

**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, 2010 through December 31, 2010**

**Report No. 1006064**

Issue Date  
**August 1, 2011**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

August 1, 2011

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, 2010 through December 31, 2010**

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# Federal Summary

**City of Sedro-Woolley  
Skagit County  
January 1, 2010 through December 31, 2010**

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 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 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 section 510(a) of 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>
97.115	ARRA - Assistance to Firefighters Grant

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, 2010 through December 31, 2010**

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, 2010, and have issued our report thereon dated July 5, 2011.

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.

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**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

July 5, 2011

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and  
on Internal Control over Compliance in  
Accordance with OMB Circular A-133**

City of Sedro-Woolley  
Skagit County  
January 1, 2010 through December 31, 2010

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 could have a direct and material effect on its major federal program for the year ended December 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.



## ***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 in accordance with OMB Circular A-133, 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

July 5, 2011

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

**City of Sedro-Woolley  
Skagit County  
January 1, 2010 through December 31, 2010**

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, 2010. 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, 2010, 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

July 5, 2011

# **Financial Section**

**City of Sedro-Woolley  
Skagit County  
January 1, 2010 through December 31, 2010**

## ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2010  
Notes to Financial Statements – 2010

## ***SUPPLEMENTAL INFORMATION***

Schedule of Long-Term Debt – 2010  
Schedule of Expenditures of Federal Awards – 2010  
Notes to the Schedule of Expenditures of Federal Awards – 2010

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

For the Year Ended December 31, 2010

BARS CODE		Total for All	001 Current	102
		Funds	Expense Funds	Cemetery
		Total Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$ 525,838	\$ 300	\$ -
308.8	Unreserved	\$ 6,762,846	\$ 493,130	\$ 47,057
388.80 588.80	Prior Period Adjustments	0	0	0
<b>Revenues and Other Sources:</b>				
310	Taxes	4,485,246	3,493,728	5,380
320	Licenses and Permits	98,256	98,256	0
330	Intergovernmental	3,825,763	857,302	0
340	Charges for Goods and Services	5,107,979	113,181	83,705
350	Fines and Penalties	73,523	68,496	0
360	Miscellaneous	287,686	24,957	775
370	Capital Contributions	0	0	0
390	Other Financing Sources	1,995,911	1,256,776	0
<b>Total Revenues and Other Financing Sources</b>		<b>15,874,364</b>	<b>5,912,696</b>	<b>89,860</b>
<b>Total Resources</b>		<b>23,163,048</b>	<b>6,406,126</b>	<b>136,917</b>
<b>Operating Expenditures:</b>				
510	General Government	612,158	579,682	0
520	Public Safety	2,847,956	2,846,956	0
530	Physical Environment	3,276,711	127,692	119,345
540	Transportation	482,660	0	0
550	Economic Environment	221,306	218,109	0
560	Mental and Physical Health	21,378	21,378	0
570	Culture and Recreational	659,817	417,695	0
<b>Total Operating Expenditures</b>		<b>8,121,986</b>	<b>4,211,512</b>	<b>119,345</b>
591-593	Debt Service	529,318	0	0
594-595	Capital Outlay	4,966,571	1,429,629	0
<b>Total Expenditures</b>		<b>13,617,875</b>	<b>5,641,141</b>	<b>119,345</b>
597-599	Other Financing Uses	1,197,711	13,044	6,211
<b>Total Expenditures and Other Financing Uses</b>		<b>14,815,586</b>	<b>5,654,185</b>	<b>125,556</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>8,347,462</b>	<b>751,941</b>	<b>11,361</b>
380	Nonrevenues (Except 384)	50,426	1,772	0
580	Nonexpenditures (Except 584)	963,154	70	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$ -	\$ -	\$ -
508.80	Unreserved	\$ 7,434,734	\$ 753,643	\$ 11,361

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, 2010

BARS CODE		206 - 2008	230	302
		G/O Bond Reserve	1996 G/O Bond	Capital Outlay
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$ -	\$ -	\$ 525,538
308.8	Unreserved	\$ 150,000	\$ 79,276	\$ -
388.80 588.80	Prior Period Adjustments	0	0	0
<b>Revenues and Other Sources:</b>				
310	Taxes	0	209,545	154,734
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	0	703	2,889
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	0
<b>Total Revenues and Other Financing Sources</b>		0	210,248	157,623
<b>Total Resources</b>		150,000	289,524	683,161
<b>Operating Expenditures:</b>				
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
<b>Total Operating Expenditures</b>		0	0	0
591-593	Debt Service	0	201,902	0
594-595	Capital Outlay	0	0	0
<b>Total Expenditures</b>		0	201,902	0
597-599	Other Financing Uses	0	0	418,636
<b>Total Expenditures and Other Financing Uses</b>		0	201,902	418,636
<b>Excess (Deficit) of Resources Over Uses</b>		150,000	87,622	264,525
380	Nonrevenues (Except 384 )	0	0	14,100
580	Nonexpenditures (Except 584 )	0	0	14,100
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$ -	\$ -	\$ -
508.80	Unreserved	\$ 150,000	\$ 87,622	\$ 264,525

*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, 2010

<b>BARS CODE</b>		<b>103 Streets Actual Amount</b>	<b>104 Arterial Streets Actual Amount</b>	<b>105 Library Actual Amount</b>
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$ -	\$ -	\$ -
308.8	Unreserved	\$ 134,057	\$ 69,512	\$ 44,363
388.80 588.80	Prior Period Adjustments	0	0	0
<b>Revenues and Other Sources:</b>				
310	Taxes	150,319	0	242,150
320	Licenses and Permits	0	0	0
330	Intergovernmental	217,023	1,330,605	14,227
340	Charges for Goods and Services	925	28,855	6,755
350	Fines and Forfeits	0	0	5,027
360	Miscellaneous	664	1,708	387
370	Capital Contributions	0	0	0
390	Other Financing Sources	106,636	0	0
<b>Total Revenues and Other Financing Sources</b>		<b>475,567</b>	<b>1,361,168</b>	<b>268,546</b>
<b>Total Resources</b>		<b>609,624</b>	<b>1,430,680</b>	<b>312,909</b>
<b>Operating Expenditures:</b>				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	0	0	0
540	Transportation	436,142	0	0
550	Economic Environment	0	3,197	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	242,122
<b>Total Operating Expenditures</b>		<b>436,142</b>	<b>3,197</b>	<b>242,122</b>
591-593	Debt Service	0	0	2
594-595	Capital Outlay	82,396	704,028	29,916
<b>Total Expenditures</b>		<b>518,538</b>	<b>707,225</b>	<b>272,040</b>
597-599	Other Financing Uses	37,268	12,900	0
<b>Total Expenditures and Other Financing Uses</b>		<b>555,806</b>	<b>720,125</b>	<b>272,040</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>53,818</b>	<b>710,555</b>	<b>40,869</b>
380	Nonrevenues (Except 384 )	0	0	14,100
580	Nonexpenditures (Except 584 )	2,667	0	19,000
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$ -	\$ -	\$ -
508.80	Unreserved	\$ 51,151	\$ 710,555	\$ 35,969

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, 2010

BARS CODE		303 Facilities	310 Mitigation	311 Mitigation
		Maintenance	Reserve - Police	Reserve - Parks
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$ -	\$ -	\$ -
308.8	Unreserved	\$ -	\$ 20,538	\$ 151,564
388.80 588.80	Prior Period Adjustments	0	0	0
<b>Revenues and Other Sources:</b>				
310	Taxes	0	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	0	0	9,000
350	Fines and Forfeits	0	0	0
360	Miscellaneous	141	523	665
370	Capital Contributions	0	0	0
390	Other Financing Sources	55,000	0	0
<b>Total Revenues and Other Financing Sources</b>		55,141	523	9,665
<b>Total Resources</b>		55,141	21,061	161,229
<b>Operating Expenditures:</b>				
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
<b>Total Operating Expenditures</b>		0	0	0
591-593	Debt Service	0	0	0
594-595	Capital Outlay	0	0	0
<b>Total Expenditures</b>		0	0	0
597-599	Other Financing Uses	0	10,000	40,000
<b>Total Expenditures and Other Financing Uses</b>		0	10,000	40,000
<b>Excess (Deficit) of Resources Over Uses</b>		55,141	11,061	121,229
380	Nonrevenues (Except 384 )	0	0	0
580	Nonexpenditures (Except 584 )	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$ -	\$ -	\$ -
508.80	Unreserved	\$ 55,141	\$ 11,061	\$ 121,229

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, 2010

BARS CODE		106 Cemetery	107 Cumulative	108 Stadium
		Endowment	Reserve - Parks	Conv Center
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$ -	\$ -	\$ -
308.8	Unreserved	\$ 108,896	\$ 6,198	\$ 44,248
388.80 588.80	Prior Period Adjustments	0	0	0
<b>Revenues and Other Sources:</b>				
310	Taxes	0	0	30,456
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	2,600	0	0
350	Fines and Forfeits	0	0	0
360	Miscellaneous	0	451	280
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	0
<b>Total Revenues and Other Financing Sources</b>		2,600	451	30,736
<b>Total Resources</b>		111,496	6,649	74,984
<b>Operating Expenditures:</b>				
510	General Government	0	0	32,476
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
<b>Total Operating Expenditures</b>		0	0	32,476
591-593	Debt Service	0	0	0
594-595	Capital Outlay	0	108	0
<b>Total Expenditures</b>		0	108	32,476
597-599	Other Financing Uses	0	0	7,700
<b>Total Expenditures and Other Financing Uses</b>		0	108	40,176
<b>Excess (Deficit) of Resources Over Uses</b>		111,496	6,541	34,808
380	Nonrevenues (Except 384 )	0	0	0
580	Nonexpenditures (Except 584 )	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$ -	\$ -	\$ -
508.80	Unreserved	\$ 111,496	\$ 6,541	\$ 34,808

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, 2010

BARS CODE		312 Mitigation	330 Fire Station 2	401
		Reserve - Fire	Construction	Sewer Funds
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$ -	\$ -	\$ -
308.8	Unreserved	\$ 65,590	\$ 1,189	\$ 4,396,981
388.80 588.80	Prior Period Adjustments	0	0	0
<b>Revenues and Other Sources:</b>				
310	Taxes	0	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	1,378,127	0
340	Charges for Goods and Services	5,028	0	3,133,615
350	Fines and Forfeits	0	0	0
360	Miscellaneous	243	696	169,310
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	312,000	0
<b>Total Revenues and Other Financing Sources</b>		5,271	1,690,823	3,302,925
<b>Total Resources</b>		70,861	1,692,012	7,699,906
<b>Operating Expenditures:</b>				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	0	0	1,400,547
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
<b>Total Operating Expenditures</b>		0	0	1,400,547
591-593	Debt Service	0	0	176,864
594-595	Capital Outlay	0	1,687,522	1,014,045
<b>Total Expenditures</b>		0	1,687,522	2,591,456
597-599	Other Financing Uses	58,263	0	313,748
<b>Total Expenditures and Other Financing Uses</b>		58,263	1,687,522	2,905,204
<b>Excess (Deficit) of Resources Over Uses</b>		12,598	4,490	4,794,702
380	Nonrevenues (Except 384 )	0	0	21,613
580	Nonexpenditures (Except 584 )	0	0	913,271
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$ -	\$ -	\$ -
508.80	Unreserved	\$ 12,598	\$ 4,490	\$ 3,903,044

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, 2010

BARS CODE		109 Special	113 Paths	205
		Investigations	and Trails	2008 G/O Bond
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$ -	\$ -	\$ -
308.8	Unreserved	\$ 5,364	\$ 38,240	\$ 98,109
388.80 588.80	Prior Period Adjustments	0	0	0
<b>Revenues and Other Sources:</b>				
310	Taxes	0	0	198,934
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	1,091	0
340	Charges for Goods and Services	0	0	0
350	Fines and Forfeits	0	0	0
360	Miscellaneous	30	220	1,421
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	0
<b>Total Revenues and Other Financing Sources</b>		30	1,311	200,355
<b>Total Resources</b>		5,394	39,551	298,464
<b>Operating Expenditures:</b>				
510	General Government	0	0	0
520	Public Safety	1,000	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
<b>Total Operating Expenditures</b>		1,000	0	0
591-593	Debt Service	0	0	150,550
594-595	Capital Outlay	0	0	0
<b>Total Expenditures</b>		1,000	0	150,550
597-599	Other Financing Uses	0		55,000
<b>Total Expenditures and Other Financing Uses</b>		1,000	0	205,550
<b>Excess (Deficit) of Resources Over Uses</b>		4,394	39,551	92,914
380	Nonrevenues (Except 384 )	0	0	0
580	Nonexpenditures (Except 584 )	0	0	0
<b>Ending Cash and Investments:</b>				
0.00	Reserved	\$ -	\$ -	\$ -
508.80	Unreserved	\$ 4,394	\$ 39,551	\$ 92,914

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, 2010

BARS CODE		412	425	501 Equipment
		Solid Waste Funds	Stormwater	Replacement
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$ -	\$ -	\$ -
308.8	Unreserved	\$ 480,480	\$ 74,206	\$ 253,848
388.80 588.80	Prior Period Adjustments	0	0	0
<b>Revenues and Other Sources:</b>				
310	Taxes	0	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	27,388	0
340	Charges for Goods and Services	1,520,618	203,697	0
350	Fines and Forfeits	0	0	0
360	Miscellaneous	78,218	1,486	1,919
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	265,499
<b>Total Revenues and Other Financing Sources</b>		1,598,836	232,571	267,418
<b>Total Resources</b>		2,079,316	306,777	521,266
<b>Operating Expenditures:</b>				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	1,382,093	247,034	0
540	Transportation	0	0	46,518
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	0
<b>Total Operating Expenditures</b>		1,382,093	247,034	46,518
591-593	Debt Service	0	0	0
594-595	Capital Outlay	3,934	388	14,605
<b>Total Expenditures</b>		1,386,027	247,422	61,123
597-599	Other Financing Uses	201,167	23,774	0
<b>Total Expenditures and Other Financing Uses</b>		1,587,194	271,196	61,123
<b>Excess (Deficit) of Resources Over Uses</b>		492,122	35,581	460,143
380	Nonrevenues (Except 384 )	(1,159)	0	0
580	Nonexpenditures (Except 584 )	0	0	14,046
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$ -	\$ -	\$ -
508.80	Unreserved	\$ 490,963	\$ 35,581	\$ 446,097

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, 2010

	Total for All Funds		621 School Trust		631 Payroll Clearing		632 Claims Clearing	
	Total Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>	\$ 1,367,441	\$ -	\$ -	\$ 252,642	\$ 1,114,799			
Prior Period Adjustments	0	0	0	0	0			
Revenue and Other Financing Sources	0	0	0	0	0			
<b>Total Resources</b>	1,367,441	0	0	252,642	1,114,799			
<b>Expenditures And Other Financing Uses</b>	\$0	0	0	0	0			
<b>Excess (Deficit) of Resources Over Uses</b>	1,367,441	0	0	252,642	1,114,799			
Nonrevenues (Except 384)	15,894	15,894	15,894	0	0			
Nonexpenditures (Except 584)	1,383,335	15,894	15,894	252,642	1,114,799			
<b>Ending Cash and Investments</b>	\$ -	\$ -	\$ -	\$ -	\$ -			

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SEDRO WOOLLEY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDING DECEMBER 31, 2010**

**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. For clarity in financial reporting, 101 Parks Operations Fund is rolled into 001 Current Expense Fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Sedro-Woolley.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

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 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 (PWTF) Sewer Construction Fund. Also, 412 Solid Waste Operations Fund and 413 Solid Waste Rate Stabilization Fund are rolled into 412 Solid Waste Operations 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 2010 primarily related to changes in construction projects, awarding of grants 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	\$5,938,174	\$5,178,000	\$760,174
Parks Fund	688,558	476,255	212,303
Cemetery Fund	163,437	125,556	37,881
Street Fund	632,777	558,473	74,304
Arterial Street Fund	1,824,197	720,125	1,104,072
Library Fund	398,218	291,040	107,178
Cemetery Endowment Fund	112,896	0	112,896
Cumulative Reserve for Parks Fund	6,584	108	6,476
Stadium/Convention Center Fund	69,598	40,176	29,422
Special Investigations Fund	5,397	1,000	4,397
Paths and Trails Fund	39,616	0	39,616
G/O 2008 Bond Redemption Fund	304,847	205,550	99,297
G/O 2008 Bond Reserve Fund	150,000	0	150,000
G/O 1996 Bond Redemption Fund	285,075	201,902	83,173
Cumulative Reserve for Current Expense Capital	872,738	432,736	440,002
Facilities Maintenance Fund	55,000	0	55,000
Mitigation Reserve for Police Fund	21,295	10,000	11,295
Mitigation Reserve for Parks Fund	163,432	40,000	123,432
Mitigation Reserve for Fire Fund	69,627	58,263	11,364
Fire Station 2 Construction Fund	1,844,688	1,687,522	157,166
PWTF Sewer Construction Fund	892,954	455,348	437,606
Sewer Operations Fund	3,751,400	3,031,667	719,733
Cumulative Reserve for Sewer Operations Fund	580,854	77,508	503,346
1998 Sewer Revenue Bond Fund	797,444	461,003	336,441
Cumulative Reserve for Sewer Facilities Fund	3,308,858	1,355,132	1,953,726
1998 Sewer Revenue Bond Reserve Fund	376,482	0	376,482
Solid Waste Fund	1,998,580	1,632,194	366,386
Rate Stabilization Fund	45,000	0	45,000
Stormwater Fund	325,606	271,196	54,410
Equipment Replacement Fund	517,347	75,169	442,178
Suspense (Sedro-Woolley Schools Impact Fees)	55,000	15,894	39,106

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. In the unlikely event that all employees separated from employment at fiscal year end, the amount that would be due to employees to buy-out vested leave balances is \$223,378.

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, 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, 2010 the CIAW had 88 regular members and 180 associate members. Effective September 1, 2010, all members of the CIAW are full members.

The pool provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, are included to fit members' various needs.

The pool acquires liability insurance through Munich Reinsurance America 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 \$3,200,000 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.

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the pool. The pool has no employees, but has contracted with a third-party administrator, Canfield, to perform the daily administration of the pool, including account education, risk management and loss control, and claims administration.

**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, 2010 are as follows:

<u>Type of Investment</u>	<u>City of Sedro-Woolley's Own Investments</u>	<u>Held as an Agent for Others</u>	<u>Balance</u>
Local Government Investment Pool	\$4,702,141	\$ 0	\$4,702,141
U.S. Government Securities	<u>1,510,921</u>	<u>0</u>	<u>1,510,921</u>
TOTAL	\$6,213,062	\$ 0	\$6,213,062

**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 2010 was \$2.0450736 per \$1,000 on an assessed valuation of \$848,751,838 for a total regular levy of \$1,735,760. In addition, the City levied \$0.25169884 per \$1,000 on an assessed valuation of \$834,330,418 for the Public Safety Building General Obligation Bond for a total additional levy of \$210,000.

**NOTE 5 - LONG-TERM DEBT**

The accompanying Schedule of Long-Term Liabilities (09) provides a listing of the outstanding debt of the City of Sedro-Woolley and summarizes the city's debt transactions for 2010. 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>
2010	\$ 352,149	\$1,089,833	\$ 0	\$1,441,982
2011	420,221	1,093,141	0	1,513,362
2012	423,871	1,076,050	0	1,499,921
2013	432,071	1,049,158	0	1,481,229
2014	434,471	1,042,267	0	1,476,738
2015-2019	1,511,154	4,737,564	0	6,248,718
2020-2024	1,044,354	2,972,180	0	4,016,534
2025-2029	1,044,354	1,513,190	0	2,557,544
2030-2034	811,070	0	0	811,070
2035-2039	752,749	0	0	752,749
2040-2044	752,748	0	0	752,748
2045-2049	<u>593,653</u>	<u>0</u>	<u>0</u>	<u>593,653</u>
TOTALS	\$8,572,865	\$14,573,383	\$ 0	\$23,146,248

**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 2010 the City of Sedro-Woolley utilized 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 Library Fund received and repaid short term loans under this resolution in 2010.

The following table displays interfund loan activity during 2010:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 01/01/10</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/10</u>
Streets	Sewer Reserve	\$ 16,696	\$ 0	\$ 16,696	\$ 0
Stormwater	Sewer Reserve	139,003	0	0	139,003
Library	Sewer Reserve	9,952	0	4,880	5,072
Library	Cumulative Res	<u>0</u>	<u>14,100</u>	<u>14,100</u>	<u>0</u>
<b>TOTALS</b>		<b>\$165,651</b>	<b>\$ 14,100</b>	<b>\$ 35,676</b>	<b>\$144,075</b>

**NOTE 8 – POST EMPLOYMENT BENEFITS**

The City of Sedro-Woolley has a commitment to pay for post employment benefits for employees that belong to the LEOFF 1 retirement plan. These benefits include medical, vision, dental, hearing, prescriptions and long-term nursing care. Eight (8) retirees received benefits during the year and \$114,283 was paid out for those benefits during the year.

SCHEDULE OF LONG-TERM LIABILITIES

For the Year Ended December 31, 2010

ID NO.	Description - Issuance	(1) Beginning Balance 01/01/10	(2) Additions	(3) Reductions	BARS Code for Redemption of Debt	(4) Ending Outstanding Debt 12/31/10 (1) + (2) -(3)
251.11	City Hall - 08/08	\$ 2,893,509	\$ -	\$ 31,192	591.35.71	\$ 2,862,317
251.11	Ladder Truck - 2/10	-	525,000		591.22.71	525,000
251.11	Fire Truck - 9/10	-	267,500		591.22.71	267,500
251.14	Public Safety Building - 02/05	1,320,000	-	150,000	591.21.71	1,170,000
252.11	Sewer Revenue - 05/08	3,310,000	-	335,000	582.35.72	2,975,000
263.82	PWTF Sewer - 05/05	612,446		38,278	582.35.10	574,168
263.82	PWTF Sewer - 07/06	5,950,000	-	350,000	582.35.10	5,600,000
263.82	PWTF Sewer - 07/08	3,609,865		189,993	582.35.10	3,419,872
	subtotal	\$ 17,695,820	\$ 792,500	\$ 1,094,463		17,393,857
259.11	Compensated Absences					149,202
259.12	Compensated Absences					74,176
	<b>TOTAL</b>					<b>\$ 17,617,235</b>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2010

1	2	3	4	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	
U.S. Department of Agriculture, Rural Development	Community Facilities Loans & Grants	10.766	97/02 97/03 97/04 subtotal		\$2,862,317 718,246 <u>424,989</u> 4,005,552	\$ 4,005,552	3 2 2
Dept of Justice, Violence Against Women Office/Pass-Through from WA State Dept Commerce	Violence Against Women Formula Grants	16.588	2009-WF-AX-0004	\$ 14,982		14,982	2
Dept of Transportation, National Highway Traffic Safety Admin/Pass-Through from Washington Association of Sheriffs & Police Chiefs	State and Community Highway Safety	20.600	Equip 6/10  120-620-00 subtotal	968  <u>936</u> 1,904		1,904	2  2
Institute of Museum and Library Services/Pass-Through from the Office of the Sec of State, WA State Library	Grants to States	45.310	G-4261  G-10/344 subtotal	3,987  <u>2,835</u> 6,822		6,822	2  2
Department of Homeland Security Pass-Through from WA State Division of Emergency Mgmt Military Dept	Disaster Grants Public Assistance (Presidentially Declared Disasters)	97.036	057-63175-00 1825-DR-WA  057-63175-00 1817-DR-WA subtotal	100  <u>100</u> 200		200	2,3  2,3
Department of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2009-FO-00415		82,682	82,682	2
Department of Homeland Security	ARRA-Assistance to Firefighters Grant	97.115	EMW-2009-FC-01076R		1,431,141	1,431,141	2,4
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				\$ 23,908	\$ 5,519,375	\$ 5,543,283	

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  
For the Year Ended December 31, 2010

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.

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 Liabilities.

Expenditures listed for FEMA 057-63175-00 1825-DR-WA and 1817-DR-WA public assistance grants were paid in 2008 and 2009 and determined to be eligible in 2010, thus are shown as current year.

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

Expenditures for this program were funded by ARRA.



## **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.

**State Auditor**  
**Chief of Staff**  
**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**  
**Main number**  
**Toll-free Citizen Hotline**

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**Ted Rutt**  
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