

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

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**City of Warden**  
**Grant County**

Audit Period  
**January 1, 2009 through December 31, 2009**

**Report No. 1004057**

Issue Date  
**August 23, 2010**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

August 23, 2010

Mayor and City Council  
City of Warden  
Warden, Washington

***Report on Financial Statements and Federal Single Audit***

Please find attached our report on the City of Warden'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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Grant County  
January 1, 2009 through December 31, 2009**

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# Federal Summary

## City of Warden Grant County January 1, 2009 through December 31, 2009

The results of our audit of the City of Warden 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>
66.458	Capitalization Grants for Clean Water State Revolving Funds

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 Warden  
Grant County  
January 1, 2009 through December 31, 2009

Mayor and City Council  
City of Warden  
Warden, Washington

We have audited the financial statements of the City of Warden, Grant County, Washington, as of and for the year ended December 31, 2009, and have issued our report thereon dated August 5, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Mayor and City Council, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, flowing script.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

August 5, 2010

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

**City of Warden  
Grant County  
January 1, 2009 through December 31, 2009**

Mayor and City Council  
City of Warden  
Warden, Washington

## **COMPLIANCE**

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

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

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

## **INTERNAL CONTROL OVER COMPLIANCE**

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



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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Mayor and City Council, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, flowing script.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

August 5, 2010

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

**City of Warden  
Grant County  
January 1, 2009 through December 31, 2009**

Mayor and City Council  
City of Warden  
Warden, Washington

We have audited the accompanying financial statements of the City of Warden, Grant County, Washington, for the year ended December 31, 2009. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Warden, for the year ended December 31, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for

purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Debt is also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, flowing script.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

August 5, 2010

# **Financial Section**

**City of Warden  
Grant County  
January 1, 2009 through December 31, 2009**

## ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2009  
Notes to Financial Statements – 2009

## ***SUPPLEMENTAL INFORMATION***

Schedule of Long-Term Debt – 2009  
Schedule of Expenditures of Federal Awards – 2009  
Notes to the Schedule of Expenditures of Federal Awards – 2009

**Warden**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2009

BARS CODE		Fund Number and Name		Fund Number and Name	
		001 Current Expense		101 Street	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments					
308.10	Reserved				
308.80	Unreserved	\$243,928	\$804,869	\$3,778	\$374,276
Revenues and Other Sources					
310	Taxes	600,000	819,693	140,000	197,749
320	Licenses and Permits	12,400	21,891		
330	Intergovernmental	78,300	131,967	70,000	73,861
340	Charges for Goods and Services	1,270	7,494		
350	Fines and Penalties	1,000	3,134		
360	Miscellaneous	29,600	20,147	2,600	1,304
370	Capital Contributions				
390	Other Financing Sources				
Total Revenues and Other Financing Sources		722,570	1,004,326	212,600	272,914
Total Resources		966,498	1,809,195	216,378	647,190
Operating Expenditures:					
510	General Government	116,500	117,921		
520	Public Safety	482,013	492,976		
530	Physical Environment	17,650	18,955		
540	Transportation	23,200	17,736	191,300	155,892
550	Economic Environment	47,400	33,371		
560	Mental and Physical Health	2,950	3,198		
570	Culture and Recreational	141,550	174,608		
Total Operating Expenditures		831,263	858,766	191,300	155,892
591-593	Debt Service	7,100	7,695		
594-595	Capital Outlay	25,500	16,030		2,336
Total Expenditures		863,863	882,490	191,300	158,227
597-599	Other Financing Uses	113,085	91,527	25,078	25,078
Total Expenditures and Other Financing Uses		976,948	974,017	216,378	183,305
Excess (Deficit) of Resources Over Uses		(10,450)	835,178	0	463,885
380	Nonrevenues (Except 384 and 388.80)	10,450	12,200		
580	Nonexpenditures (Except 584 and 588.80)		2,036		
Ending Net Cash and Investments		\$0	\$845,341	\$0	\$463,885
508.10	Reserved				
508.80	Unreserved				\$463,885

*The Accompanying Notes Are An Integral Part Of This Statement.*

**Warden**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2009

BARS CODE		Fund Number and Name		Fund Number and Name	
		402 Sanitation		404 WRF Construction	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments					
308.10	Reserved				
308.80	Unreserved		\$120,792		(\$2,143,564)
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental			3,900,000	4,341,850
340	Charges for Goods and Services	350,000	379,915		
350	Fines and Forfeits				
360	Miscellaneous	200	594		
370	Capital Contributions				
390	Other Financing Sources				
Total Revenues and Other Sources		350,200	380,510	3,900,000	4,341,850
Total Resources		350,200	501,301	3,900,000	2,198,287
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment	336,643	361,542		
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		336,643	361,542	0	0
591-593	Debt Service				
594-595	Capital Outlay			3,700,000	3,448,146
Total Expenditures		336,643	361,542	3,700,000	3,448,146
597-599	Other Financing Uses	3,557	3,557		
Total Expenditures and Other Uses		340,200	365,099	3,700,000	3,448,146
Excess (Deficit) of Resources Over Uses		10,000	136,203	200,000	(1,249,860)
380	Nonrevenues (Except 384 and 388.80)			1,500,000	1,500,000
580	Nonexpenditures (Except 584 and 588.80)	10,000	10,000	200,000	215,650
Ending Net Cash and Investments		\$0	\$126,203	\$1,500,000	\$34,490
508.10	Reserved				
508.80	Unreserved		\$126,203	\$1,500,000	\$34,490

*The Accompanying Notes Are An Integral Part Of This Statement.*

Warden  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2009

BARS CODE		Fund Number and Name 102 Arterial St.		Fund Number and Name 401 Water/Sewer	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments					
308.10	Reserved				
308.80	Unreserved	\$0	\$346,210	\$1,500,000	\$2,625,534
Revenues and Other Sources					
310	Taxes	0			
320	Licenses and Permits				
330	Intergovernmental			192,000	50,000
340	Charges for Goods and Services			2,450,000	2,695,141
350	Fines and Forfeits				
360	Miscellaneous		2,806	156,200	172,778
370	Capital Contributions				
390	Other Financing Sources			39,215	39,215
Total Revenues and Other Financing Sources		0	2,806	2,837,415	2,957,134
Total Resources		0	349,016	4,337,415	5,582,667
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment			1,933,115	1,977,924
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	1,933,115	1,977,924
591-593	Debt Service			469,308	374,195
594-595	Capital Outlay			225,000	58,437
Total Expenditures		0	0	2,627,423	2,410,556
597-599	Other Financing Uses			209,992	206,221
Total Expenditures and Other Financing Uses		0	0	2,837,415	2,616,777
Excess (Deficit) of Resources Over Uses		0	349,016	1,500,000	2,965,890
380	Nonrevenues (Except 384 and 388.80)				200,000
580	Nonexpenditures (Except 584 and 588.80)			1,500,000	1,500,000
Ending Net Cash and Investments		\$0	\$349,016	\$0	\$1,665,890
508.10	Reserved				
508.80	Unreserved	\$0	\$349,016	\$0	\$1,665,890

*The Accompanying Notes Are An Integral Part Of This Statement.*

Warden

**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2009

	Fund Number and Name 103 Equipment		Fund Number and Name 104 Cemetery	
	Budget	Actual	Budget	Actual
<b>Fund Type: Special Revenue Funds</b>				
<b>Beginning Net Cash and Investments</b>	\$10,903	\$859,663	\$10,000	\$41,435
Revenue and Other Financing Sources	118,897	132,843	67,558	78,661
<b>Total Resources</b>	129,800	992,506	77,558	120,097
<b>Expenditures And Other Financing Uses</b>	129,800	123,619	77,558	87,262
<b>Excess (Deficit) of Resources Over Uses</b>	0	868,887	0	32,835
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
<b>Ending Net Cash and Investments</b>	\$0	\$868,887	\$0	\$32,835

	Fund Number and Name 303 Capital Impr		Fund Number and Name 403 W/S Cum Reserve	
	Budget	Actual	Budget	Actual
<b>Fund Type:</b>				
<b>Beginning Net Cash and Investments</b>	\$40,000	\$79,818		\$219,245
Revenue and Other Financing Sources	5,000	5,465		1,483
<b>Total Resources</b>	45,000	85,284	0	220,728
<b>Expenditures And Other Financing Uses</b>	45,000			
<b>Excess (Deficit) of Resources Over Uses</b>	0	85,284	0	220,728
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
<b>Ending Net Cash and Investments</b>	\$0	\$85,284	\$0	\$220,728

	Fund Number and Name 405 Water Cap Projects		Fund Number and Name 406 99A Bond Proj.	
	Budget	Actual	Budget	Actual
<b>Fund Type:</b>				
<b>Beginning Net Cash and Investments</b>		\$226,821		\$2,065
Revenue and Other Financing Sources	75,000	75,455		5
<b>Total Resources</b>	75,000	302,276	0	2,070
<b>Expenditures And Other Financing Uses</b>	75,000			
<b>Excess (Deficit) of Resources Over Uses</b>	0	302,276	0	2,070
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
<b>Ending Net Cash and Investments</b>	\$0	\$302,276	\$0	\$2,070

*The Accompanying Notes Are An Integral Part Of This Statement.*



Warden

**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2009

Fund Type:	Fund Number and Name 631 Claims Clearing		Fund Number and Name 632 Payroll Clearing	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$503,371		\$44,229
Revenue and Other Financing Sources		6,021,159		1,070,588
<b>Total Resources</b>	0	6,524,530	0	1,114,817
<b>Expenditures And Other Financing Uses</b>		5,980,092		1,071,351
<b>Excess (Deficit) of Resources Over Uses</b>	0	544,438	0	43,466
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
<b>Ending Net Cash and Investments</b>	\$0	\$544,438	\$0	\$43,466

Fund Type:	Fund Number and Name 699 Agency		Fund Number and Name	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$1,595		
Revenue and Other Financing Sources		2,100		
<b>Total Resources</b>	0	3,695	0	0
<b>Expenditures And Other Financing Uses</b>				
<b>Excess (Deficit) of Resources Over Uses</b>	0	3,695	0	0
Nonrevenues (Except 384 and 388.80)		195,550		
Nonexpenditures (Except 584 and 588.80)		205,048		
<b>Ending Net Cash and Investments</b>	\$0	(\$5,803)	\$0	\$0

Fund Type:	Fund Number and Name		Fund Number and Name	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>				
Revenue and Other Financing Sources				
<b>Total Resources</b>	0	0	0	0
<b>Expenditures And Other Financing Uses</b>				
<b>Excess (Deficit) of Resources Over Uses</b>	0	0	0	0
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
<b>Ending Net Cash and Investments</b>	\$0	\$0	\$0	\$0

*The Accompanying Notes Are An Integral Part Of This Statement.*

Warden

**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2009

Fund Type:	Fund Number and Name 407 99B Bond Proj		Fund Number and Name 409 Muni Waste Recovery	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$174,969		\$72,042
Revenue and Other Financing Sources		1,865	80,000	76,226
<b>Total Resources</b>	0	176,834	80,000	148,267
<b>Expenditures And Other Financing Uses</b>	66,000	66,000	80,000	
<b>Excess (Deficit) of Resources Over Uses</b>	(66,000)	110,834	0	148,267
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
<b>Ending Net Cash and Investments</b>	(\$66,000)	\$110,834	\$0	\$148,267

Fund Type:	Fund Number and Name 410 Ind. Capital Reserve		Fund Number and Name 414 Bond Reserve	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>		\$354,130		\$580,559
Revenue and Other Financing Sources		2,079	245,000	249,653
<b>Total Resources</b>	0	356,209	245,000	830,212
<b>Expenditures And Other Financing Uses</b>			487,059	487,059
<b>Excess (Deficit) of Resources Over Uses</b>	0	356,209	(242,059)	343,153
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
<b>Ending Net Cash and Investments</b>	\$0	\$356,209	(\$242,059)	\$343,153

Fund Type:	Fund Number and Name 424 Bond Redemption		Fund Number and Name 440 Consumer Deposit	
	Budget	Actual	Budget	Actual
<b>Beginning Net Cash and Investments</b>			\$1,500	\$16,028
Revenue and Other Financing Sources	408,117	320,766		
<b>Total Resources</b>	408,117	320,766	1,500	16,028
<b>Expenditures And Other Financing Uses</b>	408,117	320,766		
<b>Excess (Deficit) of Resources Over Uses</b>	0	0	1,500	16,028
Nonrevenues (Except 384 and 388.80)			2,000	5,600
Nonexpenditures (Except 584 and 588.80)			3,500	3,450
<b>Ending Net Cash and Investments</b>	\$0	\$0	\$0	\$18,178

*The Accompanying Notes Are An Integral Part Of This Statement.*

**CITY OF WARDEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2009 Through December 31, 2009**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

The City uses the revenue and expenditure classifications, statements and schedules contained in the Cash Basis *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 Warden was incorporated on June 16, 1910, and operates under the laws of the state of Washington applicable to a Non Charter Code City, with a Mayor-Council form of government. The City is a general-purpose government and provides public safety, street improvement, parks and recreation, health and social services, and general administrative services. In addition, the City owns and operates a water-sewer system. The City of Warden uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. **Fund Accounting**

The accounts of the City 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'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.

**GOVERNMENTAL FUND TYPES:**

**General Expense Fund (001)**

This fund is the primary operating fund of the City. 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.

**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 Fund

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 in a trustee capacity or as an agent on behalf of others.

### Agency Funds

These funds are used to account assets that the City holds for others in an agency fund.

#### 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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization 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 adopts 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. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period ending.

The City clerk/treasurer is authorized to transfer budgeted amounts between departments within fund; 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's legislative body.

#### d. Cash

It is the City'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's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

f. Investments

See Note #3.

g. Derivatives and Similar Transactions

The city has no derivatives.

h. Capital Assets

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

i. Compensated Absences

Vacation pay, which may be accumulated up to five weeks in a given year, depending on years of service, is payable upon resignation, retirement or death. Unused vacation is forfeited at year's end. Ten days only may be carried forward to the next budget year.

Sick leave may accumulate up to 1,440 hours, with one-third payable to the employee upon resignation, retirement or death.

j. Long Term Debt

See Note #6

k. Other Financing Sources Or Uses

The City's "Other Funding Sources or Uses" consist of operating transfers out.

l. Risk Management

The City of Warden is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW and Chapter 39.34 RCW, nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self insuring, and or jointly contracting for risk management services. WCIA has a total of 136 members.

New members initially contract for a three year term, and thereafter automatically renew on an annual basis. A one year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount of the purchase of reinsurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

#### 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.  
See Note 8

#### NOTE 3 - INVESTMENTS

The City'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, 2009:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P.	\$ 4,789,843.66
U.S. Government Securities	45,808.20
Municipal Investor Account	<u>111,049.34</u>
Total	<b>\$4,946,701.20</b>

#### 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. Delinquent taxes are considered fully collectible because a lien affixes to the property when taxes are levied.

The City's regular levy for 2009 was \$2.66082 per \$1,000 on an assessed valuation of \$128,502,285 for a total regular levy of \$341,921.

#### NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2009:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/09</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/09</u>
404	401	500,000		200,000	300,000
404	401	0	1,500,000		1,500,000

#### NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-term Debt (09) provides a listing of the future outstanding debt as of December 2009 and summarizes the city's debt transactions for 2009. The debt service requirement, including interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2009	0	2,950,459	77,313	3,027,772
2010	0	364,963	296,543	661,506
2011	0	359,339	286,308	645,647
2012	0	359,769	280,870	640,639
2013	0	364,741	280,718	645,459
2014-2018	0	1,180,876	1,401,240	2,582,117
2019-2023	0	363,264	1,390,920	1,754,184
2024-2028	0	0	1,253,734	1,253,734
2029			118,113	118,113
TOTALS	<u>\$ 0</u>	<u>\$5,943,411</u>	<u>\$5,385,759</u>	<u>\$11,329,170</u>

Capital Debt: Building located at 305 So. Main, Warden, Washington used as the public library. Principal balance as of December 2009: \$10,825.20.

Police Car: FCI Custom Police Vehicles. Principal balance as of December 2009, \$8,320.00.

Public Works Board, Drinking Water State Revolving Fund (Reservoir Painting Project) debt balance as of December 2009: \$ 85,766

Public Works Board, PWTF Assistance Account (Well 7 Design) debt balance as of December 2009: \$8,287.50

Public Works Board, PWTF Assistance Account (Wastewater Treatment Plant Pre Const) debt balance as of December 2009: \$ 170,021.05.

Public Works Board, PWTF Assistance Account (Well Pre Const) debt balance as of December 2009: \$142,410

Dept. of Ecology, (Wastewater Treatment Plant design) debt balance as of December 2009: \$382,677.44

Dept. of Ecology, (Wastewater Treatment Plant construction) debt balance as of December 2009: \$4,606,403.00

#### NOTE 7 - PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS and LEOFF plans 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 plan.

Historical trend or other information regarding each plan is presented in the state Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

#### NOTE 8 – OTHER DISCLOSURES

Agency Fund (699). As an account to hold funds for other in an agency capacity. The fund shows a negative balance. The tax deposit check was not in the last deposit for the year which was made on December 29, 2009 but was placed in the drawer on December 30, 2009 and deposited in the bank with the first deposit of January 2010.

Debt Issuance in May 2010 – USDA funding for a police car.

Loan - \$10,000 issued 5/5/10 at 4% interest for 5 years.  
Grant - \$12,700 issued 5/5/10.



**Warden**  
**SCHEDULE OF LONG TERM DEBT**  
**For the Year Ended December 31, 2009**

X G.O. Debt  
Revenue Debt  
Assessment Debt

ID No.	Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 01/01/09	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/09
263.91	10/1/1986	9/19/2011	16,999				6,174	592.72	1	10,825.00
263.53	4/1/2008	3/1/2010	7,539			103	7,539	596.21.60	103	0
263.53	6/19/2009	6/19/2010	0	16,640.00		103	8,320	596.21	103	8,320
Sub Total										19,145

**Warden**

**SCHEDULE OF LONG TERM DEBT**

For the Year Ended December 31, 2009

G.O. Debt  
X Revenue Debt  
Assessment Debt

ID No.	Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 01/01/09	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/09
252.11	11/1/1998	12/1/2018	845,000			401	845,000	424 591 00 70	424	0
252.11	10/1/1999	10/1/2019	1,270,000			401	1,270,000	424 591 34 71	424	0
252.11	11/1/1999	10/1/2019	1,085,000			401	75,000	424 591 35 72	424	1,010,000
252.11	11/24/2009	10/1/2019	0	1,790,000		401	0	424 591 34 73	424	1,790,000
Sub Total										
263.82	6/24/2001	10/1/2022	92,266.33		401 331 66 41	401	6590.45	591.34.79	401	85,676
263.82	8/16/2004	12/31/2025	382,677.44		401 333 6 41 81	401	19912.72	582.35.89.02	401	362,764.72
263.82	9/20/2004	7/1/2009	8287.5		401 334 03 21	401	8287.5	591.34.79.02	401	0
263.82	4/6/2005	7/1/2025	180,647.37		401 334 03 22	401	10626.32	582.35.89.01	401	170,021.05
263.82	5/16/2006	10/1/2026	142,410.00			401	0	591.34.79.03	401	142,410
263.82	5/4/2007	1/30/2029	4,606,403.00		404 334 03 13	401	0	582.35.89.03	401	4,606,403
Sub Total										
Total										
										5,367,275
										<b>8,167,275</b>

## Warden

Total Federal Awards Expended

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

**CITY OF WARDEN  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2009**

**NOTE 1 – BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the city'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 portion of the program costs.

Total Federal funds expended for the Water Reclamation Facility Project for 2009 is \$2,745,915.19.

Total Indirect Federal funds expended for Law Enforcement Terrorism Prevention Programs, Homeland Security Fund is \$4,357.61.

A total of \$2,750,272.80 has been expended in federal funds.



## **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**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Jim Brittain, CPA**  
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