

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

City of Castle Rock
Cowlitz County

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1008302

Issue Date
September 24, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 24, 2012

Mayor and City Council
City of Castle Rock
Castle Rock, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Castle Rock's financial statements and compliance with federal laws and regulations.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Cowlitz County
January 1, 2011 through December 31, 2011**

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Federal Summary

City of Castle Rock Cowlitz County January 1, 2011 through December 31, 2011

The results of our audit of the City of Castle Rock are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

FEDERAL AWARDS

Internal Control Over Major Programs:

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no deficiencies that we consider to be material weaknesses.

We issued an unqualified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

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

**City of Castle Rock
Cowlitz County
January 1, 2011 through December 31, 2011**

Mayor and City Council
City of Castle Rock
Castle Rock, Washington

We have audited the financial statements of the City of Castle Rock, Cowlitz County, Washington, as of and for the year ended December 31, 2011, and have issued our report thereon dated August 28, 2012.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

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

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 28, 2012

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

**City of Castle Rock
Cowlitz County
January 1, 2011 through December 31, 2011**

Mayor and City Council
City of Castle Rock
Castle Rock, Washington

COMPLIANCE

We have audited the compliance of the City of Castle Rock, Cowlitz County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2011. The City's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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BRIAN SONNTAG, CGFM
STATE AUDITOR

August 28, 2012

Independent Auditor's Report on Financial Statements

City of Castle Rock Cowlitz County January 1, 2011 through December 31, 2011

Mayor and City Council
City of Castle Rock
Castle Rock, Washington

We have audited the accompanying financial statements of the City of Castle Rock, Cowlitz County, Washington, for the year ended December 31, 2011. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Castle Rock, for the year ended December 31, 2011, on the basis of accounting described in Note 1.

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

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

purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The report is intended for the information and use of the governing body and management of the City. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 28, 2012

Financial Section

**City of Castle Rock
Cowlitz County
January 1, 2011 through December 31, 2011**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2011
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Schedule of Liabilities – 2011
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CITY OF CASTLE ROCK

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		Total for All Funds	010 GENERAL OPERATING	110 ARTERIAL STREET	120 EXHIBIT HALL
Beginning Cash and Investments					
308.10	Reserved	\$ 1,030,625	\$ -	\$ 377,461	\$ 15,016
308.80	Unreserved	\$ 2,225,474	\$ 357,545	\$ -	\$ -
	Prior Period Adjustments (388.80 and 588.80)	\$ -		\$ -	\$ -
Revenues and Other Sources					
310	Taxes	\$ 1,060,697	\$ 905,770	\$ -	\$ 11,533
320	Licenses and Permits	\$ 39,573	\$ 39,573	\$ -	\$ -
330	Intergovernmental	\$ 2,013,924	\$ 187,798	\$ 1,101,975	\$ -
340	Charges for Goods and Services	\$ 2,457,986	\$ 5,985	\$ -	\$ -
350	Fines and Penalties	\$ 32,639	\$ 32,504	\$ -	\$ -
360	Miscellaneous	\$ 71,188	\$ 6,025	\$ 3,495	\$ 200
370	Capital Contributions	\$ 13,581	\$ -	\$ -	\$ -
390	Other Financing Sources	\$ 343,845	\$ 18,891	\$ 300,000	\$ -
Total Revenues and Other Financing Sources		\$ 6,033,432	\$ 1,196,546	\$ 1,405,471	\$ 11,733
Total Resources		\$ 9,289,531	\$ 1,554,091	\$ 1,782,932	\$ 26,749
Operating Expenditures:					
510	General Government	\$ 279,250	\$ 267,867	\$ -	\$ 11,253
520	Public Safety	\$ 827,925	\$ 827,925	\$ -	\$ -
530	Physical Environment	\$ 2,025,180	\$ 7,708	\$ -	\$ -
540	Transportation	\$ 89,580	\$ 49,495	\$ 23,975	\$ -
550	Economic Environment	\$ 93,461	\$ 89,782	\$ -	\$ 3,679
560	Mental and Physical Health	\$ 495	\$ 495	\$ -	\$ -
570	Culture and Recreational	\$ 192,807	\$ 1,802	\$ -	\$ 3,372
Total Operating Expenditures		\$ 3,508,698	\$ 1,245,074	\$ 23,975	\$ 18,303
591-593	Debt Service	\$ 306,697	\$ -	\$ -	\$ -
594-595	Capital Expenditures	\$ 2,536,170	\$ 46,586	\$ 1,511,805	\$ -
598	Other Expenditures	\$ -	\$ -	\$ -	\$ -
Total Expenditures		\$ 6,351,565	\$ 1,291,660	\$ 1,535,780	\$ 18,303
596-599	Other Financing Uses	\$ 46,368	\$ -	\$ 5,310	\$ -
Total Expenditures and Other Financing Uses		\$ 6,397,932	\$ 1,291,660	\$ 1,541,090	\$ 18,303
Excess (Deficit) of Resources Over Uses		\$ 2,891,599	\$ 262,431	\$ 241,842	\$ 8,446
380	Nonrevenues (Except 384)	\$ 35,145	\$ 25,837	\$ -	\$ -
580	Nonexpenditures (Except 584)	\$ 203,155	\$ 25,449	\$ -	\$ -
Ending Cash and Investments:					
508.10	Reserved	\$ 782,293	\$ -	\$ 241,842	\$ 8,446
508.80	Unreserved	\$ 1,941,293	\$ 262,817	\$ -	\$ -

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF CASTLE ROCK

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		130 LIBRARY	160 CDBG HOME REHAB	170 DOT SPOIL SITE	195 LOW INCOME HOUSING
Beginning Cash and Investments					
308.10	Reserved	\$ 97,431	\$ 167,097	\$ 168,043	\$ 22,454
308.80	Unreserved	\$ -	\$ -	\$ -	\$ -
	Prior Period Adjustments (388.80 and 588.80)	\$ -	\$ -	\$ -	\$ -
Revenues and Other Sources					
310	Taxes	\$ 52,802	\$ -	\$ -	\$ -
320	Licenses and Permits	\$ -	\$ -	\$ -	\$ -
330	Intergovernmental	\$ 489	\$ -	\$ 396,201	\$ 3,000
340	Charges for Goods and Services	\$ 2,757	\$ -	\$ -	\$ -
350	Fines and Penalties	\$ 135	\$ -	\$ -	\$ -
360	Miscellaneous	\$ 690	\$ -	\$ 29,107	\$ -
370	Capital Contributions	\$ -	\$ -	\$ 13,581	\$ -
390	Other Financing Sources	\$ -	\$ -	\$ 22,549	\$ -
Total Revenues and Other Financing Sources		\$ 56,873	\$ -	\$ 461,438	\$ 3,000
Total Resources		\$ 154,304	\$ 167,097	\$ 629,481	\$ 25,454
Operating Expenditures:					
510	General Government	\$ -	\$ 130	\$ -	\$ -
520	Public Safety	\$ -	\$ -	\$ -	\$ -
530	Physical Environment	\$ -	\$ -	\$ -	\$ -
540	Transportation	\$ -	\$ -	\$ -	\$ -
550	Economic Environment	\$ -	\$ -	\$ -	\$ -
560	Mental and Physical Health	\$ -	\$ -	\$ -	\$ -
570	Culture and Recreational	\$ 137,382	\$ -	\$ 26,971	\$ -
Total Operating Expenditures		\$ 137,382	\$ 130	\$ 26,971	\$ -
591-593	Debt Service	\$ -			\$ -
594-595	Capital Expenditures	\$ 3,572	\$ 700	\$ 460,193	\$ -
598	Other Expenditures	\$ -			\$ -
Total Expenditures		\$ 140,954	\$ 830	\$ 487,164	\$ -
596-599	Other Financing Uses	\$ -	\$ -	\$ -	\$ -
Total Expenditures and Other Financing Uses		\$ 140,954	\$ 830	\$ 487,164	\$ -
Excess (Deficit) of Resources Over Uses		\$ 13,350	\$ 166,267	\$ 142,317	\$ 25,454
380	Nonrevenues (Except 384)	\$ 588	\$ -	\$ -	\$ -
580	Nonexpenditures (Except 584)	\$ -		\$ -	\$ -
Ending Cash and Investments:					
508.10	Reserved	\$ 13,938	\$ 166,267	\$ 142,317	\$ 25,454
508.80	Unreserved	\$ -	\$ -	\$ -	\$ -

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF CASTLE ROCK

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		300	310	400	475
		SWIM POOL CONSTR	REET CAPITAL	WATER/SEWER UTIL	BOAT LAUNCH
Beginning Cash and Investments					
308.10	Reserved	\$ 4,015	\$ -	\$ 179,108	\$ -
308.80	Unreserved	\$ -	\$ 17,074	\$ 1,845,565	\$ 5,290
	Prior Period Adjustments (388.80 and 588.80)	\$ -	\$ -	\$ -	\$ -
Revenues and Other Sources					
310	Taxes	\$ -	\$ 7,432	\$ 83,159	\$ -
320	Licenses and Permits	\$ -	\$ -	\$ -	\$ -
330	Intergovernmental	\$ -	\$ -	\$ 45,000	\$ 279,461
340	Charges for Goods and Services	\$ -	\$ -	\$ 2,449,244	\$ -
350	Fines and Penalties	\$ -	\$ -	\$ -	\$ -
360	Miscellaneous	\$ -	\$ -	\$ 6,997	\$ 24,674
370	Capital Contributions	\$ -	\$ -	\$ -	\$ -
390	Other Financing Sources	\$ -	\$ -	\$ 2,405	\$ -
Total Revenues and Other Financing Sources		\$ -	\$ 7,432	\$ 2,586,805	\$ 304,134
Total Resources		\$ 4,015	\$ 24,506	\$ 4,611,478	\$ 309,424
Operating Expenditures:					
510	General Government	\$ -	\$ -	\$ -	\$ -
520	Public Safety	\$ -	\$ -	\$ -	\$ -
530	Physical Environment	\$ -	\$ -	\$ 2,017,472	\$ -
540	Transportation	\$ -	\$ -	\$ 16,110	\$ -
550	Economic Environment	\$ -	\$ -	\$ -	\$ -
560	Mental and Physical Health	\$ -	\$ -	\$ -	\$ -
570	Culture and Recreational	\$ -	\$ -	\$ -	\$ 23,280
Total Operating Expenditures		\$ -	\$ -	\$ 2,033,582	\$ 23,280
591-593	Debt Service	\$ -	\$ -	\$ 306,697	\$ -
594-595	Capital Expenditures	\$ -	\$ -	\$ 347,040	\$ 166,274
598	Other Expenditures	\$ -	\$ -	\$ -	\$ -
Total Expenditures		\$ -	\$ -	\$ 2,687,319	\$ 189,555
596-599	Other Financing Uses	\$ -	\$ -	\$ 41,058	\$ -
Total Expenditures and Other Financing Uses		\$ -	\$ -	\$ 2,728,377	\$ 189,555
Excess (Deficit) of Resources Over Uses		\$ 4,015	\$ 24,506	\$ 1,883,101	\$ 119,870
380	Nonrevenues (Except 384)	\$ -	\$ -	\$ 8,720	\$ -
580	Nonexpenditures (Except 584)	\$ -	\$ -	\$ 177,536	\$ 170
Ending Cash and Investments:					
508.10	Reserved	\$ 4,015	\$ -	\$ 180,014	\$ -
508.80	Unreserved	\$ -	\$ 24,506	\$ 1,534,270	\$ 119,700

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Castle Rock 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 Castle Rock was incorporated on June 20, 1890 and operates under the laws of the state of Washington applicable to a non-charter Code City. The city is a general purpose government and provides public safety, street improvement, parks, recreation and general administrative services. The city owns a water system and operates a water treatment plant in a joint venture with Cowlitz County. In addition, the City also owns and operates a sewer system and sewage treatment plant. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund (010)

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

Special Revenue Funds (100-199)

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

Capital Projects Funds (300-399)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

FIDUCIARY FUND TYPES:

None.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

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

c. Budgets

The City adopts annual appropriated budgets for the general, special revenue, capital project and enterprise funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department 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
General Fund:			
Executive Department	\$45,813	\$44,996.43	\$816.57
Municipal Court Department	\$90,020	\$89,634.97	\$385.03
Finance Department	\$107,649	\$100,140.35	\$7,508.65
Police Department	\$789,836	\$768,095.20	\$21,740.80
Park Department	\$4,000	\$1,805.98	\$2,194.02
Building/Planning Department	\$64,156	\$58,947.73	\$5,208.27
Non-Department	\$160,337	\$158,288.03	\$2,048.97
Total General Fund	\$1,261,811	\$1,221,908.69	\$39,902.31

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Street Fund	\$391,965	\$74,080.48	\$317,884.52
Arterial Street Fund	\$2,292,341	\$1,541,089.73	\$751,251.27
Building Code Acct Fund	\$55,779	\$25,944.82	\$29,834.18
City Exhibit Hall Fund	\$18,308	\$18,303.48	\$4.52
Library Fund	\$60,467	\$60,370.69	\$96.31
Criminal Justice Fund	\$5,221	\$2,312.91	\$2,908.09
Local Criminal Justice Fund	\$21,170	\$21,168.41	\$1.59
Accumulative Reserve Fund	\$0	\$0.00	\$0.00
CDBG Grant Rehab Fund	\$64,511	\$829.50	\$63,681.50
DOT Spoil Site Fund	\$634,830	\$487,164.53	\$147,665.47
Public Works Vehicle Replacement Fund	\$22,000	\$0.00	\$22,000
Drug Enforcement Fund	\$2,000	\$0.00	\$2,000.00
Low Income Housing Fund	\$0	\$0.00	\$0.00
Swimming Pool Construction Fund	\$0.00	\$0.00	\$0.00
REET Capital Fund	\$8,000	\$8,000	\$0.00
Stormwater Capital Reserve	\$0.00	\$0.00	\$0.00
Water Department Fund	\$812,925	\$713,283.38	\$99,641.62
Sewer Department Fund	\$942,965	\$883,327.11	\$59,637.89
Regional Water System Fund	\$627,359	\$549,258.01	\$78,100.99
Regional Sewer System Fund	\$793,201	\$770,934.37	\$22,266.63
Stormwater Mgmt Fund	\$102,825	\$80,261.66	\$22,563.34
Regional Water Capital Improvement Fund	\$20,800	\$3,271.77	\$17,528.23
Municipal Water Capital Improvement Fund	\$75,500	\$67,304.23	\$8,195.77

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Water Bond Reserve Fund	\$0	\$0.00	\$0.00
Sewer Bond Reserve Fund	\$0	\$0.00	\$0.00
Short Lived Asset Account Fund	\$0.00	\$0.00	\$0.00
Municipal Sewer Capital Improvement Fund	\$35,600	\$22,082.08	\$13,517.92
Boat Launch Facility Fund	\$930,200	\$189,724.65	\$740,475.35
Amy Thompson Library Trust Fund	\$80,583	\$80,583.00	\$0.00
Consumer Deposit Fund	\$10,000	\$7,814.00	\$2,186.00
TOTAL OF ALL FUNDS	\$9,270,361	\$6,829,017.50	\$2,441,343.50

Variances include unexpended balances and budgeted ending fund balances. In addition, variances in the DOT Spoil Site and Arterial Street Fund also include grant-funded projects which were not completed. 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 City's legislative body.

For reporting purposes on Statement C-4, activities for the following funds have been included within General Fund totals; General Fund, Street Fund, Building Code Account Fund, Criminal Justice Fund, Local Criminal Justice Fund, Accumulative Reserve Fund, and Drug Enforcement Fund. Library activities include Library and Amy Thompson Library Trust. The following funds are reported within the Utilities Fund; Public Works Vehicle Replacement Fund, Water Fund, Sewer Fund, Regional Water Fund, Regional Sewer Fund, Regional Water Capital Improvement Fund, Stormwater Fund, Stormwater Capital Reserve Fund, Municipal Water Capital Improvement Fund, Water Bond Reserve Fund, Sewer Bond Reserve Fund, Short Lived Asset Account Fund, Municipal Sewer Capital Improvement Fund, and Consumer Deposit Fund. All other funds are reported separately.

d. Cash

It is the City'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 posted to the general (current expense) fund. See Note 3.

e. Deposits

The City's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

f. Investments See Investment Note No. 3 .

g. Derivatives and Similar Transactions

The city has not held, used or sold any derivatives or similar instruments during the period covered by the financial statements.

h. Capital Assets

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

i. Compensated Absences

Vacation leave may be accumulated up to 240 hours for public works and clerical bargaining unit employees. Police bargaining unit employees and full-time supervisory employees may accrue up to 280 hours. Vacation accruals are payable upon separation or retirement. Supervisory staff may exceed allowable accruals, upon approval by the mayor.

Sick leave may be accumulated up to 840 hours for supervisory and public works bargaining unit employees. Bargaining unit employees for police and clerical may accumulate up to 720 hours. Upon separation or retirement supervisory and public works employees do not receive payment for unused sick leave. Clerical and police bargaining unit employees receive a buyout of their accumulated sick. Clerical buyout, upon separation is at the rate of 10% of the employee's accumulated sick leave. For police the buyout is 20% of the accumulated sick leave (for employees with less than eleven years of employment) and 25% of the accumulated sick leave (for employees with more than eleven years of employment).

j. Long-Term Debt See Long-Term Debt Note No. 6.

k. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of either transfers-in or transfers-out between funds or contributions to capital, enterprise or internal service funds to establish or reduce working capital in other funds. Interfund transfers include the following:

From	To:	Amount:
General Fund	Street Fund	\$ 14,506.00
General Fund	Water/Sewer Operating Fund	\$ 2,800.00
Street Fund	Public Works Vehicle Replacement Fund	\$ 3,000.00
REET Fund	Street Fund	\$ 8,000.00
Utility Funds	Utility Funds	\$191,623.00

l. Risk Management

The City of Castle Rock is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). 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

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

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 AWC RMSA was formed on January 1, 1989 when 32 municipalities 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 December 31, 2011, 86 municipalities/entities participate in the RMSA Pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Lexington with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the RMSA Pool a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The Interlocal Governmental Agreement was revised in 2009 and approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The specific financials of the AWC RMSA can be obtained from the AWC RMSA Annual Report by submitting a written request to AWC RMSA, 1076 Franklin Street SE, Olympia, WA 98501.

m. Reserved Fund Balance

The following funds require restrictions to their fund balance:

Consumer Deposit: funds paid by utility customers. When account is closed, the deposit is applied to the customer's outstanding balance, with the remaining refunded to the customer.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

CDBG Grant/Home Rehab Project Fund: low/moderate income financing to provide health and safety related home repairs to qualified owner-occupied homeowners. Proceeds are restricted by grant requirements.

DOT Spoil Site Fund: proceeds from sale of dredge materials restricted by deed mandates. Other income includes grant proceeds which are restricted by the granting agency.

Water Bond Reserve Fund, Sewer Bond Reserve Fund, and Short Lived Asset Reserve Fund: funds required to be established as outlined in various loan documents relating to improvements to the Water Treatment and Wastewater Treatment Plant facilities.

Swimming Pool Construction Fund: voter approved funding for construction of a community swimming pool (refer to Note 8, #3)

The governing body has not imposed any restrictions or commitments on any other fund balance.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 - INVESTMENTS

The City did not have any investments. Interest earnings from banked cash surpluses presented at \$272.76.

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 after the end of each month.

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

The city's regular levy for the year 2011 was \$2.522793 per \$1,000 on an assessed valuation of \$118,915,777 for a total regular levy of \$299,999.89. Registered voters also approved a Special Excess levy for operation/maintenance of the city library. The final rate for the excess levy was \$.481155 per \$1,000 on an assessed valuation of \$116,386,447 for a total excess levy of \$56,000.00

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2011:

<u>Borrowing</u> <u>Fund</u>	<u>Lending</u> <u>Fund</u>	<u>Balance</u> <u>1/1/2011</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2011</u>
DOT Spoil Site	Swimming Pool Constr	\$140,000	\$ 0	\$ 0	\$140,000

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

TOTALS \$140,000 \$ 0 \$ 0 \$140,000

Initial terms are one-year loan, with an interest rate of 1.8% beginning February 1, 2010. Purpose of the loan was to provide equity for the DOT Spoil Site Fund to allow for reimbursable grant funded projects to proceed. Projects continued throughout 2011, therefore no repayment has been made. The 2012 adopted budget includes repayment, in full of the balance due, including interest.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt and liability of the city and summarizes the city's debt transactions for fiscal year ending December 2011.

The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2011	\$ 37,983.60	\$ 476,052.62		\$ 514,036.22
2012	\$ 27,295.66	\$ 473,391.81		\$ 500,687.47
2013	\$327,295.67	\$ 470,731.00		\$ 798,026.67
2014	\$ 5,309.60	\$ 468,070.15		\$ 473,379.75
2015	\$ 5,309.60	\$ 465,409.34		\$ 470,718.94
2016	\$ 5,309.60	\$ 462,748.51		\$ 468,058.11
2017-2021	\$ 15,928.73	\$2,200,596.40		\$2,216,525.13
2022-2026		\$1,490,888.69		\$1,490,888.69
2027-2031		\$ 993,352.61		\$ 993,352.61
2032-2036		\$ 896,980.00		\$ 896,980.00
2037-2041		\$ 896,980.00		\$ 896,980.00
2042-2046		\$ 725,839.66		\$ 725,839.66
2047-2051		\$ 41,994.00		\$ 41,994.00
<hr/>				
TOTALS	<u>\$424,432.46</u>	<u>\$10,063,034.79</u>		<u>\$10,487,467.25</u>

In addition to the above schedule, the city also has a debt obligation stipulated in the Department Of Justice COPS rehiring grant. The grant funds a law enforcement position for a period of three years and the city is mandated to fund the position for one additional year. The mandate will affect December 1, 2012 through November 30, 2013 budgets. The total amount expended through the COPS grant through December 2011 is \$139,024.93.

NOTE 7 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in the LEOFF II, PERS II or PERS III retirement plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

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

(1) REGIONAL UTILITY SYSTEM AGREEMENT

As of an agreement dated March 31, 1976, the City of Castle Rock and Cowlitz County operate jointly the Regional Water System. The Regional Water System provides water service to the City of Castle Rock and to outlying areas within the county. On December 22, 1999, a new agreement was signed between Cowlitz County and the city, which formed a Castle Rock/Toutle Regional Utility Systems (RUS). This agreement included provisions for the operation, construction and maintenance of both the Wastewater Treatment Plant and the Water Treatment Plant facilities and included definition of the service area and financial obligation to both the city and county entities. The RUS board of directors consists of two members from both the city and county and those members select the fifth member of the board. The RUS board members meet at least annually to review the budget and evaluate budgetary funding contributions for both entities. December, 2009 the city acquired from Cowlitz County the water and sewer infrastructure and customers located on the 'Westside' of the Cowlitz River. As a result, Cowlitz County no longer has any customers where sewer service is provided.

The City of Castle Rock Public Works Department is responsible for the daily operation of the regional water treatment plant and the city finance office is responsible for the maintenance of budgetary issues. Financial information is recorded in the city's Fund No. 410 Regional Water System and is included in this report.

All real or personal property acquired by the entities prior to this agreement remains in the ownership of the jurisdiction in which the property is located.

In this current fiscal year, Cowlitz County contributed \$157,264 and the City of Castle Rock \$189,984.

(2). FIRE DISTRICT AGREEMENT

November, 2005 voters approved annexation of city fire and ambulance services into Cowlitz County Fire Protection District #6. November 28, 2005 an interlocal agreement between the city and Fire District #6 was signed outlining pre and post annexation services, employee status and equipment/building ownership.

Two other interlocal agreements between the city and Fire District #6 were entered into as follows:

- An EMS cooperative agreement to allow Cowlitz Fire Protection District #6 to operate under the city's emergency medical service licensing; if the district is not able to obtain licensing. Term of this agreement extended until District #6 received required licensing to operate an emergency ambulance service. Licensing was acquired in 2007.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

- Infrastructure agreement to outline continued sharing costs for the telephone system, cable television service and the physical computer network system. In addition, the agreement allows Cowlitz Fire District #6 use of a building for storage of equipment. This agreement may be terminated by providing at least a 30 day written notice in advance of the termination.

(3). VOTER APPROVED SWIMMING POOL CONSTRUCTION FUNDS

In 1986, voters approved a bond measure for issuing \$100,000 of general obligation bonds to be used, along with private trust fund monies, for the purpose of constructing a new municipal swimming pool facility. Both the bond principal and interest were paid out of annual levies in excess of regular property taxes maturing within a maximum term of two years. The general obligation bonds were paid off in 1989, however the city was unable to construct the swimming pool facility before the private trust fund expired.

For this reason, the city now has \$144,015 listed (See Note #5 Interfund Loans). The city brought this issue before the voters in February 1994 for the purpose of reassigning this money to be used for reconstruction of arterial streets, with the capability of using these monies as matching funds for any future state or federal grants for the construction, remodel or improvement of arterial street projects. Unfortunately, this issue was defeated by a wide margin. The City Council has received comment from the Cowlitz County Auditor and Cowlitz County Treasurer advising of the feasibility of returning the monies to the tax payers. It appears that manpower costs will exceed any feasibility of returning the monies to the tax payers.

In 1995, hearings were scheduled and an informal survey was held to ascertain if the citizens wanted the \$100,000 returned to the taxpayer, or if they wished to have it retained for its original intended use. Citizens participating in the public hearings advised the council to retain the money for its intended use.

(4). INTERLOCAL AGREEMENT WITH COWLITZ COUNTY FOR ADDITIONAL FINANCING/LOAN

December, 2011 the city council entered into an Interlocal Agreement with Cowlitz County authorizing a loan to the city in the amount of \$300,000 to fund remaining construction costs for Cowlitz Street West project. Repayment of the loan must be made, in full, on or before December 1, 2013, including any accrued interest costs.

(5). COWLITZ COUNTY REGIONAL TOURISM DEVELOPMENT PARTNERSHIP PROGRAM.

October 2011, the city entered into an Interlocal Agreement with Cowlitz County and the cities of Longview, Kelso, Kalama and Woodland to create and administer a partnership program to promote, acquire, construct or operate tourist related facilities and promotions for each of the participating entities. Annual financial contributions are required of each participating entity over a six-year period. Each participating entity will be entitled to receive proceeds from this 'pooled' contribution to support a program or project approved by the Regional Tourism Board of Directors. The city's annual contribution for fiscal year 2012 through 2017 is \$1,279 and will be funded by Hotel-Motel tax revenues.

(6). PUBLIC WORKS TRUST FUND LOAN APPLICATION

The city applied for a Public Works Trust Fund loan to replace water and sewer mains on Front Avenue NW. The amount of the loan is \$485,000, with a term of twenty years. Interest rate will be between .5%

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

and 1.5%, based on the amount of the city's contribution. Funding for this loan is pending legislative approval, after which time the final terms of the loan will be established. Repayment of this loan will be from utility user rates.

(7). AMY THOMPSON LIBRARY TRUST FUND

This trust fund was intended to support improvements to the library building. In 2011, these funds were transferred to the Library Fund and were used to upgrade the library infrastructure to include a computer and reading lab, heating/cooling system and ADA restrooms. These funds have now been fully expended.

(8). OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, nursing and long-term care. Two retirees received benefits during the year and \$33,533.70 was paid out for those benefits during the year.

City of Castle Rock

Schedule of Liabilities

For the year ending December 31, 2011

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance December 31, 2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2011
General Obligations								
	263.51	Lease/Purchase 2009 Police Vehicle	8/1/2011	15,252	0	0	15,252 58221	0
	263.51	Lease/Purchase 2011 Police Vehicle	5/16/2013	0	44,547	16,674	58221	27,873
	263.51	COPS Grant	11/30/2012	53,436	85,589	0	59321	139,025
	263.81	Cowlitz County Rural Facilities Loan	1/31/2019	45,482	0	4,855	58241	40,627
	263.81	Cowlitz County Loan/ELF Landfill Funds	12/1/2013	0	300,000	0	58241	300,000
	259.11	Vacation Compensation		39,724	18,865	0	59319	58,590
	259.11	Sick Leave Compensation		0	13,095	0	59319	13,095
Total General Obligations:				153,894	462,096	36,780		579,209

City of Castle Rock

Schedule of Liabilities For the year ending December 31, 2011

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance December 31, 2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2011
Revenue Obligations								
	252.11	RDA Revenue Bond 2005 Series A	3/25/2045	2,265,309	0	0	28,324 58235	2,236,984
	252.11	RDA Revenue Bond 2005, Series B	3/25/2045	618,239	0	0	7,731	610,508
	252.11	RDA Revenue Bond 2009	9/9/2049	294,666	0	0	3,718 58234	290,948
	263.82	DWSRF Loan #99-651-99-012	10/1/2020	336,984	0	0	33,698 58234	303,286
	263.82	DWSRF Loan# 06-96300-003	10/1/2027	1,622,113	0	0	95,418 58234	1,526,695
	263.82	PWB Loan# PW-00-691-012	7/1/2020	395,353	0	0	39,535 58235	355,818
	263.82	PWB# PW-01-691-010	7/1/2021	765,973	0	0	69,634 58235	696,339
	263.82	PWB Loan# PW-05-691-008	7/1/2025	361,974	0	0	24,132 58235	337,842
	259.12	Vacation Accrual		43,239	0	0	5,610 59338	37,629
Total Revenue Obligations:				6,703,850	0	0	307,800	6,396,049
Total Liabilities:				6,857,744	462,096	344,581		6,975,259

City/Town

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2011

CFDA #	Federal Agency Name	ARRA	Federal Program Name	Pass Through Agency Name	Other Award ID Number	From Pass-Through Awards	Expenditures From Direct Awards	Total Amount	Foot Note Ref
97.008	Department Of Homeland Security		Non-Profit Security Program	Clark County Emergency Services	Equipment Purchase	6,412		6,412	2a
20.601	National Highway Traffic Safety Administration (nhisa), Department Of Transportation		Alcohol Impaired Driving Countermeasures Incentive Grants I	Washington Traffic Safety Commission	DUI Patrol	1,688		1,688	2b
20.600	National Highway Traffic Safety Administration (nhisa), Department Of Transportation		State and Community Highway Safety	Washington Traffic Safety Commission	Speed OT	581		581	2c
20.602	National Highway Traffic Safety Administration (nhisa), Department Of Transportation		Occupant Protection Incentive Grants	Washington Traffic Safety Commission	Seat Belt Enforcement	404		404	2d
16.710	Office Of Community Oriented Policing Services, Department Of Justice	yes	ARRA - Public Safety Partnership and Community Policing Grants		2009RKWX0879		75,569	75,569	3a
81.128	Department Of Energy	yes	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Cowlitz County Partnership Interlocal	Interlocal/Street Lighting	125,000		125,000	3b
93.276	Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services		Drug-Free Communities Support Program Grants	Wa State Education Service District 112	Interlocal with ESD 401	8,372		8,372	2i

MCAG NO. 0260

City of Castle Rock

Schedule 16

City/Town

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

CFDA #	Federal Agency Name	ARRA	Federal Program Name	Pass Through Agency Name	Other Award ID Number	From Pass-Through Awards	Expenditures From Direct Awards	Total Amount	Foot Note Ref
20.205	Federal Highway Administration (fhwa), Department Of Transportation		Highway Planning and Construction	WA State Department of Transportation	STPE-0170(012) LA 6660	161,255		161,255	2f
20.205	Federal Highway Administration (fhwa), Department Of Transportation		Highway Planning and Construction	WA State Department of Transportation	STPR-08BZ(001) LA 6766	801,577		801,577	2g
20.205	Federal Highway Administration (fhwa), Department Of Transportation		Highway Planning and Construction	WA State Department of Transportation	SRTS-0170(014) LA-7601	8,530		8,530	2h
84.184	Office Of Safe And Drug-free Schools, Department Of Education		Safe and Drug-Free Schools and Communities_National Programs	WA State ESD #112	Contract#700 2200014	10,810		10,810	2e
Grand total:						1,124,630	75,569	1,200,198	

CITY OF CASTLE ROCK
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011
NOTES TO FEDERAL FINANCIAL ASSISTANCE

Note 1. Basis Of Accounting

This schedule is prepared on the same basis of accounting as the city's financial statements. The city uses the cash basis of accounting. 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.

Note 2. Program Costs – Federal Grant Assistance

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the city's portion, may be more than shown.

- a. Castle Rock Police department received a pass-thru grant from Clark County Emergency Services to allow for purchase of a laptop computer. Grant was provided by Department of Homeland Security in the amount of \$6411.59.
- b. United States Department of Transportation pass through grant from the Washington State Traffic Safety Commission for emphasis patrols to combat those who drive under the influence of drugs/alcohol; Sustained Enforcement DUI Program.
- c. United States Department of Transportation pass through grant from the Washington State Traffic Safety Commission to pay overtime expenses for police officers during the State's emphasis patrols on speeding.
- d. United States Department of Transportation pass through grant from the Washington State Traffic Safety Commission to pay overtime expenses for police officers during the State's emphasis patrols on seat belt enforcement.
- e. U.S. Department of Education pass through from the Washington State Educational Service District to provide programs to reduce or eliminate drug and alcohol use within the schools. Funds received by the city pay for overtime costs and equipment needs to provide programs within the grant parameters.
- f. Federal Highway Administration pass through from Washington Department of Transportation (SAFETEA-LU) program for extension of the Riverfront Trail north segment.

- g. Federal Highway Administration pass through from Washington Department of Transportation (SAFETEA-LU) program for engineering and construction of Cowlitz Street West; the main business district. Project includes a complete upgrade to the infrastructure system, including paving, sidewalks, lighting, and landscape.
- h. Federal Highway Administration pass through from Washington Department of Transportation (SAFETEA-LU) program through Safe Routes To School funding. Project includes components for construction, enforcement and education.
- i. US Department of Health and Human Services through the Drug-Free Communities Support Program Grant; pass through to Washington State Education Service District #112. Castle Rock School District No. 401 is the administrator of this grant. An Interlocal Agreement between the city and the Castle Rock School District outlines a contractual agreement for delivery of law enforcement related prevention activities to support this program.

Note 3. American Recovery and Reinvestment Act (ARRA) of 2009.

Expenditures in this program are funded by ARRA.

- a. ARRA; U.S. Department of Justice COPS grant, funding for one patrol officer position, over a period of three years. The reported amount reflects the expended amount of the grant in the 2010 fiscal year. The grant will conclude November 2012 and the city is mandated to fund this patrol position for a minimum of one additional year.
- b. ARRA; awarded by the US Department of Energy through the Energy Policy Division of the Washington State Department of Commerce program known as; Energy Efficiency And Conservation Block Grant for Smaller Cities and Counties. This grant is administered through an Interlocal Agreement with Cowlitz County. Other agencies included in this Interlocal Agreement include the City of Kelso, City of Kalama, City of Woodland and Cowlitz-Wahkiakum Council of Governments. The City of Castle Rock's project funded energy efficient street lights for the Cowlitz Street reconstruction project.



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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Deputy Chief of Staff
Chief Policy Advisor
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Director for Legal Affairs
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