

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

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**City of Woodland**  
**Cowlitz County**

Audit Period  
**January 1, 2012 through December 31, 2012**

**Report No. 1010549**

Issue Date  
**September 30, 2013**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

September 30, 2013

Mayor and City Council  
City of Woodland  
Woodland, Washington

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

Please find attached our report on the City of Woodland'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,

**TROY KELLEY  
STATE AUDITOR**

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Cowlitz County  
January 1, 2012 through December 31, 2012**

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# Federal Summary

**City of Woodland  
Cowlitz County  
January 1, 2012 through December 31, 2012**

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

## **FINANCIAL STATEMENTS**

An unmodified opinion was issued on the financial statements.

### ***Internal Control Over Financial Reporting:***

- ***Significant Deficiencies:*** We identified 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 unmodified 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>
11.010	Economic Development Cluster - Community Trade Adjustment Assistance

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.

# Schedule of Audit Findings and Responses

## City of Woodland Cowlitz County January 1, 2012 through December 31, 2012

### 1. **The City should continue to improve internal controls over accounting and financial statement preparation to ensure accurate reporting.**

#### **Background**

It is the responsibility of City management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. In the prior audit, we communicated concerns to management over the City's internal controls over financial reporting.

Our audit identified a significant deficiency in controls that affect the City's ability to produce reliable financial statements and reports.

#### **Description of Condition**

We identified the following deficiencies in internal controls, that when taken together, represent a significant deficiency:

- The City's process for financial statement preparation does not ensure its financial reporting is complete, accurate, and in accordance with the *Budgeting Accounting and Reporting System (BARS) Manual*. For example, the City did not research and apply guidance in BARS on how to classify and disclose reservations on ending cash.
- The City struggles with how to apply BARS criteria when reporting funds. We noted concerns in the prior audit and worked with the City to correct the financial statements. However, they did not apply the guidance to the current year financials for one fund.
- An independent review is not performed for the financial statements by someone knowledgeable of City transactions to ensure they are accurate and complete. The City had a contractor perform an initial review; however, no review was performed on the subsequent versions of the statements and schedules.

#### **Cause of Condition**

The City has not dedicated sufficient resources to design and implement internal control processes that ensure its financial reporting is timely, accurate and complete.

#### **Effect of Condition**

During our audit, we identified the following errors in the financial statements:

- Revenues and expenses were overstated by \$200,000.
- Reserved ending cash was understated by \$2,057,089.
- Revised financial statements provided during the audit did not total correctly.
- Supplemental schedules were inaccurately prepared and required revisions. The supplemental schedules are relied on to complete audit procedures. It took an extraordinary amount of resources by the City and audit staff to complete the audit due to the errors in these schedules.

With the exception of the first item noted, these errors were subsequently corrected by the City.

### **Recommendation**

We recommend the City dedicate adequate resources to establish and follow effective internal controls to ensure:

- The City's financial reporting preparation processes are complete, accurate, and in accordance with BARS Manual.
- Individuals responsible for preparing and reviewing the financial statements have sufficient training and knowledge of both BARS manual reporting and government accounting standards and dedicate the necessary time to ensure accurate reporting.
- An individual knowledgeable of the BARS Manual and independent of the financial statement preparation processes performs a thorough review of the financial statements and supporting schedules to ensure they are accurate, complete, and presented in accordance with requirements.

### **City's Response**

*The City acknowledges that there were some errors in the preparation of the Financial Statements for 2012. The City identified and corrected the items noted, prior to the conclusion of the audit, with the exception of item noted as "Revenues and expenses overstated by \$200,000". However, Non-Rollup of Project Fund 411 was disclosed in the Notes to Financial Statements.*

*Although we do not believe that any of the items noted rise to the level of a finding, we will adopt additional measures to improve the accuracy and timeliness of future reports. These include review of the financial statements by the governing body, in addition to the independent contractor hired by the City.*

### **Auditor's Remarks**

We appreciate the steps the County is taking to resolve this issue. We will review the condition during the next regularly scheduled audit.

## Applicable Laws and Regulations

Statement on Auditing Standards (SAS) No. 115, states in part:

For all financial audits, auditors should report the following deficiencies in internal control:

a. Significant deficiency: A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

RCW 43.09.200 states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

*Budget Accounting and Reporting System (BARS) Manual – Part 3, Accounting, Chapter 1. Accounting Principles and General Procedures, Section C. Internal Control, states in part:*

Internal control is defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in standards adopted by the American Institute of Certified Public Accountants and by the Federal Office of Management and Budget as follows:

Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management.

Independent Auditor's Report on Internal  
Control over Financial Reporting and on  
Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing  
Standards*

**City of Woodland  
Cowlitz County  
January 1, 2012 through December 31, 2012**

Mayor and City Council  
City of Woodland  
Woodland, Washington

We have audited, 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, the financial statements of the City of Woodland, Cowlitz County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 9, 2013.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*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 City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or

significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 1, that we consider to be significant deficiencies.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

## **City's RESPONSE TO FINDINGS**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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.



**TROY KELLEY**  
STATE AUDITOR

September 9, 2013

# Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

**City of Woodland  
Cowlitz County  
January 1, 2012 through December 31, 2012**

Mayor and City Council  
City of Woodland  
Woodland, Washington

## ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of the City of Woodland, 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 each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. 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 that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

**TROY KELLEY**  
STATE AUDITOR

September 9, 2013

# Independent Auditor's Report on Financial Statements

## City of Woodland Cowlitz County January 1, 2012 through December 31, 2012

Mayor and City Council  
City of Woodland  
Woodland, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the City of Woodland, Cowlitz County, Washington, for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 14.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

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 Woodland, for the year ended December 31, 2012, on the basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with 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 basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Supplementary and Other Information***

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.

### ***Purpose of this Report***

The report is intended for the information and use of the management, the Mayor and City Council, federal awarding agencies and pass-through entities 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.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

September 9, 2013

# Financial Section

**City of Woodland  
Cowlitz County  
January 1, 2012 through December 31, 2012**

***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2012  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2012  
Notes to Financial Statements – 2012

***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2012  
Schedule of Expenditures of Federal Awards – 2012  
Notes to the Schedule of Expenditures of Federal Awards – 2012

City of Woodland

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		Total for	001	105
		All Funds 1/	Current Expense	Document Recording Fee
		Total Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$314,442.23	\$76,223.28	\$0.00
308.80	Unreserved	\$1,189,235.52	\$342,477.72	\$39.98
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
<b>Revenues and Other Sources</b>				
310	Taxes	\$3,423,309.78	\$3,325,845.97	\$0.00
320	Licenses and Permits	\$282,268.65	\$282,268.65	\$0.00
330	Intergovernmental	\$2,115,806.80	\$427,598.49	\$0.00
340	Charges for Goods and Services	\$3,292,392.95	\$111,660.51	\$6,000.00
350	Fines and Penalties	\$77,848.96	\$77,848.96	\$0.00
360	Miscellaneous	\$322,542.89	\$124,096.07	(\$1.55)
370	Capital Contributions	\$0.00	\$0.00	\$0.00
390	Other Financing Sources	\$3,782,129.11	\$803,615.91	\$0.00
<b>Total Revenues and Other Financing Sources</b>		\$13,296,299.14	\$5,152,934.56	\$5,998.45
<b>Total Resources</b>		\$14,799,976.89	\$5,571,635.56	\$6,038.43
Operating Expenditures:				
510	General Government	\$1,114,266.85	\$1,091,681.54	\$0.00
520	Public Safety	\$2,267,866.55	\$2,264,037.86	\$0.00
530	Physical Environment	\$2,203,738.10	\$17,381.28	\$0.00
540	Transportation	\$670,818.28	\$670,818.28	\$0.00
550	Economic Environment	\$238,969.45	\$207,129.45	\$800.00
560	Mental and Physical Health	\$1,445.86	\$1,445.86	\$0.00
570	Culture and Recreational	\$118,643.63	\$118,643.63	\$0.00
<b>Total Operating Expenditures</b>		\$6,615,748.72	\$4,371,137.90	\$800.00
591-593	Debt Service	\$975,086.44	\$168,162.83	\$0.00
594-595	Capital Outlay	\$1,940,986.67	\$165,058.60	\$0.00
<b>Total Expenditures</b>		\$9,531,821.83	\$4,704,359.33	\$800.00
596-599	Other Financing Uses	\$984,553.55	\$35,262.00	\$0.00
<b>Total Expenditures and Other Financing Uses</b>		\$10,516,375.38	\$4,739,621.33	\$800.00
<b>Excess (Deficit) of Resources Over Uses</b>		\$4,283,601.51	\$832,014.23	\$5,238.43
380	Nonrevenues (Except 384)	\$437,236.02	\$191,698.52	\$0.00
580	Nonexpenditures (Except 584)	\$831,982.96	\$138,807.35	\$0.00
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$2,164,779.56	\$45,519.98	\$5,238.43
508.80	Unreserved	\$1,724,075.01	\$839,385.42	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page  
 The Accompanying Notes Are An Integral Part Of This Statement.

City of Woodland

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		107	108	316
		Hotel/Motel Tax	Criminal Justice Funding	SR-503 Improvements
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$10,525.95	\$383.47	\$213.46
308.80	Unreserved	\$0.00	\$0.00	\$0.00
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
<b>Revenues and Other Sources</b>				
310	Taxes	\$28,950.83	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental	\$0.00	\$6,990.76	\$26,097.52
340	Charges for Goods and Services	\$0.00	\$0.00	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	(\$34.00)	\$4.38	\$6.50
370	Capital Contributions	\$0.00	\$0.00	\$0.00
390	Other Financing Sources	\$0.00	\$0.00	\$0.00
<b>Total Revenues and Other Financing Sources</b>		\$28,916.83	\$6,995.14	\$26,104.02
<b>Total Resources</b>		\$39,442.78	\$7,378.61	\$26,317.48
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$3,828.69	\$0.00
530	Physical Environment	\$0.00	\$0.00	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$31,040.00	\$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
<b>Total Operating Expenditures</b>		\$31,040.00	\$3,828.69	\$0.00
591-593	Debt Service	\$0.00	\$0.00	\$0.00
594-595	Capital Outlay	\$0.00	\$0.00	\$128,546.11
<b>Total Expenditures</b>		\$31,040.00	\$3,828.69	\$128,546.11
596-599	Other Financing Uses	\$0.00	\$781.00	\$0.00
<b>Total Expenditures and Other Financing Uses</b>		\$31,040.00	\$4,609.69	\$128,546.11
<b>Excess (Deficit) of Resources Over Uses</b>		\$8,402.78	\$2,768.92	(\$102,228.63)
380	Nonrevenues (Except 384)	\$0.00	\$0.00	\$121,200.00
580	Nonexpenditures (Except 584)	\$0.00	\$0.00	\$17,280.15
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$8,402.78	\$2,768.92	\$1,691.22
508.80	Unreserved	\$0.00	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page  
The Accompanying Notes Are An Integral Part Of This Statement.

City of Woodland

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		319	320	323
		Public Safety Bond Fund	Sidewalk Project	Schurman Way & Guild Road Project
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$0.00	\$0.00	\$223,238.67
308.80	Unreserved	\$5,146.89	\$27.57	\$0.00
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
<b>Revenues and Other Sources</b>				
310	Taxes	\$68,512.98	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental	\$0.00	\$125,000.00	\$1,517,695.03
340	Charges for Goods and Services	\$0.00	\$0.00	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$22,460.75	(\$0.10)	\$61.94
370	Capital Contributions	\$0.00	\$0.00	\$0.00
390	Other Financing Sources	\$2,729,574.10	\$0.00	\$0.00
<b>Total Revenues and Other Financing Sources</b>		\$2,820,547.83	\$124,999.90	\$1,517,756.97
<b>Total Resources</b>		\$2,825,694.72	\$125,027.47	\$1,740,995.64
Operating Expenditures:				
510	General Government	\$22,585.31	\$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
<b>Total Operating Expenditures</b>		\$22,585.31	\$0.00	\$0.00
591-593	Debt Service	\$757,219.92	\$0.00	\$0.00
594-595	Capital Outlay	\$269.25	\$0.00	\$1,591,787.77
<b>Total Expenditures</b>		\$780,074.48	\$0.00	\$1,591,787.77
596-599	Other Financing Uses	\$5,000.00	\$125,027.47	\$99,899.98
<b>Total Expenditures and Other Financing Uses</b>		\$785,074.48	\$125,027.47	\$1,691,687.75
<b>Excess (Deficit) of Resources Over Uses</b>		\$2,040,620.24	\$0.00	\$49,307.89
380	Nonrevenues (Except 384)	\$1,040.56	\$0.00	\$0.00
580	Nonexpenditures (Except 584)	\$2,826.21	\$0.00	\$0.00
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$2,031,241.85	\$0.00	\$49,307.89
508.80	Unreserved	\$7,592.74	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page  
The Accompanying Notes Are An Integral Part Of This Statement.

City of Woodland

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		351	352	401
		Impact Fees: Fire	Impact Fees: Park	Water
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$9.33	\$3,848.07	\$0.00
308.80	Unreserved	\$0.00	\$0.00	\$196,488.77
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
<b>Revenues and Other Sources</b>				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental	\$0.00	\$0.00	\$12,425.00
340	Charges for Goods and Services	\$111,016.80	\$16,740.00	\$958,100.99
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$8.48	\$20.42	\$13,862.42
370	Capital Contributions	\$0.00	\$0.00	\$0.00
390	Other Financing Sources	\$0.00	\$0.00	\$148,939.10
<b>Total Revenues and Other Financing Sources</b>		\$111,025.28	\$16,760.42	\$1,133,327.51
<b>Total Resources</b>		\$111,034.61	\$20,608.49	\$1,329,816.28
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	\$714,233.03
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
<b>Total Operating Expenditures</b>		\$0.00	\$0.00	\$714,233.03
591-593	Debt Service	\$0.00	\$0.00	\$20,926.95
594-595	Capital Outlay	\$0.00	\$0.00	\$15,579.24
<b>Total Expenditures</b>		\$0.00	\$0.00	\$750,739.22
596-599	Other Financing Uses	\$63,193.00	\$0.00	\$132,544.00
<b>Total Expenditures and Other Financing Uses</b>		\$63,193.00	\$0.00	\$883,283.22
<b>Excess (Deficit) of Resources Over Uses</b>		\$47,841.61	\$20,608.49	\$446,533.06
380	Nonrevenues (Except 384)	\$0.00	\$0.00	\$45,050.00
580	Nonexpenditures (Except 584)	\$47,841.61	\$0.00	\$171,157.89
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$0.00	\$20,608.49	\$0.00
508.80	Unreserved	\$0.00	\$0.00	\$320,425.17

1/ This column summarizes ALL reported funds, not just funds listed on this page  
 The Accompanying Notes Are An Integral Part Of This Statement.

City of Woodland

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		402	403	411
		Sewer	Garbage Collection	Water Main Street Refurbishmnt
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$0.00	\$0.00	\$0.00
308.80	Unreserved	\$508,605.64	\$17,295.24	\$119,153.71
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
<b>Revenues and Other Sources</b>				
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	\$1,473,716.45	\$615,158.20	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$161,683.55	\$332.23	\$41.80
370	Capital Contributions	\$0.00	\$0.00	\$0.00
390	Other Financing Sources	\$0.00	\$0.00	\$100,000.00
<b>Total Revenues and Other Financing Sources</b>		\$1,635,400.00	\$615,490.43	\$100,041.80
<b>Total Resources</b>		\$2,144,005.64	\$632,785.67	\$219,195.51
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Physical Environment	\$947,844.66	\$524,279.13	\$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
<b>Total Operating Expenditures</b>		\$947,844.66	\$524,279.13	\$0.00
591-593	Debt Service	\$28,776.74	\$0.00	\$0.00
594-595	Capital Outlay	\$39,745.70	\$0.00	\$0.00
<b>Total Expenditures</b>		\$1,016,367.10	\$524,279.13	\$0.00
596-599	Other Financing Uses	\$428,657.10	\$94,189.00	\$0.00
<b>Total Expenditures and Other Financing Uses</b>		\$1,445,024.20	\$618,468.13	\$0.00
<b>Excess (Deficit) of Resources Over Uses</b>		\$698,981.44	\$14,317.54	\$219,195.51
380	Nonrevenues (Except 384)	\$62,150.00	\$16,096.94	\$0.00
580	Nonexpenditures (Except 584)	\$423,752.19	\$30,317.56	\$0.00
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$0.00	\$0.00	\$0.00
508.80	Unreserved	\$337,379.25	\$96.92	\$219,195.51

1/ This column summarizes ALL reported funds, not just funds listed on this page  
 The Accompanying Notes Are An Integral Part Of This Statement.

City of Woodland

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

	Total for	350	412	
	All Funds 1/	Impact Fees: School	Water/Sewer Deposits	
	Total Amount	Actual Amount	Actual Amount	
<b>Beginning Cash and Investments</b>	\$53,361.81	\$0.00	\$53,361.81	
Prior Period Adjustments	\$0.00	\$0.00	\$0.00	
Revenue and Other Financing Sources	\$41,249.24	\$41,250.00	(\$0.76)	
<b>Total Resources</b>	<b>\$94,611.05</b>	<b>\$41,250.00</b>	<b>\$53,361.05</b>	
<b>Expenditures And Other Financing Uses</b>	<b>\$38,500.00</b>	<b>\$38,500.00</b>	<b>\$0.00</b>	
<b>Excess (Deficit) of Resources Over Uses</b>	<b>\$56,111.05</b>	<b>\$2,750.00</b>	<b>\$53,361.05</b>	
Nonrevenues (Except 384)	\$26,264.44	\$0.00	\$26,264.44	
Nonexpenditures (Except 584)	\$12,910.18	\$0.00	\$12,910.18	
<b>Ending Cash and Investments</b>	<b>\$69,465.31</b>	<b>\$2,750.00</b>	<b>\$66,715.31</b>	

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

# CITY OF WOODLAND

## NOTES TO FINANCIAL STATEMENTS

January 1, 2012 through December 31, 2012

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City 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 Woodland was incorporated on March 26, 1906 and operates under the laws of the State of Washington applicable to optional code cities (Title 35A RCW). All code cities have statutory authorization to exercise the powers of initiative and referendum but must formally adopt these powers before they are available. The City of Woodland formally adopted these powers as set forth in RCW 35A.11 by Ordinance 333 in 1970.

The City is a general purpose government and provides major types of services such as: public safety, fire protection, street improvements, parks, and general administrative services. In addition, the City operates a sewer and water system; and contracts for the garbage service. The City uses single-entry, cash basis of accounting which is a departure from generally accepted accounting principles (GAAP).

#### **A. Fund Accounting**

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

#### **GOVERNMENTAL FUND TYPES:**

##### **General Fund**

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** (Funds in the 100 series)

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

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Debt Service Funds

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

Capital Projects Funds

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

**PROPRIETARY FUND TYPES:**

Enterprise Funds

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

**FIDUCIARY FUND TYPES:**

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

Agency Funds

These funds are used to account assets that the City of Woodland holds for other in agency capacity.

**B. Basis of Accounting**

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

In accordance with state law the City 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.

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)**

**C. Budgets**

The City adopts an annual appropriated budget. The budget is appropriated at the fund level. It 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 follows:

<b>FUND</b>	<b>DESCRIPTION</b>	<b>Final Appropriated Amounts</b>	<b>2012 Actual Expenditures</b>	<b>Variance</b>
001	Current Expense	4,491,669	4,158,339	333,330
002	Petty Cash/Change	950	0	950
003	Advance Travel	2,000	0	2,000
101	Park	185,278	162,964	22,314
102	Library	6,066	1,000	5,066
104	Street	1,165,779	845,320	320,460
105	Document Recording Fee	6,140	800	5,340
107	Hotel/Motel Tax	39,552	31,040	8,512
108	Criminal Justice	7,882	4,610	3,272
224	94 PWTF Loans	188,113	121,695	66,418
225	CLID #94-01/94-02	76,200	49,148	27,052
300	Park Acquisition/Impvmt	120,000	94,730	25,270
301	CPReserve: General	608,926	125,482	483,444
302	CPReserve: Utilities (also see 421 422)	466,942	466,942	0
303	Fire Dept Reserve	53,744	46,467	7,277
304	Equipment Acq'n Reserve	48,446	8,339	40,107
305	Downtown Revitalization	4,624	4,146	478
312	Public Works Shop	97,569	0	97,569
316	SR503 Improvements	856,000	145,826	710,174
319	Public Safety Facility	2,828,878	787,901	2,040,977
320	Sidewalk Project	125,028	125,027	1
321	Horseshoe Lake Park Trail	81	0	81
323	Schurman & Guild Rd Project	2,151,204	1,691,688	459,516
350	Impact Fees-School	41,250	38,500	2,750
351	Impact Fees-Fire	141,570	111,035	30,535
352	Impact Fees-Park	20,576	0	20,576
401	Water	1,292,974	973,936	319,038
402	Sewer	1,960,886	1,556,512	404,374
403	Garbage	720,823	648,786	72,037
404	Davidson Alley Waterline Proj	21,252	21,139	113
408	Water Pumping Treatment	1,071	0	1,071
411	Water/Sewer Refurb Project	244,154	0	244,154
412	Utility Deposits	80,032	12,910	67,122
421	Utility Reserve-Water	439	0	439
422	Utility Reserve-Sewer	88,003	0	88,003
426	CERB Loan-Water	107,213	74,912	32,301
427	CERB Loan-Sewer	57,086	13,325	43,761
	<b>TOTAL</b>	<b>18,308,400</b>	<b>12,322,520</b>	<b>5,985,880</b>

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

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.

**D. Cash**

It is the City's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

**E. Deposits**

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

**F. Investments**

As required by state law, all deposits and investments of the City's funds are in the State Treasurer's Investment Pool (LGIP) or deposits with Washington State banks and savings and loan institutions. (See Note #3).

**G. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of a varied amount of years. The capital assets of the City are recorded as expenditures when purchased.

**H. Compensated Absences**

Unless otherwise approved by the Mayor, a maximum of one (1) year accrued vacation (the maximum varies by bargaining unit) plus the unused vacation accrual of the current anniversary year may be carried over. However, at the end of any anniversary year, any annual leave balance above the unused vacation accrual of the current anniversary plus a maximum of one (1) year will lapse; that is, an employee at the beginning of any anniversary year shall have no more than two (2) years accrued vacation. It is payable at the current rate of pay upon resignation, retirement or death.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Sick leave is accrued up to 1,600 hours. Sick leave can be used for paid time off for the illness of the employee or a dependent, hospitalization, or outpatient medical care, medical quarantine, personal dental care, or death of a member of the employee's

immediate family. Upon resignation, termination, retirement or death, an employee (or a deceased employee's beneficiary) shall receive payment equal to twenty-five percent (25%) of such employee's then accrued and unused sick leave hours at the employee's last hourly rate of pay; provided, however, that under no circumstances may an employee's payment for accumulated sick leave and vacation leave when combined exceed two hundred forty (240) hours.

Compensatory time is earned by union employees with a maximum accrual of 48 hours. It shall be taken within a reasonable amount of time, but no more than twelve months after it is earned, unless the Department Head or Mayor determines that such would be unduly disruptive to the City's operations. In the event of separation of an employee, any accumulated compensatory time shall be paid at the employee's current rate of pay.

Outstanding balances for Compensated Absences that would be due upon separation of service are included on Schedule 9 – Schedule of Liabilities. The BARS codes for redemption of these costs vary depending on the department or departments the employee has been assigned to work in and could be allocated to several at the time of payment.

**I. Debt Service**

See Note #6 (Debt Service Requirements.)

**J. Other Financing Sources/Uses**

The City's "Other Financing Sources/Uses" consist of the following for 2012 Interfund transactions:

- a. Transfers to support the operations of other funds are recorded as "Operating Transfers" and classified with "Other Financing Sources or Uses."

**K. Risk Management**

The City of Woodland is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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,

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

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 program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2012, there are 240 members in the program.

The program 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 program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$2,815,000 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage.

Members contract to remain in the program 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 program 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 program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31 2012, were \$1,099,472.

**L. Reserved Fund Balances**

**Fund 105 Document Recording Fee** - The main source of revenue is Recording Surcharge/Affordable Housing. Expenditures are restricted to those that qualify per RCW 36.22.178 for eligible housing activities that serve very low-income households with incomes at or below 50 percent of the area median income. The Ending Fund Balance is reserved.

**Fund 107 Hotel/Motel Tax Fund** - revenues and expenditures are restricted and it includes local hotel/motel tax per RCW 67.28.180. The Ending Fund Balance is reserved.

**Fund 108 Criminal Justice Fund** - revenues and expenditures are restricted for criminal justice purposes only per RCW 82.14.320. The Ending Fund Balance is reserved.

**Fund 316 SR503 Improvement Project** - a portion of the revenues and expenditures are restricted because there is grant funding for the project. The General Fund/Street also contributed to this project. The Ending Fund Balance is reserved.

**Fund 319 Public Safety Bond Fund** – a portion of the revenues and expenditures are restricted because there are LTGO 2012 Bond proceeds for the construction of a new police station/community room. A portion is General Fund for the leased buildings and City facility (Public Works office). The Ending Fund Balance is reserved \$2,031,241.85 and unreserved \$7,592.74.

**Fund 323 Schurman Way & Guild Road Project** – a portion of the revenues and expenditures are restricted because there is grant funding for this project. The Ending Fund Balance is reserved.

**Fund 351 Impact Fees: Fire** - revenues and expenditures are restricted for Fire purposes only in compliance with the Growth Management Act RCW 36.70A.070. The Ending Fund Balance is reserved.

**Fund 352 Impact Fees: Park** - revenues and expenditures are restricted for park purposes only in compliance with the Growth Management Act RCW 36.70A.070. The Ending Fund Balance is reserved.

**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**

The City’s investments are either insured, registered or held by the City or its agent in the City’s name. The investments are presented at cost. Investments by type at December 31 are as follows:

<u>Type of Investment</u>	<u>2012 Balance</u>
L.G.I.P.	\$ 10,313.11
U.S. Bank	3,503,485.12
Columbia Bank	<u>870,173.77</u>
Total	<u>\$4,383,972.00</u>

**NOTE 4 - PROPERTY TAXES**

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

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

The City's regular levy for 2012 was \$2.241339 per \$1,000 on an assessed valuation of 547,574,230 in Cowlitz County, and 6,036,432 in Clark County, for a combined total of 553,610,662 for a regular total levy of \$1,240,829.

**NOTE 5 - INTERFUND LOANS AND ADVANCES**

The following table displays interfund loan activity during 2012:

<b>Ord #</b>	<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Balance 1/1/2012</b>	<b>New Loans</b>	<b>Repayments</b>	<b>Balance 12/31/2012</b>
1082/1106/1129	426	302	47,248		36,000	<b>11,248</b>
1233	316	301	4,000		4,000	<b>0</b>
1201/1203	351	301	95,075		47,562	<b>47,513</b>
1150&1174	427	302	26,800		12,950	<b>13,850</b>
BA - 1218;						
1235	300	301	48,390		48,390	<b>0</b>
1241/1243/1251	316	302	0	121,200	13,200	<b>108,000</b>
1248	426	302	0	32,300		<b>32,300</b>
	<b>TOTALS</b>		<b>221,513</b>	<b>153,500</b>	<b>162,102</b>	<b>212,911</b>

**NOTE 6 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for the year ended December 31, 2012. The debt service requirements for general obligation bonds, revenue bonds, including both principal and interest, are as follows:

<b>Year</b>	<b>General Obligation Debt</b>	<b>Revenue Bonded Debt</b>	<b>Other Debt</b>	<b>2012 TOTAL Debt</b>
2013	329,126	469,272	0	798,399
2014	325,946	464,584	0	790,531
2015	212,608	459,897	0	672,505
2016	165,975	379,175	0	545,150
2017	164,913	374,488	0	539,400
2018-2022	765,750	810,211	0	1,575,961
2023-2027	693,250	87,551	0	780,801
2028-2032	795,000	0	0	795,000
2033-2037	698,400	0	0	698,400
<b>TOTALS</b>	<b>4,150,967</b>	<b>3,045,178</b>	<b>0</b>	<b>7,196,146</b>

**NOTE 7 - PENSION PLANS**

Substantially all City full-time and qualifying part-time employees participate in Public Employees' Retirement System (PERS) Plans 2 and 3; Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 administered by the State of Washington Department of Retirement Systems, under cost-sharing multiple-employer public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

The City of Woodland also participates in the Washington State Volunteer Firemen Relief and Pension Fund.

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

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia, WA 98504-8380

**NOTE 8 - DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the State of Washington Department of Retirement Systems Committee for Deferred Compensation. The plan, available to eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In June, 1998 the State of Washington Deferred Compensation Program plan assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to Governmental Accounting Standards Board (GASB) Statement 32, since the City is no longer the owner of these assets, as of 12-31-98, the plan assets and liabilities are no longer reported as an Agency Fund.

**NOTE 9 – OTHER DISCLOSURES**

**A. LTGO DEBT ISSUED 2012**

The City of Woodland issued new Long Term General Obligation Debt (LTGO) in May, 2012 in the amount of \$2,000,000 which will be used to construct a new Police Station and Community Meeting room at the City property located at 300 E. Scott Avenue, Woodland, WA. The funding source for the repayment of this debt is a new Public Safety Sales tax in the amount of 0.10% which is dedicated to Public Safety. This was adopted by Ordinance No. 1225 which was effective April 1, 2012.

**B. RISK POOL ASSESSMENT**

The City is a member of Cities Insurance Association of Washington (CIAW). During the years 2002-2006 the CIAW Board of Directors funded to an actuary report. Additional claims developed later, over the same period of time and the pool was instructed to collect additional funding. The City is required to pay \$4,173 for a 5 year period which began in 2010 and ends in 2014.

**C. OPEB / LEOFF 1**

The City has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, nursing care, etc. Three (3) retirees received benefits during the year and \$22,874 was paid out for those benefits during the year. Two (2) of the retirees have since passed away, in February, 2012.

**D. ROLL-UP OF FUNDS**

The City conformed to roll-up of funds as prescribed by BARS, to have only one (1) General Fund and separate Water and Sewer Proprietary funds, with the exception of Fund No. 411 Water Sewer line Refurbishment Project. This project fund wasn't rolled for 2012 reporting as it is currently a project fund for both water and sewer combined in one project fund.

**E. SUBSEQUENT EVENTS**

**1. LTGO DEBT ISSUED 2013**

The City of Woodland issued new Long Term General Obligation Debt (LTGO) in August, 2013 in the amount of \$1,945,000 which will be used for additional expenses related to the construction of the new Police Station and Community Meeting room at the City property located at 300 E. Scott Avenue, Woodland, WA. It will also fund the purchase of land/building for a new City Hall, as well as other capital improvements to the current Fire Station/City Hall, etc.

**2. FIRE CONTRACT FOR SERVICES**

The City of Woodland entered into a contract with Clark County Fire Rescue on March 1, 2013 for a six year period ending on December 31, 2018. The contract was entered into for the purpose of providing for the economical and efficient provision of fire prevention, fire suppression and emergency medical services, within the jurisdictional boundaries of the City while maximizing the use of facilities, resources, apparatus, personnel and equipment and operated by both parties. The parties are also continuing to explore the formation of a Regional Fire Authority. The complete details can be found in the contract.

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**City of Woodland**  
 Schedule of Liabilities  
 For the year ended December 31, 2012

Schedule 09

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2012
<b>General Obligations</b>								
	263.81	PWTF#1 TIM203	7/1/2014	267,013		89,004	59195	178,009
	263.81	PWTF#2 TIM204	7/1/2014	77,407		25,803	59195	51,604
	251.11	LTGO 2005 (ALF Pumper)	12/31/2015	190,000		190,000	59122	0
	251.11	LTGO 2005 (Land Acqn-300 E. Scott)	12/31/2020	430,000		430,000	59122	0
	259.11	Compensated Absences-General		434,233	166,762	164,322		436,673
	251.12	LTGO 2012/2005 Refi-Police Strn,land,truck	12/1/2036	0	2,630,000	85,000	59122	2,545,000
	263.91	CIAW Assessment for loss fund	12/31/2014	12,519		4,173	51810	8,346
<b>Total General Obligations:</b>				<b>1,411,172</b>	<b>2,796,762</b>	<b>988,302</b>		<b>3,219,632</b>
<b>Revenue Obligations</b>								
	259.12	Compensated Absences-Water		17,195	23,588	19,824		20,959
	259.12	Compensated Absences-Sewer		17,195	23,588	19,824		20,959
	259.12	Compensated Absences-Garbage		17,195	23,588	19,824		20,959

MCAG NO. 0271

**City of Woodland**  
 Schedule of Liabilities  
 For the year ended December 31, 2012

Schedule 09

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2012
	263.82	CERB Timber T93-028 Sewer	1/1/2015	118,472		0	58235	118,472
	263.82	CERB C93-098 Water	7/1/2015	126,940		30,342	58234	96,598
	263.82	PWTF Water Filtration 97-791-015	7/1/2017	570,631		95,104	58234	475,527
	263.82	PWTF Sewer 99-791-040	7/1/2019	1,467,796		183,474	58235	1,284,322
	263.82	DOE SRF WWTP 2001 L0100009-01	8/1/2022	943,607		73,453	58235	870,154
<b>Total Revenue Obligations:</b>				<b>3,279,031</b>	<b>70,764</b>	<b>441,845</b>		<b>2,907,950</b>
<b>Total Liabilities:</b>				<b>4,690,203</b>	<b>2,867,526</b>	<b>1,430,147</b>		<b>6,127,582</b>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ending December 31, 2012**

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			
				From Pass- Through	From Direct Awards	Total	Foot-Note Ref.
Dept of Homeland Security	Assistance to Firefighters Grant	97.044	SAFER VRRO		119,507	119,507	1,2
Department of Transportation National Highway Traffic Safety Administration (NHTSA)/Pass through from WASPC & Cowlitz County Sheriff	State and Community Highway Safety	20.600	Impaired Driving	1,377		1,377	1,2
Department of Transportation National Highway Traffic Safety Administration (NHTSA)/ Pass through from WASPC & Cowlitz County Sheriff	Occupant Protection Incentive Grants	20.602	Seat Belts	310		310	1,2
Department of Education Office of Elementary and Secondary Education/Pass through from ESD#112	Safe and Drug Free Schools and Communities National Programs	84.184L	7001200019	9,000		9,000	1,2
Department of Transportation Federal Highway Administration (FHWA)/Pass through from WADOT	Highway Planning and Construction	20.205	HPP-0503(021) SR503 Widening	119,077		119,077	1,2
Department of Commerce Economic Development Administration	Community Trade Adjustment Assistance	11.010	07-046-06569 Schurman Way & Guild Road Project		1,004,801	1,004,801	1,2
Department of Agriculture Forest Service/Pass through from WA Dept of Natural Resources Urban & Community Forestry Program	Cooperative Forestry Assistance	10.664	Arbor Day	469		469	1,2
<b>Total Federal Awards Expended</b>				<b>130,233</b>	<b>1,124,308</b>	<b>1,254,541</b>	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**City of Woodland**

MCAG NO. 0271

**NOTES TO THE EXPENDITURES OF FEDERAL AWARDS  
For the Year Ending December 31, 2012**

Note 1 - Basis of Accounting

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

Note 2 - Program Costs

The amounts shown as current year expenditures represent only (federal/state/local) grant portion of the program costs. Entire program costs, including the city portion, may be more than shown.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

Our mission is to work 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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**Chief of Staff**  
**Director of State and Local Audit**  
**Deputy Director of Quality Assurance**  
**Deputy Director of Communications**  
**Local Government Liaison**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Troy Kelley**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Kelly Collins, CPA**  
**Jan M. Jutte, CPA, CGFM**  
**Sadie Armijo**  
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