

Washington State Auditor's Office
Financial Statements Audit Report

Town of Reardan
Lincoln County

Audit Period
January 1, 2009 through December 31, 2010

Report No. 1007220

Issue Date
February 13, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

February 13, 2012

Mayor and Town Council
Town of Reardan
Reardan, Washington

Report on Financial Statements

Please find attached our report on the Town of Reardan's financial statements.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Lincoln County
January 1, 2009 through December 31, 2010**

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

Town of Reardan
Lincoln County
January 1, 2009 through December 31, 2010

Mayor and Town Council
Town of Reardan
Reardan, Washington

We have audited the financial statements of the Town of Reardan, Lincoln County, Washington, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated January 17, 2012.

We conducted our audits 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the Town'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 Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 Town's financial statements are free of material misstatement, we performed tests of the Town'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 and the Mayor and Town Council. 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", is positioned above the printed name.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 17, 2012

Independent Auditor's Report on Financial Statements

**Town of Reardan
Lincoln County
January 1, 2009 through December 31, 2010**

Mayor and Town Council
Town of Reardan
Reardan, Washington

We have audited the accompanying financial statements of the Town of Reardan, Lincoln County, Washington, for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Town 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 Town of Reardan, for the years ended December 31, 2010 and 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 Town'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 audits.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Liability and Schedule of

Long-Term Debt are 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, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 17, 2012

Financial Section

**Town of Reardan
Lincoln County
January 1, 2009 through December 31, 2010**

FINANCIAL STATEMENTS

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Town Of Reardan

MCAG #: 0514

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

1 Of 2

BARS CODE		Total For All Funds	001 - Current Expense	101 - Library
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		163,757.35	24,234.81	2,353.12
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	140,056.49	82,338.87	7,396.60
320	Licenses and Permits	1,472.19	1,472.19	0.00
330	Intergovernmental	228,462.50	27,377.69	0.00
340	Charges for Goods and Services	210,400.75	0.00	0.00
350	Fines and Penalties	11,170.67	11,170.67	0.00
360	Miscellaneous	115,597.24	28,653.47	4,251.07
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	0.00	0.00	0.00
Total Revenues and Other Financing Sources		707,159.84	151,012.89	11,647.67
Total Resources		870,917.19	175,247.70	14,000.79
Operating Expenditures				
510	General Government	23,860.73	23,860.73	0.00
520	Public Safety	104,396.74	104,396.74	0.00
530	Physical Environment	410,674.05	2,905.18	0.00
540	Transportation	44,441.38	0.00	0.00
550	Economic Environment	59,423.31	22.50	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	12,442.14	1,947.15	10,494.99
Total Operating Expenditures		655,238.35	133,132.30	10,494.99
591-593	Debt Service	70,039.15	0.00	0.00
594-595	Capital Outlay	662.37	662.37	0.00
Total Expenditures		725,939.87	133,794.67	10,494.99
597-599	Other Financing Uses	0.00	0.00	0.00
Total Expenditures and Other Financing Uses		725,939.87	133,794.67	10,494.99
Excess (Deficit) of Resources Over Uses		144,977.32	41,453.03	3,505.80
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	100,473.50	23,239.98	3,505.80
508.10	Reserved	44,503.82	18,213.05	0.00

The accompanying notes are an integral part of this Statement

Town Of Reardan

MCAG #: 0514

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

2 Of 2

BARS CODE		103 - Street	135 - Capital Improvements	401 - Water & Sewer
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		46,724.01	23,153.31	67,292.10
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	38,146.89	1,858.73	10,315.40
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	13,645.64	0.00	187,439.17
340	Charges for Goods and Services	2,716.35	0.00	207,684.40
350	Fines and Penalties	0.00	0.00	0.00
360	Miscellaneous	61.00	35.22	82,596.48
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	0.00	0.00	0.00
Total Revenues and Other Financing Sources		54,569.88	1,893.95	488,035.45
Total Resources		101,293.89	25,047.26	555,327.55
Operating Expenditures				
510	General Government	0.00	0.00	0.00
520	Public Safety	0.00	0.00	0.00
530	Physical Environment	0.00	0.00	407,768.87
540	Transportation	44,441.38	0.00	0.00
550	Economic Environment	0.00	0.00	59,400.81
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
Total Operating Expenditures		44,441.38	0.00	467,169.68
591-593	Debt Service	0.00	0.00	70,039.15
594-595	Capital Outlay	0.00	0.00	0.00
Total Expenditures		44,441.38	0.00	537,208.83
597-599	Other Financing Uses	0.00	0.00	0.00
Total Expenditures and Other Financing Uses		44,441.38	0.00	537,208.83
Excess (Deficit) of Resources Over Uses		56,852.51	25,047.26	18,118.72
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	56,852.51	0.00	16,875.21
508.10	Reserved	0.00	25,047.26	1,243.51

The accompanying notes are an integral part of this Statement

Town Of Reardan

MCAG #: 0514

STATEMENT C-5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

1 Of 2

BARS CODE		Total For All Funds	405 - Garbage	631 - Claims Clearing
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		3,953.41	158.21	205.00
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Total Revenues and Other Financing Sources		68,685.11	68,685.11	0.00
Total Resources		68,943.32	68,843.32	0.00
Total Expenditures and Other Financing Uses		68,124.44	68,124.44	0.00
Excess (Deficit) of Resources Over Uses		818.88	718.88	0.00
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	4,514.08	718.88	205.00
508.10	Reserved	0.00	0.00	0.00

The accompanying notes are an integral part of this Statement

Town Of Reardan

MCAG #: 0514

STATEMENT C-5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

2 Of 2

BARS CODE		632 - Payroll Clearing	633 - Court Remittances	
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		3,490.20	100.00	0.00
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Total Revenues and Other Financing Sources		0.00	0.00	0.00
Total Resources		0.00	100.00	0.00
Total Expenditures and Other Financing Uses		0.00	0.00	0.00
Excess (Deficit) of Resources Over Uses		0.00	100.00	0.00
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	3,490.20	100.00	0.00
508.10	Reserved	0.00	0.00	0.00

The accompanying notes are an integral part of this Statement

Town Of Reardan

MCAG #: 0514

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS FOR THE YEAR ENDING: DECEMBER 31, 2009

001 Current Expense		Budget	Actual
Beginning Net Cash and Investments		30,500.00	22,301.62
Revenues and Other Sources			
310	Taxes	68,700.00	81,998.61
320	Licenses & Permits	4,700.00	8,803.84
330	Intergovernmental	33,157.41	35,043.85
340	Charges For Good And Services	0.00	0.00
350	Fines & Penalties	11,000.00	25,955.86
360	Miscellaneous	25,050.00	24,491.62
370	Capital Contributions	0.00	0.00
390	Other Financing Sources	0.00	0.00
Total Revenues and Other Financing Sources		<u>142,607.41</u>	<u>176,293.78</u>
Total Resources		173,107.41	198,595.40
Operating Expenditures:			
510	General Government	40,775.00	46,091.48
520	Public Safety	109,569.00	135,023.66
530	Physical Environment	2,788.00	2,768.95
540	Transportation	0.00	0.00
550	Economic Environment	4,000.00	6,370.95
560	Mental & Physical Health	0.00	0.00
570	Culture And Recreational	1,765.00	787.90
Total Operating Expenditures		<u>158,897.00</u>	<u>191,042.94</u>
591-593	Debt Service	0.00	0.00
594-595	Capital Outlay	1,500.00	995.65
Total Expenditures and Other Financing Uses		<u>160,397.00</u>	<u>192,038.59</u>
597-599	Other Financing Uses	3,000.00	3,000.00
Total Expenditures and Other Financing Uses		<u>163,397.00</u>	<u>195,038.59</u>
EXCESS (DEFICIT) OF REVENUES OVER USES:		9,710.41	3,556.81
380	Non Revenues (Except 384 And 388.80)	0.00	20,678.00
580	Non Expenditures (Except 584 And 588.80)	0.00	0.00
ENDING NET CASH & INVESTMENTS:		9,710.41	24,234.81

The Accompanying Notes Are An Integral Part Of This Statement

Town Of Reardan

MCAG #: 0514

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS FOR THE YEAR ENDING: DECEMBER 31, 2009

101 Library		Budget	Actual
Beginning Net Cash and Investments		2,000.00	1,250.30
Revenues and Other Sources			
310	Taxes	6,050.00	7,001.61
320	Licenses & Permits	0.00	0.00
330	Intergovernmental	0.00	0.00
340	Charges For Good And Services	0.00	0.00
350	Fines & Penalties	0.00	0.00
360	Miscellaneous	1,725.00	2,211.21
370	Capital Contributions	0.00	0.00
390	Other Financing Sources	1,500.00	1,500.00
Total Revenues and Other Financing Sources		<u>9,275.00</u>	<u>10,712.82</u>
Total Resources		11,275.00	11,963.12
Operating Expenditures:			
510	General Government	0.00	0.00
520	Public Safety	0.00	0.00
530	Physical Environment	0.00	0.00
540	Transportation	0.00	0.00
550	Economic Environment	0.00	0.00
560	Mental & Physical Health	0.00	0.00
570	Culture And Recreational	9,960.00	9,610.00
Total Operating Expenditures		<u>9,960.00</u>	<u>9,610.00</u>
591-593	Debt Service	0.00	0.00
594-595	Capital Outlay	0.00	0.00
Total Expenditures and Other Financing Uses		<u>9,960.00</u>	<u>9,610.00</u>
597-599	Other Financing Uses	0.00	0.00
Total Expenditures and Other Financing Uses		<u>9,960.00</u>	<u>9,610.00</u>
EXCESS (DEFICIT) OF REVENUES OVER USES:		<u>1,315.00</u>	<u>2,353.12</u>
380	Non Revenues (Except 384 And 388.80)	0.00	0.00
580	Non Expenditures (Except 584 And 588.80)	0.00	0.00
ENDING NET CASH & INVESTMENTS:		<u>1,315.00</u>	<u>2,353.12</u>

The Accompanying Notes Are An Integral Part Of This Statement

Town Of Reardan

MCAG #: 0514

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS FOR THE YEAR ENDING: DECEMBER 31, 2009

103 Street		Budget	Actual
Beginning Net Cash and Investments		21,000.00	33,560.30
Revenues and Other Sources			
310	Taxes	33,931.00	35,875.23
320	Licenses & Permits	0.00	0.00
330	Intergovernmental	10,000.00	13,705.40
340	Charges For Good And Services	0.00	48.45
350	Fines & Penalties	0.00	0.00
360	Miscellaneous	200.00	35.84
370	Capital Contributions	0.00	0.00
390	Other Financing Sources	0.00	0.00
Total Revenues and Other Financing Sources		44,131.00	49,664.92
Total Resources		65,131.00	83,225.22
Operating Expenditures:			
510	General Government	0.00	0.00
520	Public Safety	0.00	0.00
530	Physical Environment	0.00	0.00
540	Transportation	35,604.00	36,501.21
550	Economic Environment	0.00	0.00
560	Mental & Physical Health	0.00	0.00
570	Culture And Recreational	0.00	0.00
Total Operating Expenditures		35,604.00	36,501.21
591-593	Debt Service	0.00	0.00
594-595	Capital Outlay	28,000.00	0.00
Total Expenditures and Other Financing Uses		63,604.00	36,501.21
597-599	Other Financing Uses	0.00	0.00
Total Expenditures and Other Financing Uses		63,604.00	36,501.21
EXCESS (DEFICIT) OF REVENUES OVER USES:		1,527.00	46,724.01
380	Non Revenues (Except 384 And 388.80)	0.00	0.00
580	Non Expenditures (Except 584 And 588.80)	0.00	0.00
ENDING NET CASH & INVESTMENTS:		1,527.00	46,724.01

The Accompanying Notes Are An Integral Part Of This Statement

Town Of Reardan

MCAG #: 0514

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS FOR THE YEAR ENDING: DECEMBER 31, 2009

135 Capital Improvements		Budget	Actual
Beginning Net Cash and Investments		19,000.00	19,620.31
Revenues and Other Sources			
310	Taxes	2,000.00	3,498.31
320	Licenses & Permits	0.00	0.00
330	Intergovernmental	0.00	0.00
340	Charges For Good And Services	0.00	0.00
350	Fines & Penalties	0.00	0.00
360	Miscellaneous	100.00	34.69
370	Capital Contributions	0.00	0.00
390	Other Financing Sources	0.00	0.00
Total Revenues and Other Financing Sources		2,100.00	3,533.00
Total Resources		21,100.00	23,153.31
Operating Expenditures:			
510	General Government	0.00	0.00
520	Public Safety	0.00	0.00
530	Physical Environment	0.00	0.00
540	Transportation	0.00	0.00
550	Economic Environment	0.00	0.00
560	Mental & Physical Health	0.00	0.00
570	Culture And Recreational	0.00	0.00
Total Operating Expenditures		0.00	0.00
591-593	Debt Service	0.00	0.00
594-595	Capital Outlay	20,000.00	0.00
Total Expenditures and Other Financing Uses		20,000.00	0.00
597-599	Other Financing Uses	0.00	0.00
Total Expenditures and Other Financing Uses		20,000.00	0.00
EXCESS (DEFICIT) OF REVENUES OVER USES:		1,100.00	23,153.31
380	Non Revenues (Except 384 And 388.80)	0.00	0.00
580	Non Expenditures (Except 584 And 588.80)	0.00	0.00
ENDING NET CASH & INVESTMENTS:		1,100.00	23,153.31

The Accompanying Notes Are An Integral Part Of This Statement

TOWN OF REARDAN
NOTES TO FINANCIAL STATEMENT
JANUARY 1, 2010 TO DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Reardan 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 Town of Reardan was incorporated in 1903 and operates under the laws of the state of Washington applicable to a fourth class town with a Mayor-Council form of government. The Town of Reardan is a general purpose government and provides public safety, fire prevention, contracted garbage service, street improvements, parks, and general administration. In addition, the Town owns and operates a water/sewer system. The Town of Reardan uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the Town of Reardan 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 Town of Reardan'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 Town of Reardan:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the Town of Reardan. 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 specific revenue sources that are restricted or committed to expenditures for specified purposes of the Town of Reardan.

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.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

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.

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the Town of Reardan in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account assets that the Town of Reardan 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 Town of Reardan 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 Town of Reardan adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 Current Expense	\$ 154,603.00	\$ 132,875.12	\$ 21,727.88
002 Criminal Justice	\$ 3,650.00	\$ 919.55	\$ 2,730.45
101 Library	\$ 10,647.00	\$ 10,494.99	\$ 152.01
103 Street Fund	\$ 45,278.00	\$ 44,441.38	\$ 836.62
105 Street Improvements	\$ 5,000.00	\$ 0.00	\$ 5,000.00
135 Capital Improvements	\$ 1,000.00	\$ 0.00	\$ 1,000.00
401 Water & Sewer	\$ 294,222.00	\$ 282,236.21	11,985.79
402 Water & Sewer Improvement	\$ 15,000.00	\$ 8,132.64	\$ 6,867.36
405 Garbage	\$ 68,607.00	\$ 68,124.44	\$ 482.56
408 Water Reservoir Design Project	\$ 1,045,720.00	\$ 246,839.98	\$ 798,880.02
633 Court Remittances	\$ 100.00	\$ 0.00	\$ 100.00
Total	\$ 1,643,827.00	\$ 794,064.31	\$ 849,762.69

Budgeted amounts are authorized to be transferred between (departments within any fund/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 Town of Reardan's legislative body. The budgets above do not include non-expenditures or intrafund transfers.

d. Cash

It is the Town of Reardan'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.

Deposits

The Town of Reardan's deposits and certificates of deposit are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission).

f. Investments See (Investment Note No 3).

g. Derivatives and Similar Transactions

The Town of Reardan does not have any derivatives or similar transactions at this time.

h. Capital Assets

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

i. Compensated Absences

Vacation leave must be used within the calendar year. Vacation time cannot be carried over from a previous year.

Sick leave may be accumulated up to 384 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

j. Long-Term Liability See (Long-Term Liability Note No.5).

k. Other Financing Sources or Uses

The Town of Reardan did not have other financing sources or uses for 2010.

l. Risk Management

The Town of Reardan 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-Insured 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. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool 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.

m. Reserved Fund Balance

The Town of Reardan has the following fund accounts that contain restricted line items:

Fund 002 Criminal Justice: Balance \$18,213.05
Fund 135 Capital Improvements: Balance \$25,047.26
Fund 408 Water Reservoir Design Project: Balance \$1,243.51

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 Town of Reardan.

NOTE 3 - INVESTMENTS

The Town of Reardan's investments are either insured, registered or held by the Town of Reardan or its agent in the Town of Reardan's name.

Investments are presented at cash value.

Investments by type at December 31, 2010 are as follows:

<u>Type of Investment</u>	Town of Reardan's own investments
L.G.I.P.	\$51,404.26
Money Market	\$16,027.7
Total	\$67,431.96

NOTE 4 - PROPERTY TAX

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by the Town of Reardan. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Town of Reardan's regular levy for the year 2010 was 3.375 per \$1,000 on an assessed valuation of \$24,593,509, for a total regular levy of \$74,824.

NOTE 5 - INTERFUND LOANS AND ADVANCES

There were not any interfund loans or advances for the year 2010.

NOTE 6 - LONG-TERM Liability

The accompanying Schedule of Long-Term Liability (09) provides a listing of the outstanding liability of the Town of Reardan and summarizes the Town of Reardan's liability transactions for 2010. The liability 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 Liability</u>	<u>Total Liability</u>
2010	\$0.00	\$0.00	\$ 70,039.14	\$ 70,039.14
2011	\$0.00	\$0.00	\$ 58,388.66	\$ 58,388.66
2012	\$0.00	\$0.00	\$ 58,415.47	\$ 58,415.47
2013	\$0.00	\$0.00	\$ 58,316.26	\$ 58,316.26
2014	\$0.00	\$0.00	\$ 58,217.06	\$ 58,217.06
2015-2019	\$0.00	\$0.00	\$ 289,597.27	\$ 289,597.27
2020- 2024	\$0.00	\$0.00	\$ 215,253.78	\$ 215,253.78
2025- 2029	\$0.00	\$0.00	\$ 53,860.02	\$ 53,860.02
	<hr/>	<hr/>	<hr/>	<hr/>
TOTALS	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>862,087.66</u>	\$ <u>862,087.66</u>

NOTE 7 - PENSION PLANS

Substantially all The Town of Reardan's full-time and qualifying part-time employees participate in PERS – Public Employee Retirement System or LEOFF – Law Enforcement Officers and Fire Fighters Retirement System, 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 Town of Reardan'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 8 - OTHER DISCLOSURES

The Town of Reardan does some business with council member Shad Vincent, through his business, Vincent's Auto.

TOWN OF REARDAN
NOTES TO FINANCIAL STATEMENT
JANUARY 1, 2009 TO DECEMBER 31, 2009

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

The Town of Reardan 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 Town of Reardan was incorporated in 1903 and operates under the laws of the state of Washington applicable to a fourth class Town with a Mayor-Council form of government. The Town of Reardan is a general-purpose government and provides public safety, contracted garbage service, fire prevention, street improvements, parks, and general administration. In addition, the Town owns and operates a water/sewer system. The Town of Reardan uses single entry, cash basis accounting, which is a departure from generally, accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the Town of Reardan 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 Town of Reardan's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by Town.

GOVERNMENTAL FUND TYPES:

Current Expense Fund

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

Capital Projects Funds

These funds account for financial resources, which are designated for the acquisition or construction of general government capital projects.

PROPRIETARY FUND TYPES

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

FIDUCIARY FUND TYPES

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

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account assets that the Town of Reardan 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 Town of Reardan 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 fixed assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

This basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

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

Annual appropriated budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for general, special revenue and proprietary funds lapse at the fiscal period end.

The Clerk/Treasurer is authorized to transfer budgeted amounts between departments within any 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 Town's legislative body.

D. Cash

It is the Town'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 Town's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) as well as the Washington Public Deposit Protection Commission (WPDPC).

F. Investments

See Note #3

G. Capital Assets

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

H. Compensated Absences

Vacation time must be used within the calendar year. Vacation time cannot be carried over from a previous year.

Sick leave may be accumulated up to 384 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

I. Long Term Debt

See Note #6

J. Other Financing Sources or Uses

The Town's "Other Financing Sources or uses consist of transfers in and out between funds.

K. Risk Management

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

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

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

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

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

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

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration,

claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the years ended August 31, **2008 and 2009** were **\$1,321,289 and \$1,389,379 respectively.**

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

NOTE 3 - INVESTMENTS

The Town's investments are insured, registered or held by the Town or its agent in the Town's name.

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

Money Market	\$16,019.73
Local Government Investment Pool	<u>\$51,254.03</u>
TOTAL	<u>\$67,273.76</u>

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 Town. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The Town's regular levy for 2009 was 3.375 per \$1,000 on an assessed valuation of \$24,442,078 for a total regular levy of \$71,306.

NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2009:

Borrowing Fund	Lending Fund	Balance 01-01-09	New Loans	Repayments	Balance 12-31-09
401	001	\$20,678.00		\$20,678.00	\$0.00

NOTE 6 - LONG TERM DEBT

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

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2009	\$0.00	\$0.00	\$68,230.18	\$68,230.18
2010	\$0.00	\$0.00	\$70,039.14	\$70,039.14
2011	\$0.00	\$0.00	\$58,636.63	\$58,636.63
2012			\$58,663.44	\$58,663.44
2013			\$58,564.23	\$58,564.23
2014-2018	\$0.00	\$0.00	\$291,333.13	\$291,333.13
2019-2023	\$0.00	\$0.00	\$236,162.98	\$236,162.98
2024-2025	\$0.00	\$0.00	\$88,340.20	\$88,340.20
TOTAL	\$0.00	\$0.00	\$841,629.73	\$841,629.73

NOTE 7 - PENSION PLANS

All Town full-time and qualifying part-time employees participate in PERS - Public Employee Retirement System or LEOFF - Law Enforcement Officers and Fire Fighters Retirement System, administered by the Department of Retirement Systems, under cost sharing multiple-employer defined benefit public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Town'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 the PERS 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
P.O. Box 48380
Olympia, WA 98504-8380

TOWN OF REARDAN

☐ G. O. Debt
☒ Revenue Debt
☐ Assessment Debt

SCHEDULE OF LONG-TERM LIABILITY**For The Year Ended December 31, 2010**

ID No.	Date of Original Issue	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 (1)+(2)-(3)
263.82	03-27-2009	07-01-2029	\$ 83,790.00	\$ 10,452.48	343.40.00.01	408	\$ -	582.34.47.01	408	\$ 94,242.48
263.82	08-12-1990	07-01-2010	\$ 15,685.09	\$ -	343.40.00.00	401	\$ 15,685.09	582.34.47.00	401	\$ -
263.82	06-05-2000	05-31-2020	\$ 91,856.35	\$ -	360.00.49.00	401	\$ 7,088.95	582.34.47.01	401	\$ 84,767.40
263.82	07-01-2000	03-30-2020	\$ 24,944.22	\$ -	360.00.49.01	401	\$ 1,925.05	582.34.47.02	401	\$ 23,019.17
263.82	12-04-2002	04-30-2024	\$ 102,167.77	\$ -	360.00.49.02	401	\$ 6,357.59	582.34.47.03	401	\$ 95,810.18
263.82	06-24-2004	09-01-2025	\$ 460,979.78	\$ -	360.00.49.03	401	\$ 28,811.24	582.34.47.04	401	\$ 432,168.54
263.82	09-30-2004	09-01-2020	\$ 13,128.91	\$ -	360.00.49.03	401	\$ 1,106.09	582.34.47.05	401	\$ 12,022.82
Total			\$ 792,552.12	\$ 10,452.48			\$ 60,974.01			\$ 742,030.59

TOWN OF REARDAN

SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2009

☐ G. O. Debt
☒ Revenue Debt
☐ Assessment Debt

ID No.	Date of Original Issue	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 (1)+(2)-(3)
263.82	03-27-2009	07-01-2029	\$ -	\$ 83,790.00	343.40.00.01	408	\$ -	582.34.47.01	408	\$ 83,790.00
263.82	08-12-1990	07-01-2010	\$ 31,370.21	\$ -	343.40.00.00	401	\$ 15,685.12	582.34.47.00	401	\$ 15,685.09
263.82	06-05-2000	05-31-2020	\$ 98,650.03	\$ -	360.00.49.00	401	\$ 6,793.68	582.34.47.01	401	\$ 91,856.35
263.82	07-01-2000	03-30-2020	\$ 26,789.09	\$ -	360.00.49.01	401	\$ 1,844.87	582.34.47.02	401	\$ 24,944.22
263.82	12-04-2002	04-30-2024	\$ 108,431.07	\$ -	360.00.49.02	401	\$ 6,263.30	582.34.47.03	401	\$ 102,167.77
263.82	06-24-2004	09-01-2025	\$ 489,791.02	\$ -	360.00.49.03	401	\$ 28,811.24	582.34.47.04	401	\$ 460,979.78
263.82	09-30-2004	09-01-2020	\$ 14,218.55	\$ -	360.00.49.03	401	\$ 1,089.64	582.34.47.05	401	\$ 13,128.91
Total			\$ 769,249.97	\$ 83,790.00			\$ 60,487.85			\$ 792,552.12



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work 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 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 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 Performance 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
Larisa Benson
Jim Brittain, CPA
Jan Jutte, CPA, CGFM
Ivan Dansereau
Mike Murphy
Mindy Chambers
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