

Washington State Auditor's Office
Financial Statements Audit Report

City of Palouse
Whitman County

Audit Period
January 1, 2010 through December 31, 2012

Report No. 1010844

Issue Date
December 16, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

December 16, 2013

Mayor and City Council
City of Palouse
Palouse, Washington

Report on Financial Statements

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

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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Whitman County
January 1, 2010 through December 31, 2012**

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Independent Auditor's Report on Internal
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Compliance and Other Matters Based on an
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Standards*

**City of Palouse
Whitman County
January 1, 2010 through December 31, 2012**

Mayor and City Council
City of Palouse
Palouse, 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 Palouse, Whitman County, Washington, as of and for the years ended December 31, 2012, 2011 and 2010, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 21, 2013

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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

November 21, 2013

Independent Auditor's Report on Financial Statements

City of Palouse Whitman County January 1, 2010 through December 31, 2012

Mayor and City Council
City of Palouse
Palouse, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Palouse, Whitman County, Washington, for the years ended December 31, 2012, 2011 and 2010, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 6.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Palouse, for the years ended December 31, 2012, 2011 and 2010, 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 audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information 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 and the Mayor and City Council 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 November 21, 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

November 21, 2013

Financial Section

**City of Palouse
Whitman County
January 1, 2010 through December 31, 2012**

FINANCIAL STATEMENTS

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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 Current Expense	101 Street	103 Cemetery
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	462,710	0	44,197	10,001
30880	Beg Fund Bal-Unreserved	164,956	76,642	0	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	412,831	289,340	80,719	0
320	Licenses & Permits	5,369	5,369	0	0
330	Intergovernmental Revenues	479,625	333,413	120,266	0
340	Charges for Goods and Services	384,517	5,009	1,411	4,020
350	Fines & Penalties	7,594	0	0	0
360	Miscellaneous Revenues	17,272	11,571	163	284
Total Operating Revenues:		1,307,208	644,702	202,559	4,304
Operating Expenditures					
510	General Government	94,816	93,396	0	0
520	Public Safety	244,972	195,969	0	0
530	Utilities And Environment	289,009	3,882	0	17,937
540	Transportation	89,653	0	89,653	0
550	Economic Environment	591	591	0	0
560	Mental & Physical Health	315	315	0	0
570	Culture And Recreation	83,415	83,415	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		802,771	377,568	89,653	17,937
Net Operating Increase (Decrease):		504,437	267,134	112,906	-13,633
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	16,257	2,780	817	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	44,302	0	0	10,000
Total Nonoperating Revenues:		60,559	2,780	817	10,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	11,859	1,859	0	0
591-593	Debt Service	59,845	0	0	0
594-595	Capital Expenditures	438,868	256,310	136,752	110
597	Transfers-Out	44,302	32,802	500	0
Total Nonoperating Expenditures:		554,874	290,971	137,252	110
Increase (Decrease) in Cash and Investments		10,122	-21,057	-23,529	-3,743
Ending Cash and Investments					
50810	End Fund Bal-Reserved	439,685	0	20,666	6,259
50880	End Fund Balance-Unreserved	198,102	55,585	2	-1

The accompanying notes are an integral part of this Statement.

BARS Code		120 Emergency Medical Services	122 Joint Board - Fire & EMS	304 Vehicle & Equipment Rsv	305 Building Maintenance Rsv
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	4,860	0	22,310	78,430
30880	Beg Fund Bal-Unreserved	0	0	0	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
		0			
Operating Revenues					
310	Taxes	23,895	0	0	3,539
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	19,426	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	11	0	53	364
Total Operating Revenues:		23,906	19,426	53	3,903
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	18,351	30,652	0	0
530	Utilities And Environment	0	0	0	4,422
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		18,351	30,652	0	4,422
Net Operating Increase (Decrease):		5,555	-11,226	53	-519
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	17,802	6,000	2,000
Total Nonoperating Revenues:		0	17,802	6,000	2,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	121	6,578	330	658
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		121	6,578	330	658
Increase (Decrease) in Cash and Investments		5,434	-2	5,723	823
Ending Cash and Investments					
50810	End Fund Bal-Reserved	10,295	0	0	79,252
50880	End Fund Balance-Unreserved	-1	-2	28,033	2

The accompanying notes are an integral part of this Statement.

BARS Code		308 Fire Equipment Reserve	310 Sick Leave Reserve	311 Police Car & Equipment	313 EMS Vehicle Reserve
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	5,923	16,409	23,463	24,002
30880	Beg Fund Bal-Unreserved	0	0	0	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	6,520	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	13	41	320	49
Total Operating Revenues:		13	41	6,840	49
Operating Expenditures					
510	General Government	0	1,420	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		0	1,420	0	0
Net Operating Increase (Decrease):		13	-1,379	6,840	49
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	2,660	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	1,000	2,000	0	0
Total Nonoperating Revenues:		1,000	2,000	2,660	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	23,515	5,963
597	Transfers-Out	2,000	0	0	0
Total Nonoperating Expenditures:		2,000	0	23,515	5,963
Increase (Decrease) in Cash and Investments		-987	621	-14,015	-5,914
Ending Cash and Investments					
50810	End Fund Bal-Reserved	4,935	17,030	9,447	18,088
50880	End Fund Balance-Unreserved	0	0	1	0

The accompanying notes are an integral part of this Statement.

BARS Code		315 Park Improvements	401 Water Fund	404 Sewer Fund	730 Cemetery Endowment
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	20,971	66,396	30,552	115,196
30880	Beg Fund Bal-Unreserved	0	59,846	28,468	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	3,539	9,073	2,726	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	203,302	170,775	0
350	Fines & Penalties	0	4,222	3,372	0
360	Miscellaneous Revenues	54	1,109	1,607	1,633
Total Operating Revenues:		3,593	217,706	178,480	1,633
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	148,669	114,099	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		0	148,669	114,099	0
Net Operating Increase (Decrease):		3,593	69,037	64,381	1,633
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	10,000	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	5,500	0
Total Nonoperating Revenues:		0	10,000	5,500	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	10,000	0
591-593	Debt Service	0	12,871	46,974	0
594-595	Capital Expenditures	0	3,562	4,969	0
597	Transfers-Out	0	4,500	4,500	0
Total Nonoperating Expenditures:		0	20,933	66,443	0
Increase (Decrease) in Cash and Investments		3,593	58,104	3,438	1,633
Ending Cash and Investments					
50810	End Fund Bal-Reserved	24,563	99,219	33,102	116,829
50880	End Fund Balance-Unreserved	1	85,127	29,355	0

The accompanying notes are an integral part of this Statement.

City Of Palouse

MCAG #: 0818

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2011

1 Of 6

BARS CODE		Total For All Funds Total Amount	001 - Current Expense Actual Amount	101 - Street Actual Amount
Beginning Cash and Investments:				
308.10	Reserved	488,893.64	0.00	38,948.66
308.80	Unreserved	177,254.03	104,503.96	0.00
	Prior Period Adjustments (388.80 or 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	394,808.60	283,546.13	39,241.23
320	Licenses and Permits	9,988.08	9,988.08	0.00
330	Intergovernmental	212,753.08	100,441.26	27,810.34
340	Charges for Goods and Services	375,696.76	3,094.20	1,773.60
350	Fines and Penalties	7,050.31	0.00	0.00
360	Miscellaneous	14,354.81	9,032.87	130.76
370	Capital Contributions	1,800.00	0.00	0.00
390	Other Financing Sources	31,573.05	0.00	0.00
	Total Revenues and Other Financing Sources	1,048,024.69	406,102.54	68,955.93
<i>Total Resources</i>		<i>1,714,172.36</i>	<i>510,606.50</i>	<i>107,904.59</i>
Operating Expenditures				
510	General Government	93,474.29	92,057.65	0.00
520	Public Safety	254,497.32	207,834.95	0.00
530	Physical Environment	353,841.02	6,380.97	0.00
540	Transportation	81,867.62	0.00	79,106.92
550	Economic Environment	19,000.00	19,000.00	0.00
560	Mental and Physical Health	104.53	104.53	0.00
570	Culture and Recreational	77,938.63	77,938.63	0.00
	Total Operating Expenditures	880,723.41	403,316.73	79,106.92
591-593	Debt Service	3,780.00	0.00	0.00
594-595	Capital Outlay	118,277.55	3,281.99	469.23
	Total Expenditures	1,002,780.96	406,598.72	79,576.15
597-599	Other Financing Uses	31,573.05	26,073.05	500.00
<i>Total Expenditures and Other Financing Uses</i>		<i>1,034,354.01</i>	<i>432,671.77</i>	<i>80,076.15</i>
Excess (Deficit) of Resources Over Uses		679,818.35	77,934.73	27,828.44
380	Nonrevenues (Except 384)	851.12	851.12	0.00
580	Nonexpenditures (Except 584)	53,004.00	2,144.27	0.00
Ending Cash and Investments:				
508.10	Reserved	434,881.24	0.00	0.00
508.80	Unreserved	192,784.23	76,641.58	27,828.44

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #: 0818

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2011

2 Of 6

BARS CODE		102 - Arterial Streets Actual Amount	103 - Cemetery Actual Amount	120 - Emergency Medical Services Actual Amount
Beginning Cash and Investments:				
308.10	Reserved	11,150.81	13,484.42	5,552.17
308.80	Unreserved	0.00	0.00	0.00
	Prior Period Adjustments (388.80 or 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	38,453.13	0.00	16,630.95
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	21,304.00	0.00	0.00
340	Charges for Goods and Services	0.00	5,690.00	0.00
350	Fines and Penalties	0.00	0.00	0.00
360	Miscellaneous	38.64	347.96	13.40
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	0.00	10,000.00	0.00
	Total Revenues and Other Financing Sources	59,795.77	16,037.96	16,644.35
	<i>Total Resources</i>	<i>70,946.58</i>	<i>29,522.38</i>	<i>22,196.52</i>
Operating Expenditures				
510	General Government	0.00	0.00	0.00
520	Public Safety	0.00	0.00	17,336.44
530	Physical Environment	0.00	19,521.51	0.00
540	Transportation	2,760.70	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
	Total Operating Expenditures	2,760.70	19,521.51	17,336.44
591-593	Debt Service	0.00	0.00	0.00
594-595	Capital Outlay	51,817.12	0.00	0.00
	Total Expenditures	54,577.82	19,521.51	17,336.44
597-599	Other Financing Uses	0.00	0.00	0.00
	<i>Total Expenditures and Other Financing Uses</i>	<i>54,577.82</i>	<i>19,521.51</i>	<i>17,336.44</i>
Excess (Deficit) of Resources Over Uses		16,368.76	10,000.87	4,860.08
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.10	Reserved	16,368.76	10,000.87	4,860.08
508.80	Unreserved	0.00	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #: 0818

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2011

3 Of 6

BARS CODE		122 - Joint Board - Fire & EMS	304 - Vehicle & Equipment Rsv	305 - Building Maintenance Rsv
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:				
308.10	Reserved	1,804.40	29,910.34	84,188.82
308.80	Unreserved	0.00	0.00	0.00
	Prior Period Adjustments (388.80 or 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	0.00	0.00	2,716.87
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	56,758.48	0.00	0.00
340	Charges for Goods and Services	0.00	0.00	0.00
350	Fines and Penalties	0.00	0.00	0.00
360	Miscellaneous	0.00	112.04	497.51
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	11,073.05	2,000.00	0.00
	Total Revenues and Other Financing Sources	67,831.53	2,112.04	3,214.38
	<i>Total Resources</i>	<i>69,635.93</i>	<i>32,022.38</i>	<i>87,403.20</i>
Operating Expenditures				
510	General Government	0.00	0.00	0.00
520	Public Safety	29,325.93	0.00	0.00
530	Physical Environment	0.00	0.00	5,129.21
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
	Total Operating Expenditures	29,325.93	0.00	5,129.21
591-593	Debt Service	0.00	0.00	0.00
594-595	Capital Outlay	40,310.00	9,712.58	3,843.66
	Total Expenditures	69,635.93	9,712.58	8,972.87
597-599	Other Financing Uses	0.00	0.00	0.00
	<i>Total Expenditures and Other Financing Uses</i>	<i>69,635.93</i>	<i>9,712.58</i>	<i>8,972.87</i>
Excess (Deficit) of Resources Over Uses		0.00	22,309.80	78,430.33
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.10	Reserved	0.00	22,309.80	78,430.33
508.80	Unreserved	0.00	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #: 0818

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2011

4 Of 6

BARS CODE		308 - Fire Equipment Reserve Actual Amount	310 - Sick Leave Reserve Actual Amount	311 - Police Car & Equipment Actual Amount
Beginning Cash and Investments:				
308.10	Reserved	7,896.51	15,768.60	19,187.83
308.80	Unreserved	0.00	0.00	0.00
	Prior Period Adjustments (388.80 or 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	0.00	0.00	0.00
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	0.00	0.00	6,439.00
340	Charges for Goods and Services	0.00	0.00	0.00
350	Fines and Penalties	0.00	0.00	0.00
360	Miscellaneous	26.10	57.07	79.32
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	0.00	2,000.00	0.00
	Total Revenues and Other Financing Sources	26.10	2,057.07	6,518.32
<i>Total Resources</i>		<i>7,922.61</i>	<i>17,825.67</i>	<i>25,706.15</i>
Operating Expenditures				
510	General Government	0.00	1,416.64	0.00
520	Public Safety	0.00	0.00	0.00
530	Physical Environment	0.00	0.00	0.00
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
	Total Operating Expenditures	0.00	1,416.64	0.00
591-593	Debt Service	0.00	0.00	0.00
594-595	Capital Outlay	0.00	0.00	2,242.68
	Total Expenditures	0.00	1,416.64	2,242.68
597-599	Other Financing Uses	2,000.00	0.00	0.00
	<i>Total Expenditures and Other Financing Uses</i>	<i>2,000.00</i>	<i>1,416.64</i>	<i>2,242.68</i>
Excess (Deficit) of Resources Over Uses		5,922.61	16,409.03	23,463.47
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.10	Reserved	5,922.61	16,409.03	23,463.47
508.80	Unreserved	0.00	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #: 0818

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2011

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BARS CODE		313 - EMS Vehicle Reserve Actual Amount	315 - Park Improvements Actual Amount	401 - Water Fund Actual Amount
Beginning Cash and Investments:				
308.10	Reserved	23,915.30	16,821.60	79,334.35
308.80	Unreserved	0.00	0.00	50,826.70
	Prior Period Adjustments (388.80 or 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	0.00	2,716.87	8,856.11
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	0.00	0.00	0.00
340	Charges for Goods and Services	0.00	0.00	198,189.08
350	Fines and Penalties	0.00	0.00	3,525.16
360	Miscellaneous	86.53	432.30	412.69
370	Capital Contributions	0.00	0.00	800.00
390	Other Financing Sources	0.00	1,000.00	0.00
	Total Revenues and Other Financing Sources	86.53	4,149.17	211,783.04
<i>Total Resources</i>		<i>24,001.83</i>	<i>20,970.77</i>	<i>341,944.09</i>
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	190,828.08
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
	Total Operating Expenditures	0.00	0.00	190,828.08
591-593	Debt Service	0.00	0.00	1,140.15
594-595	Capital Outlay	0.00	0.00	3,565.35
	Total Expenditures	0.00	0.00	195,533.58
597-599	Other Financing Uses	0.00	0.00	1,500.00
<i>Total Expenditures and Other Financing Uses</i>		<i>0.00</i>	<i>0.00</i>	<i>197,033.58</i>
Excess (Deficit) of Resources Over Uses		24,001.83	20,970.77	144,910.51
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	18,668.28
Ending Cash and Investments:				
508.10	Reserved	24,001.83	20,970.77	66,395.99
508.80	Unreserved	0.00	0.00	59,846.24

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #: 0818

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2011

6 Of 6

BARS CODE		404 - Sewer Fund	730 - Cemetery Endowment	
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:				
308.10	Reserved	27,355.79	113,574.04	0.00
308.80	Unreserved	21,923.37	0.00	0.00
	Prior Period Adjustments (388.80 or 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	2,647.31	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	166,949.88	0.00	0.00
350	Fines and Penalties	3,525.15	0.00	0.00
360	Miscellaneous	1,465.64	1,621.98	0.00
370	Capital Contributions	1,000.00	0.00	0.00
390	Other Financing Sources	5,500.00	0.00	0.00
	Total Revenues and Other Financing Sources	181,087.98	1,621.98	0.00
	<i>Total Resources</i>	<i>230,367.14</i>	<i>115,196.02</i>	<i>0.00</i>
Operating Expenditures				
510	General Government	0.00	0.00	0.00
520	Public Safety	0.00	0.00	0.00
530	Physical Environment	131,981.25	0.00	0.00
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
	Total Operating Expenditures	131,981.25	0.00	0.00
591-593	Debt Service	2,639.85	0.00	0.00
594-595	Capital Outlay	3,034.94	0.00	0.00
	Total Expenditures	137,656.04	0.00	0.00
597-599	Other Financing Uses	1,500.00	0.00	0.00
	<i>Total Expenditures and Other Financing Uses</i>	<i>139,156.04</i>	<i>0.00</i>	<i>0.00</i>
Excess (Deficit) of Resources Over Uses		91,211.10	115,196.02	0.00
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	32,191.45	0.00	0.00
Ending Cash and Investments:				
508.10	Reserved	30,551.68	115,196.02	0.00
508.80	Unreserved	28,467.97	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #:

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

1 Of 5

BARS CODE		Total For All Funds Total Amount	001 - Current Expense Actual Amount	101 - Street Actual Amount
Beginning Cash and Investments:		645,686.41	164,968.33	36,835.79
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	367,064.77	259,080.37	36,973.52
320	Licenses and Permits	14,834.70	14,834.70	0.00
330	Intergovernmental	365,507.82	273,347.16	29,893.86
340	Charges for Goods and Services	327,539.85	4,309.10	1,664.75
350	Fines and Penalties	7,335.00	0.00	0.00
360	Miscellaneous	40,346.68	8,859.89	172.99
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	73,510.94	0.00	0.00
Total Revenues and Other Financing Sources		1,196,139.76	560,431.22	68,705.12
<i>Total Resources</i>		<i>1,841,826.17</i>	<i>725,399.55</i>	<i>105,540.91</i>
Operating Expenditures				
510	General Government	81,628.41	80,585.56	0.00
520	Public Safety	251,970.89	201,242.35	0.00
530	Physical Environment	329,020.25	2,241.24	0.00
540	Transportation	65,726.27	0.00	65,726.27
550	Economic Environment	161,072.23	161,072.23	0.00
560	Mental and Physical Health	252.83	252.83	0.00
570	Culture and Recreational	71,652.40	71,652.40	0.00
Total Operating Expenditures		961,323.28	517,046.61	65,726.27
591-593	Debt Service	16,830.79	0.00	0.00
594-595	Capital Outlay	158,921.22	3,632.30	365.98
Total Expenditures		1,137,075.29	520,678.91	66,092.25
597-599	Other Financing Uses	73,068.69	32,943.01	500.00
<i>Total Expenditures and Other Financing Uses</i>		<i>1,210,143.98</i>	<i>553,621.92</i>	<i>66,592.25</i>
Excess (Deficit) of Resources Over Uses		631,682.19	171,777.63	38,948.66
380	Nonrevenues (Except 384)	1,168.02	1,168.02	0.00
580	Nonexpenditures (Except 584)	80,276.58	41,357.35	0.00
Ending Cash and Investments:				
508.80	Unreserved	295,633.15	119,989.12	38,948.66
508.10	Reserved	256,940.48	11,599.18	0.00

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #:

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

2 Of 5

BARS CODE		102 - Special Street Levy Actual Amount	103 - Cemetery Actual Amount	120 - Emergency Medical Services Actual Amount
Beginning Cash and Investments:		18,704.31	11,341.92	30,268.22
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	39,388.00	0.00	16,725.52
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	27,424.69	0.00	0.00
340	Charges for Goods and Services	0.00	7,500.00	0.00
350	Fines and Penalties	0.00	0.00	0.00
360	Miscellaneous	77.49	489.25	88.39
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	0.00	8,000.00	0.00
Total Revenues and Other Financing Sources		66,890.18	15,989.25	16,813.91
<i>Total Resources</i>		<i>85,594.49</i>	<i>27,331.17</i>	<i>47,082.13</i>
Operating Expenditures				
510	General Government	0.00	0.00	0.00
520	Public Safety	0.00	0.00	17,335.44
530	Physical Environment	0.00	13,846.75	0.00
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
Total Operating Expenditures		0.00	13,846.75	17,335.44
591-593	Debt Service	0.00	0.00	0.00
594-595	Capital Outlay	74,443.68	0.00	279.22
Total Expenditures		74,443.68	13,846.75	17,614.66
597-599	Other Financing Uses	0.00	0.00	0.00
<i>Total Expenditures and Other Financing Uses</i>		<i>74,443.68</i>	<i>13,846.75</i>	<i>17,614.66</i>
Excess (Deficit) of Resources Over Uses		11,150.81	13,484.42	29,467.47
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	11,150.81	13,484.42	5,552.17
508.10	Reserved	0.00	0.00	23,915.30

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #:

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

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BARS CODE		122 - Joint Board - Fire & EMS	315 - Park Improvements	401 - Water Fund
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		0.00	13,857.91	168,101.12
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	0.00	2,787.58	6,958.31
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	22,842.11	12,000.00	0.00
340	Charges for Goods and Services	0.00	0.00	160,606.91
350	Fines and Penalties	0.00	0.00	3,667.50
360	Miscellaneous	0.00	22,667.96	5,948.62
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	13,193.01	1,000.00	11,000.00
Total Revenues and Other Financing Sources		36,035.12	38,455.54	188,181.34
<i>Total Resources</i>		<i>36,035.12</i>	<i>52,313.45</i>	<i>356,282.46</i>
Operating Expenditures				
510	General Government	0.00	0.00	0.00
520	Public Safety	33,393.10	0.00	0.00
530	Physical Environment	0.00	0.00	175,942.93
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
Total Operating Expenditures		33,393.10	0.00	175,942.93
591-593	Debt Service	0.00	0.00	1,266.83
594-595	Capital Outlay	837.62	35,491.85	20,743.37
Total Expenditures		34,230.72	35,491.85	197,953.13
597-599	Other Financing Uses	0.00	0.00	15,500.00
<i>Total Expenditures and Other Financing Uses</i>		<i>34,230.72</i>	<i>35,491.85</i>	<i>213,453.13</i>
Excess (Deficit) of Resources Over Uses		1,804.40	16,821.60	142,829.33
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	12,668.28
Ending Cash and Investments:				
508.80	Unreserved	1,804.40	16,821.60	65,958.60
508.10	Reserved	0.00	0.00	64,202.45

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #:

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

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BARS CODE		404 - Sewer Fund	501 - Vehicle And Equipment Reserve	502 - Building Maintenance Reserve
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		59,357.21	44,930.71	82,556.51
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	2,363.88	0.00	2,787.59
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	0.00	0.00	0.00
340	Charges for Goods and Services	153,459.09	0.00	0.00
350	Fines and Penalties	3,667.50	0.00	0.00
360	Miscellaneous	1,459.82	113.72	421.48
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	33,875.68	3,442.25	1,000.00
Total Revenues and Other Financing Sources		194,825.97	3,555.97	4,209.07
<i>Total Resources</i>		<i>254,183.18</i>	<i>48,486.68</i>	<i>86,765.58</i>
Operating Expenditures				
510	General Government	0.00	0.00	0.00
520	Public Safety	0.00	0.00	0.00
530	Physical Environment	136,989.33	0.00	0.00
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
Total Operating Expenditures		136,989.33	0.00	0.00
591-593	Debt Service	15,563.96	0.00	0.00
594-595	Capital Outlay	1,974.10	18,576.34	2,576.76
Total Expenditures		154,527.39	18,576.34	2,576.76
597-599	Other Financing Uses	24,125.68	0.00	0.00
<i>Total Expenditures and Other Financing Uses</i>		<i>178,653.07</i>	<i>18,576.34</i>	<i>2,576.76</i>
Excess (Deficit) of Resources Over Uses		75,530.11	29,910.34	84,188.82
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	26,250.95	0.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	21,923.37	0.00	0.00
508.10	Reserved	27,355.79	29,910.34	84,188.82

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #:

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

5 Of 5

BARS CODE		503 - Sick Leave Reserve		
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		14,764.38	0.00	0.00
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	0.00	0.00	0.00
320	Licenses and Permits	0.00	0.00	0.00
330	Intergovernmental	0.00	0.00	0.00
340	Charges for Goods and Services	0.00	0.00	0.00
350	Fines and Penalties	0.00	0.00	0.00
360	Miscellaneous	47.07	0.00	0.00
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	2,000.00	0.00	0.00
Total Revenues and Other Financing Sources		2,047.07	0.00	0.00
<i>Total Resources</i>		<i>16,811.45</i>	<i>0.00</i>	<i>0.00</i>
Operating Expenditures				
510	General Government	1,042.85	0.00	0.00
520	Public Safety	0.00	0.00	0.00
530	Physical Environment	0.00	0.00	0.00
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
Total Operating Expenditures		1,042.85	0.00	0.00
591-593	Debt Service	0.00	0.00	0.00
594-595	Capital Outlay	0.00	0.00	0.00
Total Expenditures		1,042.85	0.00	0.00
597-599	Other Financing Uses	0.00	0.00	0.00
<i>Total Expenditures and Other Financing Uses</i>		<i>1,042.85</i>	<i>0.00</i>	<i>0.00</i>
Excess (Deficit) of Resources Over Uses		15,768.60	0.00	0.00
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	0.00	0.00	0.00
508.10	Reserved	15,768.60	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #:

STATEMENT C-5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

1 Of 2

BARS CODE		Total For All Funds	631 - Claims Clearing	632 - Payroll Clearing
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		111,790.00	0.00	0.00
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Total Revenues and Other Financing Sources		1,784.04	0.00	0.00
<i>Total Resources</i>		<i>113,574.04</i>	<i>0.00</i>	<i>0.00</i>
<i>Total Expenditures and Other Financing Use</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Excess (Deficit) of Resources Over Uses		113,574.04	0.00	0.00
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	0.00	0.00	0.00
508.10	Reserved	113,574.04	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Palouse

MCAG #:

STATEMENT C-5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

2 Of 2

BARS CODE		730 - Cemetery Restricted Endowment Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments:		111,790.00	0.00	0.00
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Total Revenues and Other Financing Sources		1,784.04	0.00	0.00
<i>Total Resources</i>		<i>113,574.04</i>	<i>0.00</i>	<i>0.00</i>
<i>Total Expenditures and Other Financing Use</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Excess (Deficit) of Resources Over Uses		113,574.04	0.00	0.00
380	Nonrevenues (Except 384)	0.00	0.00	0.00
580	Nonexpenditures (Except 584)	0.00	0.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	0.00	0.00	0.00
508.10	Reserved	113,574.04	0.00	0.00

The accompanying notes are an integral part of this Statement

CITY OF PALOUSE - NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 2012

Note 1 - Summary of Significant Accounting Policies

The City of Palouse 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 Palouse (City) was incorporated on May 3, 1890 and operates under the laws of the state of Washington applicable to a second class city. The City is a general purpose government and provides public safety, fire protection, street improvements, parks and recreation, and general administrative services. The City owns and operates a water system, sewer system, cemetery, and RV park. 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:

GOVERNMENTAL FUND TYPES:

General (Current Expense) 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

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City. For the 2012 financial statements roll-up fund 101 includes 101, and managerial fund 102.

Debt Service Funds

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

Capital Projects Funds

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

Permanent Funds

This fund accounts for financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support city cemetery.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. For the 2012 financial statements roll-up fund 401 includes 401, and managerial funds 410, 411, and 412. Also, roll-up fund 404 includes 404, and managerial funds 403, 440, and 441. Any transfers within the managerial water funds and within the managerial sewer funds were eliminated for reporting purposes.

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

Fund	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense	1,257,912.00	668,533.81	589,378.19
101 - Street			
Street	96,160.00	84,038.66	12,121.34
Arterial Streets	142,900.00	142,867.97	32.03
Total 101 - Street	239,060.00	226,906.63	12,153.37
103 - Cemetery	21,050.00	18,045.93	3,004.07
120 - Emergency Medical Svcs	19,725.00	18,470.62	1,254.38
122 - Joint Board - Fire & EMS	46,895.00	37,227.44	9,667.56
304 - Vehicle & Equipment Rsv	5,000.00	330.01	4,669.99
305 - Building Maintenance Rsv	19,400.00	5,081.25	14,318.75
308 - Fire Equipment Reserve	2,000.00	2,000.00	
310 - Sick Leave Reserve	1,500.00	1,419.84	80.16
311 - Police Car & Equipment	25,000.00	23,515.84	1,484.16
313 - EMS Vehicle Reserve	6,000.00	5,963.07	36.93
315 - Park Improvements	7,700.00		7,700.00
401 - Water Fund			
Water Fund	169,785.00	164,144.37	5,640.63
Water Capital Improvement	11,900.00	584.27	11,315.73
Pump Maintenance Reserve	15,000.00		15,000.00
Water System Reserve	19,850.00	12,871.74	6,978.26
Total 401 - Water Fund	216,535.00	177,600.38	38,934.62
404 - Sewer Fund			
WW Sewer Facility Upgrade	18,700.00	18,625.68	74.32
Sewer Fund	146,450.00	139,655.13	6,794.87
Sewer Capital Improvement	15,350.00	6,700.23	8,649.77
Sewer Facility Reserve	42,270.00	34,189.64	8,080.36
Total 404 - Sewer Fund	222,770.00	199,170.68	23,599.32
Totals	2,090,547.00	1,384,265.50	706,281.50

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:

Budgeted amounts are authorized to be transferred between funds; 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.

In 2012 there were three ordinances passed amending the 2012 budget. Ordinance No. 897 increased both revenue and expenditure budget by \$827,672 in the General Fund to include the Brownfields cleanup project. Ordinance No. 900 increased the expenditure budget by \$6,000 in the EMS Vehicle fund for the purchase of a response vehicle. Ordinance No. 901 increased the expenditure budget by \$8,000 in Sewer Facility for improvements to the sewer plant.

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 prorated to the various funds.

The City deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 3, *Investments*.

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 1 year. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 160 days and is payable upon separation or retirement. Sick leave may be accumulated up to 896 hours with a maximum of 800 carried over into the next year and 96 hours, at 25% of value, going into a health reimbursement account of which all employees are participating. Upon separation or retirement employees do receive payment for unused sick leave.

I. Long-Term Debt See Note 6, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of Capital Expenditures and Operating Transfers, which are transfers in and out of funds.

K. Risk Management

The City of Palouse is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool of organization for the joint purchasing of insurance, and/or joint self insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Government 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 automobiles 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 pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the pool. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims 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 Balance

Based on City ordinances and/or resolutions, legal requirements by lending agencies, and the nature of the funds, year-end reserved balances are recognized.

Note 2 - Investments

The City's investments are insured, registered or held by the City or its agent in the City's name. Investments are presented at cost.

Investments by type at December 31, 2012 are as follows:

<u>Type of Investment</u>	Investments held by City of Palouse's own Investment
Local Government Investment Pool	\$381,962.10
TOTAL INVESTMENTS	\$381,962.10

Note 3 - Property Tax

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

Property tax revenues are recognized when cash is received by the 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 2012 was \$2.465 per \$1,000 on an assessed valuation of \$48,553,338 for a total regular levy of \$119,686.

Note 4 - Interfund Loans

The following table displays interfund loan activity during 2012:

Borrowing Fund	Lending Fund	Balance 1/1/2012	New Loans	Repayments	Balance 12/31/2012
Sewer Capital Improvement 440	Water System Reserve 412	40,000	0	10,000	30,000
	TOTALS	40,000	0	10,000	30,000

Note 5 – 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 year ended December 31, 2012.

The future debt service requirements for general obligation bonds, revenue bonds including both principle and interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2013	15,563.96	31,378.24	0.00	46,942.20
2014	7,781.98	31,259.06	0.00	39,041.04
2015	0.00	31,139.87	0.00	31,139.87
2016	0.00	21,707.90	0.00	21,707.90
2017	0.00	12,275.83	0.00	12,275.83
2018 -2022	0.00	24,194.10	0.00	24,194.10
TOTALS	23,345.94	151,955.00	0.00	175,300.94

Note 6 - Pension Plans

Only full-time City of Palouse police officers participate in LEOFF II administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

Note 7 - Other Disclosures

On January 15, 2010, the Office of Financial Management (OFM) issued a cease and desist order against the Cities Insurance Association of Washington (CIAW). This order was issued based upon a projected funding shortfall for potential unpaid claims liabilities for the fiscal years 2003-2007. On February 25, 2010, the CIAW submitted a plan to OFM to address the concerns raised in the cease and desist order. Included in the plan was a reassessment of \$986,214 to be charged back to all participating cities during

the years in question. Each city will have 5 years to repay their proportionate share of the reassessment. October 28, 2010, the city was notified its annual assessment for 5 years would be \$1,547.18 which is expensed to insurance annually and is not considered as having a material impact on the financial statement. The final payment will be made in November 2014.

In 2008 the City of Palouse extended sewer service to Breeding's Addition. It was funded through connection fees, a loan from AmericanWest Bank and Interfund loans. The only debt remaining from this extension is an interfund loan as stated in Note 5. The maturity date of the interfund loan from Water System Reserve fund is May 30, 2014 as set in Resolution No. 2012-03.

The City of Palouse and Whitman County Rural Fire District 4 participate in an Interlocal agreement to establish and operate a joint fire department to provide fire protection and emergency medical services to the residents of both the city and the rural district. This agreement has been established since September 1997 and amended from time to time. The full agreement may be viewed at Palouse City Hall during regular business hours.

In May 2008 the City of Palouse entered into a contract to provide police services to the Town of Garfield. The term of the most current contract is Jan. 1, 2011 through December 31, 2013. The full contract may be viewed at Palouse City Hall during regular business hours.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Palouse 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 Palouse was incorporated on May 3, 1890 and operates under the laws of the state of Washington applicable to a second class city with a mayor-council form of government. The City of Palouse is a general purpose government and provides public safety, fire protection, street improvements, parks and recreation, and general administrative services. The city owns and operates a water system, sewer system, cemetery, and RV Park. The City of Palouse uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Palouse 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 (Current Expense) Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

Permanent Funds

This fund accounts for financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the city cemetery

PROPRIETARY FUND TYPES:

Enterprise Funds

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

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, 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 of Palouse adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense	480,298.00	434,729.97	45,568.03
101 - Street	82,950.00	80,076.15	2,873.85
102 - Arterial Streets	72,500.00	54,577.82	17,922.18
103 - Cemetery	22,100.00	19,521.51	2,578.49
120 - Emergency Medical Services	19,780.00	17,336.44	2,443.56
122 - Joint Board - Fire & EMS	83,741.00	69,635.93	14,105.07
304 - Vehicle & Equipment Rsv	13,700.00	9,712.58	3,987.42
305 - Building Maintenance Rsv	69,000.00	9,058.94	59,941.06
308 - Fire Equipment Reserve	2,000.00	2,000.00	
310 - Sick Leave Reserve	1,500.00	1,416.64	83.36
311 - Police Car & Equipment			
Police Car Reserve	18,000.00	16,430.05	1,569.95
Police Equipment Reserve	5,000.00	9,276.10	-4,276.10
Total 311 - Police Car & Equipment	23,000.00	25,706.15	-2,706.15
315 - Park Improvements	7,000.00		7,000.00
401 - Water Fund			
Water Capital Improvement	13,250.00	34,119.23	-20,869.23
Pump Maintenance Reserve	15,000.00	18,189.11	-3,189.11
Water System Reserve Fund	59,970.00	61,104.34	-1,134.34
Water Fund	188,970.00	174,685.17	14,284.83
Total 401 - Water Fund	277,190.00	288,097.85	-10,907.85
404 - Sewer Fund			
Sewer Capital Improvement	11,250.00	15,646.71	-4,396.71
Sewer Facility Reserve Fund	34,270.00	56,227.91	-21,957.91
WW Sewer Facility Upgrade	18,700.00	18,625.68	74.32
Sewer Fund	140,470.00	130,024.55	10,445.45
Total 404 - Sewer Fund	204,690.00	220,524.85	-15,834.85

Budgeted amounts are authorized to be transferred between funds; 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 Council.

There were five funds within the Chart of Accounts for the City of Palouse coded as Capital Project funds (300 series) which are required by the state to be coded as Enterprise funds (400 series). In order to make this transition, the ending balances had to be “transferred” from the old fund number to the new fund number effective 12/31/2011. In doing so, it appears that these funds are over budget for 2011. The character of the funds did not change in any way, only the fund numbers. The chart below shows what the appropriated, actual and variance would be without these transfers that essentially moved the ending balance into the same fund. Also, as authorized by Ordinance No. 893, a new fund was opened “Police Car & Equipment”, which combines two separate funds “Police Car Reserve” and “Police Equipment Reserve”. Ordinance No. 895 closes these two separate funds and allows the transfer of all assets to the new combined fund. While an actual budget amendment ordinance was not done, the transfer of balances on Dec. 31, 2011 was approved through Ordinance No. 895.

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense	480,298.00	434,729.97	45,568.03
101 - Street	82,950.00	80,076.15	2,873.85
102 - Arterial Streets	72,500.00	54,577.82	17,922.18
103 - Cemetery	22,100.00	19,521.51	2,578.49
120 - Emergency Medical Services	19,780.00	17,336.44	2,443.56
122 - Joint Board - Fire & EMS	83,741.00	69,635.93	14,105.07
304 - Vehicle & Equipment Rsv	13,700.00	9,712.58	3,987.42
305 - Building Maintenance Rsv	69,000.00	9,058.94	59,941.06
308 - Fire Equipment Reserve	2,000.00	2,000.00	0.00
310 - Sick Leave Reserve	1,500.00	1,416.64	83.36
311 - Police Car & Equipment			
Police Car Reserve	18,000.00	0.00	18,000.00
Police Equipment Reserve	5,000.00	2,242.68	2,757.32
Total 311 - Police Car & Equipment	23,000.00	2,242.68	20,757.32
315 - Park Improvements	7,000.00	0.00	7,000.00
401 - Water Fund			
Water Capital Improvement	13,250.00	7,208.26	6,041.74
Pump Maintenance Reserve	15,000.00	0.00	15,000.00
Water System Reserve Fund	59,970.00	39,808.43	20,161.57
Water Fund	188,970.00	174,685.17	14,284.83
Total 401 - Water Fund	277,190.00	221,701.86	55,488.14
404 - Sewer Fund			
Sewer Capital Improvement	11,250.00	7,133.31	4,116.69
Sewer Facility Reserve Fund	34,270.00	34,189.63	80.37
WW Sewer Facility Upgrade	18,700.00	18,625.68	74.32
Sewer Fund	140,470.00	130,024.55	10,445.45
Total 404 - Sewer Fund	204,690.00	189,973.17	14,716.83

d. Cash

It is the City of Palouse’s policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash

transactions. The interest on these investments is prorated to the various funds.

e. Deposits

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

f. Investments See Investment Note No. 3.

g. Capital Assets

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

h. Compensated Absences

Vacation leave may be accumulated up to 160 hours and is payable upon separation or retirement.

Sick leave may be accumulated 896 hours with 800 carried over into the next year and 96 hours, at 25% of value, going into a medical reimbursement plan of which all employees are participating. Upon separation or retirement employees do receive payment for unused sick leave.

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

j. Other Financing Sources or Uses

The City of Palouse's *Other Financing Sources or Uses* consist of Capital Expenditures and Operating Transfers, which are transfers in and out of funds.

k. Risk Management

The City of Palouse is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool of organization for the joint purchasing of insurance, and/or joint self insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Government Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2011, there are 254 members in the pool.

The pool provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobiles comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, are included to fit members' various needs.

The pool acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self insured retention of \$100,000. Members are responsible for the first \$1,000 of the deductible portion of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the self insured retention. The pool also purchases a Stop Loss Policy with a limit of \$2,545,000 to cap the total claims paid by the pool 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 pool 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 pool self insured retention of this coverage.

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the pool. The pool has no employees, but has contracted with a third-party administrator, Canfield, to perform the daily administration of the pool, including underwriting, brokerage, account education, risk management, and claims administration.

1. Reserved Fund Balance

Based on City's ordinances and/or resolutions, legal requirements by lending agencies, and the nature of the funds, year-end reserved fund balances were recognized.

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 of Palouse.

There were five funds within the Chart of Accounts for the City of Palouse coded as Capital Project funds (300 series) which are required by the state to be coded as Enterprise funds (400 series). In order to make this transition, the ending balances had to be "transferred" from the old fund number to the new fund number effective 12/31/2011. In doing so, it appears that these funds are over budget for 2011. The character of the funds did not change in any way, only the fund numbers. The chart below shows what the appropriated, actual and variance would be without these "transfers". Also, as authorized by Ordinance No. 893, a new fund was opened "Police Car & Equipment", which combines two separate funds "Police Car Reserve" and "Police Equipment Reserve". Ordinance No. 895 closes these two separate funds and allows the transfer of all assets to the new combined fund. While an actual budget amendment ordinance was not done, the transfer of balances on Dec. 31, 2011 was approved through Ordinance No. 895.

NOTE 3 - INVESTMENTS

The City of Palouse's investments are insured, registered or held by the city or its agent in the city's name. Investments are presented at cost.

Investments by type at December 31, 2011 are as follows:

<u>Type of Investment</u>	<u>City of Palouse's own Investment</u>
Local Government Investment Pool	\$457,747.61
TOTAL INVESTMENTS	\$457,747.61

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

The City of Palouse's regular levy for the year 2011 was \$2.402 per \$1,000 on an assessed valuation of \$48,553,338 for a total regular levy of \$116,628.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2011:

Borrowing Fund	Lending Fund	Balance 1/1/2011	New Loans	Repayments	Balance 12/31/2011
Sewer Capital Improvement 440	Water System Reserve 412	\$40,000	\$ -0-	\$ -0-	\$40,000
	Totals	\$40,000	\$ -0-	\$ -0-	\$40,000

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liability of the City of Palouse and summarizes the City’s debt transactions for 2011. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2011	\$ 21,868.19	\$ 38,434.11	\$ -0-	\$ 60,302.30
2012	33,277.87	31,497.42	-0-	64,775.29
2013	15,563.96	31,378.24	-0-	46,942.20
2014	7,781.98	31,259.06	-0-	39,041.04
2015	-0-	31,139.87	-0-	31,139.87
2016	-0-	21,707.90	-0-	21,707.90
2017 - 2021	-0-	36,469.93	-0-	36,469.93
Totals	\$ 78,492.00	\$ 221,886.53	\$	\$ 300,378.53

NOTE 7 - PENSION PLANS

Only full-time City of Palouse police officers participate in LEOFF II administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

NOTE 8 - OTHER DISCLOSURES

On January 15, 2010, the Office of Financial Management (OFM) issued a cease and desist order against the Cities Insurance Association of Washington (CIAW). This order was issued based upon a projected funding shortfall for potential unpaid claims liabilities for the fiscal years 2003-2007. On February 25, 2010, the CIAW submitted a plan to OFM to address the concerns raised in the cease and desist order. Included in the plan was a reassessment of \$986,214 to be charged back to all participating cities during the years in question. Each city will have 5 years to repay their proportionate share of the reassessment. October 28, 2010, the city was notified its annual assessment for 5 years would be \$1,547.18 which is expensed to insurance annually and is not considered as having a material impact on the financial statements.

In 2008 the City of Palouse extended sewer service to Breeding's Addition. It was funded through connection fees, a loan from AmericanWest Bank and Interfund loans. The only debt remaining from this extension is an interfund loan as stated in Note 5. The maturity date of the interfund loan from Water System Reserve fund is May 30, 2014.

The City of Palouse and Whitman County Rural Fire District 4 participate in an Interlocal agreement to establish and operate a joint fire department to provide fire protection and emergency medical services to the residents of both the city and the rural district. This agreement has been established since September 1997 and amended from time to time. The full agreement may be viewed at Palouse City Hall during regular business hours.

In May 2008 the City of Palouse entered into a contract to provide police services to the Town of Garfield. The term of the most current contract is Jan. 1, 2011 through December 31, 2013. The full contract may be viewed at Palouse City Hall during regular business hours.

CITY OF PALOUSE – NOTES TO FINANCIAL STATEMENTS – YEAR ENDED 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Palouse 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 Palouse was incorporated on May 3, 1890 and operates under the laws of the state of Washington applicable to a second class city with a mayor-council form of government. The City of Palouse is a general purpose government and provides public safety, fire protection, street improvements, parks and recreation, and general administrative services. The city owns and operates a water system, sewer system, cemetery, and RV Park. The City of Palouse uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Palouse 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 (Current Expense) Fund (001)

This fund is the primary operating fund of the City's. It accounts for all financial resources except those required or elected to be accounted for in another fund. For the 2010 roll-up this fund includes 198, 306, 307, 308, 312, 314 and 323.

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. For the 2010 roll-up these funds include 303. Fund 198 CDBG closed, effective 12/31/2010.

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.

In 2010 the City of Palouse maintained 17 funds in this series. For the 2010 roll-up, only one fund stands alone (315 Park Improvements). Four of these funds closed effective 12/31/2010 – 303 Cemetery Reserve; 312 Contingency Reserve; 314 Insurance Contingency and 323 Public Safety Building. In 2011 the city will be working toward redefining these funds and making changes accordingly.

Permanent Fund (730)

This fund accounts for financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's cemetery. For 2010 roll-up this fund includes 630. For accounting reasons, a permanent number change will be effective 1/1/2011.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. For the 2010 roll-up 401 Water includes 301, 309 and 316; 404 Sewer includes 321, 322 and 403.

Three funds of the city numbered as Capital Project funds do not meet the definition and are being reported as Internal Service funds. The change will become permanent on January 1, 2012. These funds are - 304 Vehicle & Equipment Reserve changing to 501; 305 Building Maintenance Reserve changing to 502; 310 Sick Leave Reserve changing to 503.

FIDUCIARY FUND TYPES:

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

Agency Funds (600-699)

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

The city has maintained fund 630 as an Agency fund when it is actually defined as a Permanent fund. For accounting reasons, a permanent number change will be effective 1/1/2011.

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 General Fund	\$ 518,165.00	\$ 450,227.16	\$ 67,937.84
101 Street Fund	\$ 83,450.00	\$ 66,592.25	\$ 16,857.75
102 Special Street Levy Fund	\$ 74,720.00	\$ 74,443.68	\$ 276.32
103 Cemetery Fund	\$ 16,725.00	\$ 13,846.75	\$ 2,878.25
120 Emergency Medical	\$ 23,210.00	\$ 19,614.66	\$ 3,595.34
122 Joint Board Fire & EMS	\$ 87,520.00	\$ 34,230.72	\$ 53,289.28
198 CDBG	\$ 188,815.00	\$ 188,800.32	\$ 14.68
301 Water Capital Improvement	\$ 21,400.00	\$ 12,924.90	\$ 8,475.10
303 Cemetery Reserve Fund	\$ 6,525.00	\$ 6,523.33	\$ 1.67
304 Vehicle & Equipment Reserve	\$ 25,000.00	\$ 18,576.34	\$ 6,423.66
305 Building Maintenance Reserve	\$ 64,000.00	\$ 2,576.76	\$ 61,423.24
306 Police Car Reserve	\$ 5,000.00	\$ 0.00	\$ 5,000.00
307 Police Equipment Reserve	\$ 5,000.00	\$ 1,744.77	\$ 3,255.23

308 Fire Equipment Reserve	\$ 2,960.00	\$ 0.00	\$ 2,960.00
309 Pump Maintenance Reserve	\$ 20,000.00	\$ 16,037.90	\$ 3,962.10
310 Sick Leave Reserve	\$ 1,500.00	\$ 1,042.85	\$ 457.15
312 Contingency Reserve	\$ 5,360.00	\$ 5,355.05	\$ 4.95
314 Insurance Contingency Reserve	\$ 1,840.00	\$ 1,832.73	\$ 7.27
315 Park Improvements	\$ 43,000.00	\$ 35,491.85	\$ 7,508.15
316 Water System Reserve	\$ 21,970.00	\$ 13,935.11	\$ 8,034.89
321 Sewer Capital Improvement	\$ 41,100.00	\$ 17,891.79	\$ 23,208.21
322 Sewer Facility Reserve	\$ 39,270.00	\$ 39,189.64	\$ 80.36
323 Public Safety Building	\$ 450.00	\$ 449.04	\$ 0.96
401 Water Fund	\$ 211,770.00	\$ 183,223.50	\$ 28,546.50
403 WW Sewer Facility Upgrade	\$ 18,700.00	\$ 18,625.68	\$ 74.32
404 Sewer Fund	\$ 143,880.00	\$ 129,196.91	\$ 14,683.09
TOTAL ALL FUNDS	\$ 1,671,330.00	\$ 1,352,373.69	\$ 318,956.31

Budgeted amounts are authorized to be transferred between funds; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Palouse's legislative body.

d. Cash

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

e. Deposits

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

f. Investments - See Investment Note No. 3.

g. Capital Assets

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

h. Compensated Absences

Vacation leave may be accumulated up to 160 hours (depending of years of employment) and is payable upon separation or retirement.

Sick leave may be accumulated up to 896 hours, but only 800 hours can be carried over into the next year. This unused sick leave is payable at year end at 25% of value. Upon separation or retirement employees do receive payment for unused sick leave at 25% of value.

The city has adopted the HRA VEBA Medical Reimbursement Plan and made it available to all full-time employees through bargaining groups within city staff. Through a Memorandum of Understanding the bargaining group "Public Works" has selected funding sources that include a combination of individual contributions and payments at year end and upon retirement.

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

j. Other Financing Sources or Uses

The City of Palouse's *Other Financing Sources or Uses* consist of Capital Expenditures and Operating Transfers, which are transfers in and out between funds.

k. Risk Management – Participation in Insurance Pool

The City of Palouse is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2010, the CIAW had 88 regular members and 180 associate members. Effective September 1, 2010, all members of the CIAW are full members.

The pool provides the following form of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts are included to fit members' various needs.

The pool acquires liability insurance through Munich Reinsurance America that is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. The Insurance carrier covers insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool also purchases a Stop Loss Policy in the amount of \$3,200,000 to cap the total claims paid by the pool in any one year.

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

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

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-progress claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership for three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the pool. The pool has no employees, but has contracted with a third-party administrator, Canfield, to perform the daily administration of the pool, including account education, risk management and loss control, and claims administration.

l. Reserved Fund Balance

The city has separate reserve funds that were rolled up into their main funds for the 2010 Annual Report. See Note 1a. Based upon City of Palouse ordinances and/or resolutions and legal requirements by lending agencies, year-end reserved fund balances were recognized.

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 of Palouse.

Differences between 2009 Ending Cash & Investment balances and 2010 Beginning Cash & Investment balances – Although the 2009 ending cash and investment balance for several funds appears to not match the beginning balance for 2010, the actual difference in the total of all funds is zero, because of the roll-up. An adjustment was done

between funds 401 and 404 at the end of 2009. After the 2009 Annual Report was certified and sent, this adjustment was duplicated in error, and was not discovered until the end of 2010. This entry reduced the beginning balance for 401 by \$1,220 and increased the beginning balance in 404 by \$1,220. An adjustment was done dated 12/31/10 which reversed this duplicated entry.

2009 Fund #	2009 Ending Balance	2010 Fund #	2010 Beginning Balance	Difference
001	171,206.58	001	164,968.33	6,238.25
101	36,835.79	101	36,835.79	0.00
102	18,704.31	102	18,704.31	0.00
103	11,341.92	103	11,341.92	0.00
120	30,268.22	120	30,268.22	0.00
122	0.00	122	0.00	0.00
304	44,930.71			44,930.71
305	82,556.51			82,556.51
310	14,764.38			14,764.38
312	5,343.00			5,343.00
314	1,828.61			1,828.61
		315	13,857.91	(13,857.91)
323	448.05			448.05
401	169,321.12	401	168,101.12	1,220.00
404	58,137.21	404	59,357.21	(1,220.00)
		501	44,930.71	(44,930.71)
		502	82,556.51	(82,556.51)
		503	14,764.38	(14,764.38)
630	11,790.00			11,790.00
		730	11,790.00	(11,790.00)
	657,476.41		657,476.41	0.00

NOTE 3 - INVESTMENTS

The City of Palouse’s investments are either insured, registered or held by the city or its agent in the city’s name.

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

<u>Type of Investment</u>	<u>City of Palouse’s own Investment</u>
Local Government Investment Pool	\$484,036.15
TOTAL INVESTMENTS	\$484,036.15

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

The City of Palouse’s regular levy for the year 2010 was \$2.250 per \$1,000 on an assessed valuation of \$47,520,032 for a total regular levy of \$106,913.41.

NOTE 5 - INTERFUND LOANS AND ADVANCES

Through Resolution 2010-17, Council authorized changes to the terms of the following interfund loans that were authorized by Resolution No. 2007-07. The following table displays interfund loan activity during 2010:

<u>Borrowing</u> <u>Fund</u>	<u>Lending</u> <u>Fund</u>	<u>Balance</u> <u>1/1/2010</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2010</u>
321	001	\$10,000	\$ 0	\$ Forgiven	\$ - 0 -
321	198	\$50,000	\$ 0	\$ Forgiven	\$ - 0 -
321	316	\$40,000	\$ 0	\$ 0	\$ 40,000
	TOTALS	\$100,000	\$ 0	\$ 0	\$ 40,000

NOTE 6 - LONG-TERM DEBT

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

	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Revenue</u> <u>Bonds</u>	<u>Total</u> <u>Debt</u>
2010	\$64,101.80	\$32,560.79	\$96,662.59
2011	\$30,735.52	\$32,434.11	\$63,169.63
2012	\$24,526.53	\$32,307.42	\$56,833.95
2013	\$15,563.96	\$32,180.73	\$47,744.69
2014	\$ 7,781.98	\$32,054.06	\$39,836.04
2015	\$ -0-	\$31,927.37	\$31,927.37
2016 – 2020	\$ -0-	\$61,252.84	\$61,252.84
	_____	_____	_____
TOTALS	\$142,709.79	\$254,717.32	\$397,427.11

NOTE 7 - PENSION PLANS

Only full-time City of Palouse police officers participate in LEOFF II administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

NOTE 8 - OTHER DISCLOSURES

The Council and the Clerk-Treasurer for the City of Palouse continues to understand that reporting requirements are changing and will continue to reclassify funds.

On January 15, 2010, the Office of Financial Management (OFM) issued a cease and desist order against the Cities Insurance Association of Washington (CIAW). This order was issued based upon a projected funding shortfall for potential unpaid claims liabilities for the fiscal years 2003-2007. On February 25, 2010, the CIAW submitted a plan to OFM to address the concerns raised in the cease and desist order. Included in the plan was a reassessment of \$986,214 to be charged back to all participating cities during the years in question. Each city will have 5 years to repay their proportionate share of the reassessment. October 28, 2010, the city was notified its annual assessment for 5 years would be \$1,547.18 which is expensed to insurance annually and is not considered as having a material impact on the financial statements.

In 2008 the City of Palouse extended sewer service to Breeding's Addition. It was funded through connection fees, a loan from AmericanWest Bank and Interfund loans. In 2010, the city council approved making a \$40,000 principal payment from the General Fund (001) for the AmericanWest Loan. Also, in 2010 council adopted Resolution 2010-17 authorizing changes to the interfund loans which include - \$10,000 borrowed from Current Expense was forgiven; \$40,000 borrowed from CDBG was forgiven; maturity date of the interfund loan from Water System Reserve fund extended 3 years (May 30, 2014) and it's interest rate was reduced from 5% to 1%.

The City of Palouse and Whitman County Rural Fire District 4 participate in an Interlocal agreement to establish and operate a joint fire department to provide fire protection and emergency medical services to the residents of both the city and the rural district. This agreement has been established since September 1997 and amended from time to time. The full agreement may be viewed at Palouse City Hall during regular business hours.

In May 2008 the City of Palouse entered into a contract to provide police services to the Town of Garfield. The term of the most current contract is Jan. 1, 2011 through December 31, 2013. The full contract may be viewed at Palouse City Hall during regular business hours.

City of Palouse

Schedule of Liabilities

For the year ended December 31, 2012

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
General Obligations								
	263.98	BIAS Purchase Agreement	1/31/2012	5,663	0	5,663		0
	259.11	Compensated Absences	12/31/2012	24,383	0	561		23,822
	263.96	Local Program Equipment	6/1/2014	36,534	0	14,152	58235	22,382
	263.61	AmericanWest Bank	1/15/2012	12,000	0	12,000	58235	0
		Total General Obligations:		78,580	0	32,376		46,204
Revenue Obligations								
	263.82	Public Works Trust Fund	12/1/2019	95,346	0	11,918	58234	83,428
	263.82	State Revolving Fund	1/30/2016	83,816	0	18,626	58235	65,190
	259.12	Compensated Absences Enerprise	12/31/2012	7,832	603	0		8,435
		Total Revenue Obligations:		186,994	603	30,544		157,053
		Total Liabilities:		265,574	603	62,920		203,257

City of Palouse

Schedule of Liabilities

For the year ended December 31, 2011

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2011
General Obligations								
	263.91	BIAS Purchase Agreement	1/31/2012	11,325	0	5,663		5,662
	259.11	Compensated Absences	12/31/2011	21,502	2,881	0		24,383
	263.96	Local Program Equipment	6/1/2014	50,100	0	13,566	58235	36,534
		Total General Obligations:		82,927	2,881	19,229		66,579
Revenue Obligations								
	263.82	Public Works Trust Fund	12/1/2019	114,015	0	18,668	58234	95,347
	263.62	AmericanWest Bank	1/15/2012	12,000	0	0	58235	12,000
	263.82	State Revolving Fund	1/30/2016	102,441	0	18,626	58235	83,815
	259.12	Compensated Absences	12/31/2011	7,421	411	0		7,832
		Total Revenue Obligations:		235,877	411	37,294		198,994
		Total Liabilities:		318,804	3,292	56,523		265,573

CITY OF PALOUSE
Long-Term Debt Schedule
For Year Ended
December 31, 2010

ID. No.	Description	Date of Original Issue	1			2			3		
			Beginning Balance 1/1/2010	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance Debt 12/31/2010 (1)+(2)-(3)				
	GENERAL OBLIGATION										
263.96	LOCAL Program - Equipment	9/15/2006	63,103.98	0.00	13,003.94	591.89.71.01	50,100.04				
263.61	American West Bank	1/11/2008	52,000.00	0.00	40,000.00	582.35.77.00	12,000.00				
263.61	Bars Integrated										
	Accounting System	12/10/2008	16,987.71	0.00	5,662.57		11,325.14				
	Purchase Agreement										
259.11	Compensated Absences						21,502.00				
259.12	Compensated Absences						7,421.00				
	Enterprise										
	REVENUE DEBT										
263.82	State Revolving Fund	1/30/1996	121,066.97	0.00	18,625.68	582.35.78	102,441.29				
263.82	Public Works Trust Fund	6/28/1999	126,682.80	0.00	12,668.28	591.34.83	114,014.52				

3/26/2012 Edited 2010 Sched 9 to include Comp Time year end total and separate enterprise from general obligation



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.

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

State Auditor
Chief of Staff
Director of Performance and State Audit
Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Quality Assurance
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