

Washington State Auditor's Office
Financial Statements Audit Report

City of Davenport
Lincoln County

Audit Period
January 1, 2009 through December 31, 2010

Report No. 1007222

Issue Date
February 13, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

February 13, 2012

Mayor and City Council
City of Davenport
Davenport, Washington

Report on Financial Statements

Please find attached our report on the City of Davenport's financial statements.

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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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*

City of Davenport
Lincoln County
January 1, 2009 through December 31, 2010

Mayor and City Council
City of Davenport
Davenport, Washington

We have audited the financial statements of the City of Davenport, Lincoln County, Washington, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated December 19, 2011.

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 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 and the Mayor and City 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". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

December 19, 2011

Independent Auditor's Report on Financial Statements

**City of Davenport
Lincoln County
January 1, 2009 through December 31, 2010**

Mayor and City Council
City of Davenport
Davenport, Washington

We have audited the accompanying financial statements of the City of Davenport, Lincoln County, Washington, for the years ended December 31, 2010 and 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 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 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 Davenport, 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 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 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 Liabilities 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

December 19, 2011

Financial Section

**City of Davenport
Lincoln County
January 1, 2009 through December 31, 2010**

FINANCIAL STATEMENTS

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City Of Davenport

MCAG #: 0508

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

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BARS CODE		Total For All Funds	001 - Current Expense	110 - Tourism
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		1,986,195.80	379,430.51	1,601.31
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	635,523.90	626,391.84	2,729.27
320	Licenses and Permits	69,298.83	69,298.83	0.00
330	Intergovernmental	131,129.35	118,002.35	0.00
340	Charges for Goods and Services	1,060,036.55	70,076.79	0.00
350	Fines and Penalties	17,542.21	636.47	0.00
360	Miscellaneous	32,950.21	17,742.87	3.84
370	Capital Contributions	12,905.00	0.00	0.00
390	Other Financing Sources	68,304.72	804.72	0.00
Total Revenues and Other Financing Sources		2,027,690.77	902,953.87	2,733.11
Total Resources		4,013,886.57	1,282,384.38	4,334.42
Operating Expenditures				
510	General Government	118,906.59	118,906.59	0.00
520	Public Safety	315,029.23	315,029.23	0.00
530	Physical Environment	783,167.92	30,987.20	0.00
540	Transportation	162,404.91	162,404.91	0.00
550	Economic Environment	81,652.15	79,252.15	2,400.00
560	Mental and Physical Health	450.80	450.80	0.00
570	Culture and Recreational	91,227.14	91,227.14	0.00
Total Operating Expenditures		1,552,838.74	798,258.02	2,400.00
591-593	Debt Service	13,956.90	0.00	0.00
594-595	Capital Outlay	537,817.79	84,833.84	0.00
Total Expenditures		2,104,613.43	883,091.86	2,400.00
597-599	Other Financing Uses	67,500.00	67,500.00	0.00
Total Expenditures and Other Financing Uses		2,172,113.43	950,591.86	2,400.00
Excess (Deficit) of Resources Over Uses		1,841,773.14	331,792.52	1,934.42
380	Nonrevenues (Except 384)	716,328.93	14,523.66	0.00
580	Nonexpenditures (Except 584)	71,784.99	840.05	0.00
Ending Cash and Investments:				
508.80	Unreserved	2,484,382.66	345,476.13	0.00
508.10	Reserved	1,934.42	0.00	1,934.42

The accompanying notes are an integral part of this Statement

City Of Davenport

MCAG #: 0508

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

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BARS CODE		305 - Street Equipment CPF	306 - Airport CPF	307 - Fire Equipment CPF
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		43,142.86	29,565.74	57,824.01
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	0.00	0.00	0.00
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	0.00	8,127.00	0.00
340	Charges for Goods and Services	0.00	0.00	0.00
350	Fines and Penalties	0.00	0.00	0.00
360	Miscellaneous	120.92	46.77	145.51
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	5,000.00	0.00	2,500.00
Total Revenues and Other Financing Sources		5,120.92	8,173.77	2,645.51
Total Resources		48,263.78	37,739.51	60,469.52
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	0.00
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
Total Operating Expenditures		0.00	0.00	0.00
591-593	Debt Service	0.00	0.00	0.00
594-595	Capital Outlay	0.00	23,328.08	6,342.76
Total Expenditures		0.00	23,328.08	6,342.76
597-599	Other Financing Uses	0.00	0.00	0.00
Total Expenditures and Other Financing Uses		0.00	23,328.08	6,342.76
Excess (Deficit) of Resources Over Uses		48,263.78	14,411.43	54,126.76
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	48,263.78	14,411.43	54,126.76
508.10	Reserved	0.00	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Davenport

MCAG #: 0508

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

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BARS CODE		308 - Cemetery CPF	309 - Park Capital Improvement Fund	319 - Capital Improvement
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		71,513.34	35,120.58	70,150.36
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	0.00	0.00	6,402.79
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	0.00	0.00	5,000.00
340	Charges for Goods and Services	0.00	0.00	0.00
350	Fines and Penalties	0.00	0.00	0.00
360	Miscellaneous	189.43	981.53	148.62
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	0.00	25,000.00	35,000.00
Total Revenues and Other Financing Sources		189.43	25,981.53	46,551.41
Total Resources		71,702.77	61,102.11	116,701.77
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	0.00
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
Total Operating Expenditures		0.00	0.00	0.00
591-593	Debt Service	0.00	0.00	0.00
594-595	Capital Outlay	0.00	3,455.71	73,718.09
Total Expenditures		0.00	3,455.71	73,718.09
597-599	Other Financing Uses	0.00	0.00	0.00
Total Expenditures and Other Financing Uses		0.00	3,455.71	73,718.09
Excess (Deficit) of Resources Over Uses		71,702.77	57,646.40	42,983.68
380	Nonrevenues (Except 384)	0.00	701,299.46	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	71,702.77	758,945.86	42,983.68
508.10	Reserved	0.00	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Davenport

MCAG #: 0508

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

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BARS CODE		401 - Water	403 - Sewer	405 - Garbage
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		534,019.04	711,748.28	52,079.77
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	0.00	0.00	0.00
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	0.00	0.00	0.00
340	Charges for Goods and Services	362,680.94	363,016.89	264,261.93
350	Fines and Penalties	2,685.74	0.00	14,220.00
360	Miscellaneous	3,038.71	10,392.00	140.01
370	Capital Contributions	7,305.00	5,600.00	0.00
390	Other Financing Sources	0.00	0.00	0.00
Total Revenues and Other Financing Sources		375,710.39	379,008.89	278,621.94
Total Resources		909,729.43	1,090,757.17	330,701.71
Operating Expenditures				
510	General Government	0.00	0.00	0.00
520	Public Safety	0.00	0.00	0.00
530	Physical Environment	254,810.66	211,305.12	286,064.94
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
Total Operating Expenditures		254,810.66	211,305.12	286,064.94
591-593	Debt Service	0.00	13,956.90	0.00
594-595	Capital Outlay	232,690.82	113,448.49	0.00
Total Expenditures		487,501.48	338,710.51	286,064.94
597-599	Other Financing Uses	0.00	0.00	0.00
Total Expenditures and Other Financing Uses		487,501.48	338,710.51	286,064.94
Excess (Deficit) of Resources Over Uses		422,227.95	752,046.66	44,636.77
380	Nonrevenues (Except 384)	0.00	505.81	0.00
580	Nonexpenditures (Except 584)	0.00	70,944.94	0.00
Ending Cash and Investments:				
508.80	Unreserved	422,227.95	681,607.53	44,636.77
508.10	Reserved	0.00	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Davenport

MCAG #: 0508

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

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BARS CODE		633 - Treasurer's Clearing	634 - Tax Clearing	
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		0.00	0.00	0.00
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	0.00	0.00	0.00
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	0.00	0.00	0.00
340	Charges for Goods and Services	0.00	0.00	0.00
350	Fines and Penalties	0.00	0.00	0.00
360	Miscellaneous	0.00	0.00	0.00
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		0.00	0.00	0.00
Total Resources		0.00	0.00	0.00
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	0.00
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
Total Operating Expenditures		0.00	0.00	0.00
591-593	Debt Service	0.00	0.00	0.00
594-595	Capital Outlay	0.00	0.00	0.00
Total Expenditures		0.00	0.00	0.00
597-599	Other Financing Uses	0.00	0.00	0.00
Total Expenditures and Other Financing Uses		0.00	0.00	0.00
Excess (Deficit) of Resources Over Uses		0.00	0.00	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	0.00	0.00	0.00
508.10	Reserved	0.00	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Davenport

MCAG #: 0508

STATEMENT C-5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

1 Of 1

BARS CODE		Total For All Funds	631 - Claims Clearing	632 - Payroll Clearing
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		0.00	0.00	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
<i>Total Resources</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>Total Expenditures and Other Financing Uses</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Excess (Deficit) of Resources Over Uses		0.00	0.00	0.00
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	72.73	0.00	72.73
Ending Cash and Investments:				
508.80	Unreserved	(72.73)	0.00	(72.73)
508.10	Reserved	0.00	0.00	0.00

The accompanying notes are an integral part of this Statement

City of Davenport
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		Fund Number and Name 001 Current Expense		Fund Number and Name 103 Street	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		100,000.00	113,629.36	70,000.00	71,604.24
Revenues and Other Sources					
310	Taxes	544,000.00	559,644.18	0.00	0.00
320	Licenses and Permits	17,300.00	11,076.86	0.00	0.00
330	Intergovernmental	45,000.00	61,530.35	40,000.00	37,961.76
340	Charges for Goods and Services	3,275.00	801.12	200.00	300.00
350	Fines and Penalties	300.00	241.22	0.00	0.00
360	Miscellaneous	13,850.00	11,496.93	1,500.00	321.83
370	Capital Contributions	0.00	0.00	0.00	0.00
390	Other Financing Sources	22,400.00	22,825.00	90,200.00	90,000.00
Total Revenues and Other Sources		646,125.00	667,615.66	131,900.00	128,583.59
Total Resources		746,125.00	781,245.02	201,900.00	200,187.83
Operating Expenditures:					
510	General Government	108,685.00	99,262.83	0.00	0.00
520	Public Safety	302,100.00	299,984.32	0.00	0.00
530	Physical Environment	7,225.00	4,587.01	0.00	0.00
540	Transportation	0.00	0.00	141,360.00	138,664.62
550	Economic Environment	30,710.00	18,091.99	0.00	0.00
560	Mental and Physical Health	400.00	410.70	0.00	0.00
570	Culture and Recreational	32,600.00	33,040.13	0.00	0.00
Total Operating Expenditures		481,720.00	455,376.98	141,360.00	138,664.62
591-593	Debt Service	0.00	0.00	0.00	0.00
594-595	Capital Outlay	11,750.00	4,397.11	50,000.00	9,820.80
Total Expenditures		493,470.00	459,774.09	191,360.00	148,485.42
597-599	Other Financing Uses	221,120.97	221,120.97	0.00	0.00
Total Expenditures and Other Uses		714,590.97	680,895.06	191,360.00	148,485.42
Excess (Deficit) of Resources Over Uses		31,534.03	100,349.96	10,540.00	51,702.41
380	Nonrevenues (Except 384 and 388.80)	600.00	10,668.25	100.00	2,130.67
580	Nonexpenditures (Except 584 and 588.80)	0.00	371.45	0.00	0.00
Ending Net Cash and Investments		32,134.03	110,646.76	10,640.00	53,833.08

The Accompanying Notes Are An Integral Part Of This Statement.

City of Davenport
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		Fund Number and Name 106 Airport Cap Imprv		Fund Number and Name 401 Water	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		15,000.00	12,077.10	100,000.00	132,363.29
Revenues and Other Sources					
310	Taxes	0.00	0.00	0.00	0.00
320	Licenses and Permits	0.00	0.00	0.00	0.00
330	Intergovernmental	485,700.00	464,969.00	0.00	0.00
340	Charges for Goods and Services	0.00	0.00	350,500.00	374,730.00
350	Fines and Forfeits	0.00	0.00	1,000.00	571.88
360	Miscellaneous	350.00	147.65	3,800.00	1,059.78
370	Capital Contributions	0.00	0.00	0.00	0.00
390	Other Financing Sources	25,000.00	25,000.00	0.00	0.00
Total Revenues and Other Sources		511,050.00	490,116.65	355,300.00	376,361.66
Total Resources		526,050.00	502,193.75	455,300.00	508,724.95
Operating Expenditures:					
510	General Government	0.00	0.00	0.00	0.00
520	Public Safety	0.00	0.00	0.00	0.00
530	Physical Environment	0.00	0.00	265,600.00	240,614.02
540	Transportation	0.00	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00	0.00
570	Culture and Recreation	0.00	0.00	0.00	0.00
Total Operating Expenditures		0.00	0.00	265,600.00	240,614.02
591-593	Debt Service	0.00	0.00	0.00	0.00
594-595	Capital Outlay	515,700.00	472,628.01	3,000.00	1,666.15
Total Expenditures		515,700.00	472,628.01	268,600.00	242,280.17
597-599	Other Financing Uses	0.00	0.00	150,000.00	150,000.00
Total Expenditures and Other Uses		515,700.00	472,628.01	418,600.00	392,280.17
Excess (Deficit) of Resources Over Uses		10,350.00	29,565.74	36,700.00	116,444.78
380	Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
580	Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments		10,350.00	29,565.74	36,700.00	116,444.78

The Accompanying Notes Are An Integral Part Of This Statement.

City of Davenport
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		Fund Number and Name 403 Sewer		Fund Number and Name 405 Garbage	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		75,000.00	97,932.92	80,000.00	84,054.45
Revenues and Other Sources					
310	Taxes	0.00	0.00	0.00	0.00
320	Licenses and Permits	0.00	0.00	0.00	0.00
330	Intergovernmental	0.00	0.00	0.00	0.00
340	Charges for Goods and Services	365,000.00	362,529.85	246,000.00	255,600.00
350	Fines and Penalties	0.00	0.00	8,000.00	13,743.12
360	Miscellaneous	12,550.00	6,751.62	2,000.00	508.00
370	Capital Contributions	0.00	0.00	0.00	0.00
390	Other Financing Sources	0.00	0.00	0.00	0.00
Total Revenues and Other Sources		377,550.00	369,281.47	256,000.00	269,851.12
Total Resources		452,550.00	467,214.39	336,000.00	353,905.57
Operating Expenditures:					
510	General Government	0.00	0.00	0.00	0.00
520	Public Safety	0.00	0.00	0.00	0.00
530	Physical Environment	221,700.00	220,218.24	327,850.00	301,825.80
540	Transportation	0.00	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00	0.00
Total Operating Expenditures		221,700.00	220,218.24	327,850.00	301,825.80
591-593	Debt Service	16,500.00	15,092.44	0.00	0.00
594-595	Capital Outlay	3,500.00	1,362.38	4,000.00	0.00
Total Expenditures		241,700.00	236,673.06	331,850.00	301,825.80
597-599	Other Financing Uses	125,000.00	95,000.00	0.00	0.00
Total Expenditures and Other Uses		366,700.00	331,673.06	331,850.00	301,825.80
Excess (Deficit) of Resources Over Uses		85,850.00	135,541.33	4,150.00	52,079.77
380	Nonrevenues (Except 384 and 388.80)	0.00	1,354.36	0.00	0.00
580	Nonexpenditures (Except 584 and 588.80)	71,000.00	70,283.74	0.00	0.00
Ending Net Cash and Investments		14,850.00	66,611.95	4,150.00	52,079.77

The Accompanying Notes Are An Integral Part Of This Statement.

City of Davenport

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

Fund Type: General Revenue Funds	Fund Number and Name 002 Criminal Justice		Fund Number and Name 003 Employment Res.	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	5,000.00	7,898.07	2,500.00	2,834.21
Revenue and Other Financing Sources	15,300.00	20,409.76	2,220.97	2,139.10
Total Resources	20,300.00	28,307.83	4,720.97	4,973.31
Expenditures And Other Financing Uses	16,500.00	16,500.00	4,973.31	4,973.31
Excess (Deficit) of Resources Over Uses	3,800.00	11,807.83	-252.34	0.00
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	3,800.00	11,807.83	-252.34	0.00

Fund Type: General Revenue Funds	Fund Number and Name 009 Park Reserve		Fund Number and Name	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	55,000.00	59,243.35		
Revenue and Other Financing Sources	25,500.00	25,280.03		
Total Resources	80,500.00	84,523.38	0.00	0.00
Expenditures And Other Financing Uses	107,000.00	106,475.18		
Excess (Deficit) of Resources Over Uses	-26,500.00	-21,951.80	0.00	0.00
Nonrevenues (Except 384 and 388.80)	30,000.00	57,072.38		
Nonexpenditures (Except 584 and 588.80)	0.00	0.00		
Ending Net Cash and Investments	3,500.00	35,120.58	0.00	0.00

Fund Type: Special Revenue Funds	Fund Number and Name 100 Swim Pool Res		Fund Number and Name 101 Library	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	250,000.00	250,507.47	5,000.00	4,231.11
Revenue and Other Financing Sources	2,500.00	2,412.09	19,450.00	21,098.26
Total Resources	252,500.00	252,919.56	24,450.00	25,329.37
Expenditures And Other Financing Uses	113,800.00	66,400.01	21,790.00	21,076.55
Excess (Deficit) of Resources Over Uses	138,700.00	186,519.55	2,660.00	4,252.82
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	138,700.00	186,519.55	2,660.00	4,252.82

The Accompanying Notes Are An Integral Part Of This Statement.

City of Davenport

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

	Fund Number and Name 102 Cemetery		Fund Number and Name 104 Vandalism Reward	
	Budget	Actual	Budget	Actual
Fund Type: Special Revenue Funds				
Beginning Net Cash and Investments	7,500.00	6,617.14	475.00	478.85
Revenue and Other Financing Sources	21,750.00	21,956.13	10.00	3.42
Total Resources	29,250.00	28,573.27	485.00	482.27
Expenditures And Other Financing Uses	28,225.00	24,221.31	250.00	0.00
Excess (Deficit) of Resources Over Uses	1,025.00	4,351.96	235.00	482.27
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	1,025.00	4,351.96	235.00	482.27

	Fund Number and Name 105 Street Equip Res		Fund Number and Name 107 Fire Equip Res	
	Budget	Actual	Budget	Actual
Fund Type: Special Revenue Funds				
Beginning Net Cash and Investments	40,000.00	40,829.36	50,000.00	53,702.89
Revenue and Other Financing Sources	6,200.00	5,274.14	5,900.00	5,376.08
Total Resources	46,200.00	46,103.50	55,900.00	59,078.97
Expenditures And Other Financing Uses	40,000.00	2,960.64	7,500.00	6,492.56
Excess (Deficit) of Resources Over Uses	6,200.00	43,142.86	48,400.00	52,586.41
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	5,237.60
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	6,200.00	43,142.86	48,400.00	57,824.01

	Fund Number and Name 108 Cemetery Res		Fund Number and Name 109 General Cap Improv	
	Budget	Actual	Budget	Actual
Fund Type: Special Revenue Funds				
Beginning Net Cash and Investments	85,000.00	89,838.80	130,000.00	132,569.14
Revenue and Other Financing Sources	1,500.00	562.94	44,500.00	32,696.25
Total Resources	86,500.00	90,401.74	174,500.00	165,265.39
Expenditures And Other Financing Uses	50,000.00	42,303.16	166,000.00	95,115.03
Excess (Deficit) of Resources Over Uses	36,500.00	48,098.58	8,500.00	70,150.36
Nonrevenues (Except 384 and 388.80)	30,000.00	23,414.76	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	66,500.00	71,513.34	8,500.00	70,150.36

The Accompanying Notes Are An Integral Part Of This Statement.

City of Davenport

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

	Fund Number and Name 110 Tourism		Fund Number and Name 111 Airport	
	Budget	Actual	Budget	Actual
Fund Type: Special Revenue Funds				
Beginning Net Cash and Investments	100.00	1,286.15	3,000.00	2,709.36
Revenue and Other Financing Sources	3,510.00	3,315.16	13,950.00	18,833.42
Total Resources	3,610.00	4,601.31	16,950.00	21,542.78
Expenditures And Other Financing Uses	3,200.00	3,000.00	14,375.00	14,006.54
Excess (Deficit) of Resources Over Uses	410.00	1,601.31	2,575.00	7,536.24
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	410.00	1,601.31	2,575.00	7,536.24

	Fund Number and Name 300 Fifth St Const		Fund Number and Name 304 Sewer Const	
	Budget	Actual	Budget	Actual
Fund Type: Special Revenue Funds				
Beginning Net Cash and Investments	0.00	0.00	0.00	0.00
Revenue and Other Financing Sources	0.00	0.00	0.00	0.00
Total Resources	0.00	0.00	0.00	0.00
Expenditures And Other Financing Uses	0.00	0.00	0.00	0.00
Excess (Deficit) of Resources Over Uses	0.00	0.00	0.00	0.00
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	0.00	0.00	0.00	0.00

	Fund Number and Name 407 Sewer Equip Res		Fund Number and Name 408 Sewer Loan Res	
	Budget	Actual	Budget	Actual
Fund Type: Enterprise Funds				
Beginning Net Cash and Investments	100,000.00	110,046.19	70,000.00	70,809.85
Revenue and Other Financing Sources	26,200.00	25,801.48	1,200.00	136.18
Total Resources	126,200.00	135,847.67	71,200.00	70,946.03
Expenditures And Other Financing Uses	55,000.00	25,499.00	70,000.00	0.00
Excess (Deficit) of Resources Over Uses	71,200.00	110,348.67	1,200.00	70,946.03
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	71,200.00	110,348.67	1,200.00	70,946.03

The Accompanying Notes Are An Integral Part Of This Statement.

City of Davenport

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

Fund Type: Enterprise Funds	Fund Number and Name 409 Water Cap Improv		Fund Number and Name 410 Sewer Cap Improv	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	290,000.00	291,526.50	400,000.00	402,138.24
Revenue and Other Financing Sources	152,500.00	151,567.85	105,000.00	72,183.88
Total Resources	442,500.00	443,094.35	505,000.00	474,322.12
Expenditures And Other Financing Uses	425,000.00	25,520.09	500,000.00	31,345.55
Excess (Deficit) of Resources Over Uses	17,500.00	417,574.26	5,000.00	442,976.57
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	20,865.06
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	17,500.00	417,574.26	5,000.00	463,841.63

Fund Type: Agency Funds	Fund Number and Name 631 Claims Clearing		Fund Number and Name 632 Payroll Clearing	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	0.00	0.00	0.00	0.00
Revenue and Other Financing Sources	0.00	0.00	0.00	0.00
Total Resources	0.00	0.00	0.00	0.00
Expenditures And Other Financing Uses	0.00	0.00	0.00	0.00
Excess (Deficit) of Resources Over Uses	0.00	0.00	0.00	0.00
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	0.00	0.00	0.00	0.00

Fund Type: Agency Funds	Fund Number and Name 633 Treasurer's Clearing		Fund Number and Name 634 Tax Clearing	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	0.00	0.00	0.00	0.00
Revenue and Other Financing Sources	0.00	0.00	0.00	0.00
Total Resources	0.00	0.00	0.00	0.00
Expenditures And Other Financing Uses	0.00	0.00	0.00	0.00
Excess (Deficit) of Resources Over Uses	0.00	0.00	0.00	0.00
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	0.00	0.00	0.00	0.00

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF DAVENPORT
F-3, NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Davenport reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Davenport was incorporated in 1890 and operates under the laws of the State of Washington applicable to a 2nd Class City with a Mayor-Council form of government. The City of Davenport is a general purpose government and provides; public safety, fire prevention, street improvements, cemetery services, parks, and general administrative services. In addition the City owns and operates a water/sewer system. Davenport contracts for law enforcement with the Lincoln County Sheriff's office. Garbage service is contracted with Sunshine Disposal and Recycling. Billing for utility services is performed by the City finance department. The City of Davenport uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Davenport are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Davenport's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are fund types used by the City of Davenport.

GOVERNMENTAL FUND TYPES

General (Current Expense) Funds

This fund is the primary operating fund of the City of Davenport. It accounts for financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City of Davenport.

Capital Project Funds (300 – 399)

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.

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.

In accordance with state law, the City of Davenport also recognizes expenditures paid during the 20 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

Annual appropriated budgets are adopted for the general, special revenue, capital project, and enterprises 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 end.

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense			
Current Expense	682,550.00	656,388.02	26,161.98
Criminal Justice			
Swimming Pool Reserve	150,000.00	141,064.02	8,935.98
Library	23,149.00	20,631.48	2,517.52
Cemetery	28,450.00	27,769.33	680.67
Street	188,750.00	150,955.54	37,794.46
Vandalism Reward Fund	250		250
Airport	34,800.00	28,783.47	6,016.53
Total 001 - Current Expense	1,107,949.00	1,025,591.86	82,357.14
110 - Tourism	3,200.00	2,400.00	800
305 - Street Equipment CPF	25,000.00		25,000.00
306 - Airport CPF	106,125.00	23,328.08	82,796.92
307 - Fire Equipment CPF	10,000.00	6,342.76	3,657.24
308 - Cemetery CPF	20,000.00		20,000.00
309 - Park Capital Improvement Fund	50,000.00	3,455.71	46,544.29
319 - Capital Improvement	105,000.00	73,718.09	31,281.91
401 - Water			
Water	277,000.00	257,400.14	19,599.86
Water Capital Improvement	525,000.00	230,101.34	294,898.66
Total 401 - Water	802,000.00	487,501.48	314,498.52
403 - Sewer			
Sewer	318,250.00	296,206.96	22,043.04
Sewer Equipment Reserve	50,000.00		50,000.00
Sewer Loan Reserve	70,000.00		70,000.00
Sewer Capital Improvement	500,000.00	113,448.49	386,551.51
Total 403 - Sewer	938,250.00	409,655.45	528,594.55
405 - Garbage	287,200.00	286,064.94	1,135.06

The City Administrator and Clerk/Treasurer are authorized to transfer budgeted amounts 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 City of Davenport's City Council.

- d. Cash: It is the City of Davenport's policy to invest all temporary cash surpluses. The City Administrator and Clerk/Treasurer are authorized to invest funds. 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 various funds.

- e. Deposits: The City of Davenport deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC).
- f. Investments: See Note No. 3
- g. Capital Assets
Capital assets are long-lived assets of the City of Davenport and are recorded as expenditures when purchased.
- h. Compensated Absences
Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may accumulate up to 960 hours. Upon separation or retirement employees will receive payment for 50% of unused sick leave after five (5) years of employment. Once a year qualified employees can sell back up to 80 hours of unused sick leave for cash.
- i. Long-Term Debt
See Note No. 6
- j. Other Financing Sources Or Uses
The City of Davenport "Other Financing Sources or Uses" consist of transfers-in and out between funds.
- k. Risk Management
The City of Davenport is a member of the Cities Insurance Association of Washington (CIAW). 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 Inter-local Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2010, the CIAW had 88 regular members and 180 associate members. Effective September 1, 2010, all members of the CIAW are full members.

The pool provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment

breakdown and crime protection, and liability, including general, automobile and wrongful acts are included to fit members' various needs.

The pool acquires liability insurance through Munich Reinsurance America that is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. 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.

1. Reserved Fund Balance

The Balance of Fund 110, \$1,934 is reserved for Tourism promotion.

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.

NOTE 3 – INVESTMENTS

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

Investments are reported at fair market value.

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

<u>Type of Investment</u>	<u>City/Town's</u> Own Investments	<u>Investments held by</u> (City/County/District) as an agent for other local governments, individuals or private organizations	<u>Total</u>
L.G.I.P.	<u>\$1,619,597.43</u>	\$ 0	<u>\$1,619,597.43</u>
TOTAL	<u>\$1,619,597.43</u>	\$ 0	<u>\$1,619,597.43</u>

NOTE 4 – PROPERTY TAX

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed semi annually.

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 after taxes are levied.

The City's regular levy for the year 2010 was 3.20270 per \$1,000 on an assessed valuation of \$70,081,306 for a total regular levy of \$ 224,449.27.

NOTE 5 – INTERFUND LOANS AND ADVANCES

There was no inter-fund loan activity during 2010.

NOTE 6 – LONG TERM DEBT

The accompanying Schedule of Long-Term Debt (Schedule 09) provides a listing of the outstanding debt of the City of Davenport and summarizes the City's debt transactions for the year 2010. The debt service requirements, including interest, are as follows:

<u>Years</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Loans</u>	<u>Total Debt</u>
2010	0	0	\$ 84,901.84	\$ 84,901.84
2011	\$ 56,716.93	0	\$ 84,427.61	\$ 141,144.54
2012	\$ 54,468.76	0	\$ 83,953.37	\$ 138,422.13
2013	\$ 53,968.76	0	\$ 83,479.22	\$ 137,447.98
2014	\$ 53,468.76	0	\$ 59,293.32	\$ 112,762.08
2015-2019	\$ 270,843.80	0	\$ 296,466.60	\$ 567,310.40
2020-2024	\$ 264,671.90	0	\$ 296,466.60	\$ 561,138.35
2025-2029	\$ 272,750.00	0	\$ 83,915.72	\$ 297,372.55
2030-2031	\$ 107,500.00			\$ 107,500.00
TOTALS	\$ 1,134,388.91	\$ 0	\$ 1,013,610.96	\$ 2,147,999.87

NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in the Public Employees Retirement System PERS 2 pension plan administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the system 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

- a. The City of Davenport contracts with the Lincoln County Sheriff's Office for Law Enforcement services through an Interlocal Agreement. The Agreement for 2010 was valued at \$291,000.
- b. In 2010 the Lincoln County Parks and Recreation District #3 entered into an Interlocal Agreement with the City of Davenport for the operation of the Davenport Water Park which is owned by the District. The City used the funds left over from private donations to the pool construction to operate the pool for 2010 on behalf of the District at a cost of approximately \$45,000.
- c. Late in 2010 the Davenport City Council voted to sell bonds to fund the construction of the Davenport Sports Complex. The value of the bonds was \$730,000. This will be paid back over 20 years at a cost of approximately \$56,000 per year. The first installment is due June, 2011.

CITY OF DAVENPORT
F-3, NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Davenport reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Davenport was incorporated in 1890 and operates under the laws of the State of Washington applicable to a 2nd Class City with a Mayor-Council form of government. The City of Davenport is a general purpose government and provides; public safety, fire prevention, street improvements, cemetery services, parks, and general administrative services. In addition the City owns and operates a water/sewer system. Davenport contracts for law enforcement with the Lincoln County Sheriff's office. Garbage service is contracted with Sunshine Disposal and Recycling. Billing for utility services is performed by the City finance department. The City of Davenport uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Davenport are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Davenport's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are fund types used by the City of Davenport.

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund

This fund is the primary operating fund of the City of Davenport. It accounts for financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City of Davenport.

Capital Project Funds (300 – 399)

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.

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.

In accordance with state law, the City of Davenport also recognizes expenditures paid during the 20 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

Annual appropriated budgets are adopted for the general, special revenue, capital project, and enterprises funds. The financial statements include budgetary comparisons for those funds.

Annual appropriated budgets are adopted at the fund level (except the general (current expense) fund, where budgets are adopted at the department level). The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

The City Administrator and Clerk/Treasurer are authorized to transfer budgeted amounts 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 City of Davenport's City Council.

- d. Cash: It is the City of Davenport's policy to invest all temporary cash surpluses. The City Administrator and Clerk/Treasurer are authorized to invest funds. 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 various funds.

- e. Deposits: The City of Davenport deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC).

- f. Investments: See Note No. 3

g. Capital Assets

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

h. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may accumulate up to 960 hours. Upon separation or retirement employees will receive payment for 50% of unused sick leave after five (5) years of employment. Once a year qualified employees can sell back up to 80 hours of unused sick leave for cash.

i. Long-Term Debt
See Note No. 6

j. Other Financing Sources Or Uses
The City of Davenport "Other Financing Sources or Uses" consist of transfers-in and out between funds.

k. Risk Management

The City of Davenport is a member of the Cities Insurance Association of Washington (CIAW). 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 Inter-local Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, the CIAW has 88 regular members and 170 associate members.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Employment Practices and Management Liability is on a "claims made basis". All other coverage is on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: Property, liability, vehicle liability, other mobile equipment, boiler and machinery, bonds of various types, excess liability and public official's 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 now pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Inter-local 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, Inc., which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the year ended August 31, 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, Inc. to perform day-to-day administration of the pool. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the City.

NOTE 3 – INVESTMENTS

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

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

<u>Type of Investment</u>	<u>City/Town's</u> Own Investments	<u>Investments held by</u> (City/County/District) as an agent for other local governments, individuals or private organizations	<u>Total</u>
L.G.I.P.	\$ 1,614,864.15	\$ 0	\$ 1,614,864.15
Certificate of Deposits (1)	\$ 50,000.00	\$ 0	\$ 50,000.00
TOTAL	\$ 1,664,864.15	\$ 0	\$ 1,664,864.15

2. PETTY CASH: The City maintains \$400 in Petty Cash on hand. The amounts are held as follows:

Library (101)	\$ 100
<u>City Hall (001)</u>	<u>\$ 300</u>
TOTAL	\$ 400

NOTE 4 – PROPERTY TAX

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed semi annually.

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 after taxes are levied.

The City's regular levy for the year 2009 was 3.18965 per \$1,000 on an assessed valuation of \$70,494,655 for a total regular levy of \$ 222,222.12.

NOTE 5 – INTERFUND LOANS AND ADVANCES

There was no inter-fund loan activity during 2009.

NOTE 6 – LONG TERM DEBT

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

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Loans</u>	<u>Total Debt</u>
2009	0	0	\$ 85,376.08	\$ 85,376.08
2010	0	0	\$ 84,901.84	\$ 84,901.84
2011	0	0	\$ 84,427.61	\$ 84,427.61
2012	0	0	\$ 83,953.37	\$ 83,953.37
2013	0	0	\$ 83,479.22	\$ 83,479.22
2014-2018	0	0	\$ 296,466.60	\$ 296,466.60
2019-2023	0	0	\$ 296,466.60	\$ 296,466.60
2024-2026	0	0	\$ 83,915.72	\$ 83,915.72
TOTALS	\$ 0	\$ 0	\$ 1,098,987.04	\$ 1,098,987.04

NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) pension plan administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the system 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

All council positions and the mayor ran for office in November 2009 for appointment in 2010 due to the nature of the council appointments that took place out of normal election cycles. Below is a chronology of the resignations and appointments to the various positions.

Mayor - 4 year term

Karen Carruth was elected to this position for the remainder of the term ending 12/31/11.

District 1 Council Position – 4 year term

Tom Sherbon was elected to this position after Brad Sweet decided not to run for the unexpired term ending 12/31/11.

District 2 Council Position – 4 year term

Dianna Fitzpatrick was elected to this position for the remainder of the term ending 12/31/11.

District 3 Council Position – 4 year term

Alan Coriell was elected to this position ending 12/31/13.

District 4 Council Position – 4 year term

Theresa Telford was elected to this position for a full four year term ending 12/31/13.

District 5 Council Position – 4 year term

Gabe Gants was elected to this position for the remainder of the term ending 12/31/11.

District 6 Council Position – 4 year term

Pat Rosman was elected to this position ending 12/31/13.

At Large Council Position – 2 year term

Scott Liebing was elected to this position after Jim Buchanan decided not to run for reelection ending 12/31/11.

Deputy Clerk/Treasurer

Sabrina Warwick was appointed to this position on May 1, 2009.

NOTE 9 – C4 & C5 STATEMENT DISCLOSURES

Adjustments were necessary to some of the funds in 2009 due to unforeseen weather conditions that resulted in damage to city resources. This damage required FEMA to become involved and help with the recovery of those assets through reimbursement processes which required annotation of funds received. Other adjustments were made and all were completed through the Budget Amendment procedures.

<u>FUND #</u>	<u>FUND NAME</u>	<u>ORDINANCE #</u>	<u>AMENDMENT AMOUNT</u>
REVENUES:			
001	Current Expense	1027	\$ 5,800.00
003	Employment Reserve	1027	\$ 120.97
009	Park Reserve	1026	\$ 30,000.00
106	Airport Capital Improvements	1030	\$ 470,700.00
108	Cemetery Reserve	1026	\$ 30,000.00
111	Airport	1027	\$ 6,000.00
EXPENDITURES:			
001	Current Expense	1027	\$ 11,920.97
003	Employment Reserve	1027	\$ 573.31
009	Park Reserve	1026	\$ 32,000.00
100	Swimming Pool Reserve	1027	\$ 75,800.00
106	Airport Capital Improvements	1030	\$ 450,000.00
108	Cemetery Reserve	1026	\$ 30,000.00
111	Airport	1027	\$ 4,500.00

SCHEDULE OF LONG TERM LIABILITIES

General Obligation Debt

For the Year Ending December 31, 2010

ID NO.	DISCRIPTION	BEGINNING BALANCE 1/1/2010	ADDITIONS ISSUED IN CURRENT YR	REDUCTIONS REDEEMED IN CURRENT YR	BARS Code for Redemption	Ending O/S Debt 12/31/2010
251.11	General Obligation Bonds For Sports Complex	\$ -	\$ 730,000.00	\$ -	591.70.00.00	\$ 730,000.00
259.11	Compensated Absences - General Fund	\$ 10,896.62	\$ 90.86			\$ 10,987.48
259.12	Compensated Absences - Proprietary Funds	\$ 40,174.88	\$ 3,131.91			\$ 43,306.79
263.81	Wastewater Rehab Project	\$ 628,972.49	\$ -	\$ 37,688.16	582.35.78.03	\$ 591,284.33
263.81	Sewer Screen	\$ 184,133.62	\$ -	\$ 9,585.19	582.35.78.04	\$ 174,548.43
263.81	PWTF Loan for lagoons and irrigation fields	\$ 118,557.97	\$ -	\$ 23,711.59	582.35.78.05	\$ 94,846.38
TOTALS		\$ 982,735.58	\$ 733,222.77	\$ 70,984.94		\$ 1,644,973.41

The accompanying note #6 to this Schedule are an integral part of this report.

SCHEDULE OF LONG TERM DEBT

General Obligation Debt

For the Year Ending December 31, 2009

ID NO.	Date of Original Issue	Date of Maturity	Beginning O/S Debt 1/1/2009	Amount Issued in Current Yr	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed Current Yr	BARS Code for Redemption	Redeeming Fund Number	Ending O/S Debt 12/31/2009
L020008A (Wastewater Rehab Project)	4/26/2002	10/1/2024	\$ 666,101.62	\$ -	n/a	304	\$ 37,129.13	582.35.78.03	403	\$ 628,972.49
L020008B (Sewer Screen)	6/30/2007	9/17/2026	\$ 193,576.63	\$ -	n/a	304	\$ 9,443.01	582.35.78.04	403	\$ 184,133.62
PW593280018 (PWTF Loan for lagoons and irrigation fields)	1/2/1993	1/2/2023	\$ 142,269.56	\$ -	n/a	304	\$ 23,711.59	582.35.78.05	403	\$ 118,557.97
TOTALS			\$ 1,001,947.81	\$ -			\$ 70,283.73			\$ 931,664.08

The accompanying note #6 to this Schedule are an integral part of this report.



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.

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