983	0	1,370,133
2011	361,900	1,021,439	0	1,383,339
2012	365,549	1,004,497	0	1,370,046
2013-2017	1,668,347	4,841,030	0	6,509,377
2018-2022	752,749	3,072,541	0	3,825,290
2023-2027	752,749	2,154,481	0	2,907,230
2028-2032	752,749	0	0	752,749
2033-2037	752,749	0	0	752,749
2038-2042	752,749	0	0	752,749
2043-2047	752,749	0	0	752,749
2048-2052	<u>149,732</u>	<u>0</u>	<u>0</u>	<u>149,732</u>
TOTALS	\$8,078,058	\$18,753,795	\$ 0	\$26,831,853

**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 Department of Retirement Systems, under cost-sharing multiple-employer public employee retirement systems. 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 the plan.

Historical trend information showing each system's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's *Comprehensive Annual Financial Report*. Please refer to said report for detailed information.

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

**NOTE 7 – INTERFUND LOANS**

During 2008 the City of Sedro-Woolley City Council approved Resolution 779-08 authorizing an interfund loan from the Sewer Cumulative Reserve Fund to the Library Fund for the replacement of the Library roof. The interest rate equals the average of the Washington State Treasurer’s Investment Pool rate for the period which the loan is outstanding. Payments begin in 2009, with the final payment being made in 2011.

The following table displays interfund loan activity during 2008:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 01/01/08</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/08</u>
Streets	Sewer Reserve	\$ 31,754	\$ 0	\$ 7,224	\$ 24,530
Stormwater	Sewer Reserve	139,003	0	0	139,003
Library	Sewer Reserve	<u>0</u>	<u>14,540</u>	<u>0</u>	<u>14,540</u>
<b>TOTALS</b>		<b>\$170,757</b>	<b>\$ 14,540</b>	<b>\$ 7,224</b>	<b>\$178,073</b>

**NOTE 8 – SHORT-TERM DEBT**

The City of Sedro-Woolley was approved by USDA Rural Development to receive a loan totaling \$2,925,000 to construct a new City Hall. Interim financing, not to exceed \$3,800,000, was received from Peoples Bank during the construction period at an interest rate of 3.95%, maturing on September 1, 2008. The balance of the short-term loan of \$2,801,820 was paid in full in August, 2008 by proceeds from the USDA bond.

SCHEDULE OF LONG TERM DEBT

For the Year Ended December 31, 2008

- GO Debt
- Revenue Debt
- Assessment Debt
- Refunded Debt
- Debt of Special Purpose Districts

ID NO.	Date of Original Issue	Date of Maturity	(1)		(2)		(3)			(4)	
			Beginning Outstanding Debt 01/01/08 (Ending Balance from Prior Year)	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 12/31/08 (1) + (2) -(3)	
251.12	12/96	12/16	\$ 125,000	-				\$ 125,000	591.21.71	230	\$ -
251.11	09/02	09/09	102,613	-				50,217	591.22.64.10	1	52,396
251.12	02/05	12/16	1,480,000	-				10,000	591.21.71	230	1,470,000
251.11	08/08	08/48	-	\$ 2,925,000	391.20.00	331	0	591.35.71	205		2,925,000
<b>TOTALS</b>			\$ 1,707,613	\$ 2,925,000			\$ 185,217				\$ 4,447,396

SCHEDULE OF LONG TERM DEBT

For the Year Ended December 31, 2008

- GO Debt
- Revenue Debt
- Assessment Debt
- Refunded Debt
- Debt of Special Purpose D

ID NO.	Date of Original Issue	Date of Maturity	(1)			(2)			(3)			REDEEMING FUND NUMBER	ENDING OUTSTANDING DEBT 12/31/08 (1) + (2) -(3)
			Beginning Outstanding Debt 01/01/08 (Ending Outstanding Debt Balance from Prior Year)	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Amount				
252.11	6/10/1998	6/1/2018	\$ 4,050,000	-				\$ 4,050,000	582.35.72 (1)	407		\$ -	
263.82	5/13/2005	7/1/2010	501,987	-				27,888	582.35.10	410		474,099	
263.82	7/6/2006	7/1/2026	4,900,000	\$ 1,750,000	382.90.00	332	350,000	582.35.10	582.35.10	410		6,300,000	
252.11	5/7/2008	6/1/2018	0	3,620,000	-	-	0	582.35.11 (1)	582.35.11 (1)	411		3,620,000	
263.82	7/21/2008	7/1/2038	0	2,320,628	382.90.01	332	0	582.35.10	582.35.10	410		2,320,628	
<b>TOTALS</b>			\$ 9,451,987	\$ 7,690,628			\$ 4,427,888					\$ 12,714,727	

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2008

1	2	2	3	5			6
Federal Agency Name / Pass- Through Agency Name	Federal Program Name	CFDA Number	Other Identification Number	Expenditures			Foot note Ref.
				Pass- Through	Direct Awards	Total	
Rural Development, Department of Agriculture	Community Facilities Loans & Grants	10.766			797,898	797,898	3, 2
Federal Highway Administration, Dept of Transportation / Wash State Dept of Transportation	Highway Planning & Construction	20.205	REV-0020 (117)LA-4441	259,677		259,677	2
National Highway Traffic Safety Admin. / Wash Assoc of Sheriffs & Police Chiefs	State and Community Highway Safety	20.600		1,598		1,598	2
Office of Library Services / Office of the Sec of State, Wash State Library	Grants to States / Targeted Competitive	45.310	G-3546	7,979		7,979	2
Department of Homeland Security	Assist to Firefighters Grant	97.044	EMW-2007- FO-00919		18,574	18,574	2
Department of Homeland Security/ Wash State Emergency Mgmt Div / Region 1 / Skagit County	Homeland Security Grant Program	97.067	SHSGP	10,048		10,048	2
TOTAL FEDERAL AWARDS EXPENDED				<u>\$ 279,302</u>	<u>\$ 816,472</u>	<u>\$ 1,095,774</u>	

The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule

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, may be more than shown.

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 loan proceeds from interim financing obtained from Peoples Bank during the construction period. As the interim financing is short-term in nature, it is not included on the City's Schedule of Long-Term Debt. In 2008 the City received \$674,718 from Peoples Bank and \$123,180 from USDA for construction. The City also received \$2,801,820 from USDA in long-term debt which was used to pay off the short-term financing.





## **ABOUT THE STATE AUDITOR'S OFFICE**

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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**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
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**Toll-free Citizen Hotline**

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