



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

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

### **City of Ferndale**

**Whatcom County**

**For the period January 1, 2013 through December 31, 2013**

**Published September 18, 2014**

**Report No. 1012586**





## Washington State Auditor Troy Kelley

September 18, 2014

Mayor and City Council  
City of Ferndale  
Ferndale, Washington

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

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

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

Sincerely,

TROY KELLEY  
STATE AUDITOR

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Whatcom County  
January 1, 2013 through December 31, 2013**

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# Federal Summary

**City of Ferndale  
Whatcom County  
January 1, 2013 through December 31, 2013**

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

## ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

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

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

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

## ***FEDERAL AWARDS***

### ***Internal Control Over Major Programs:***

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

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

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

***Identification of Major Programs:***

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

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

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

The City qualified as a low-risk auditee under OMB Circular A-133.

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

**City of Ferndale  
Whatcom County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Ferndale  
Ferndale, 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 Ferndale, Whatcom County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 11, 2014.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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.

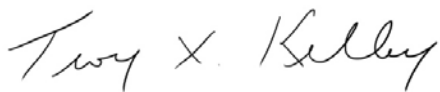
## ***COMPLIANCE AND OTHER MATTERS***

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

September 11, 2014

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

**City of Ferndale  
Whatcom County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Ferndale  
Ferndale, Washington

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

We have audited the compliance of the City of Ferndale, Whatcom County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

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

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

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

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.



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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

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

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

**TROY KELLEY**  
STATE AUDITOR

September 11, 2014

# **Independent Auditor's Report on Financial Statements**

## **City of Ferndale Whatcom County January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Ferndale  
Ferndale, Washington

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

We have audited the accompanying financial statements of the City of Ferndale, Whatcom County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 14.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

### ***Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)***

As described in Note 1, the City of Ferndale has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

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 Ferndale, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

### ***Basis for Adverse Opinion on U.S. GAAP***

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### ***Adverse Opinion on U.S. GAAP***

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Ferndale, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***

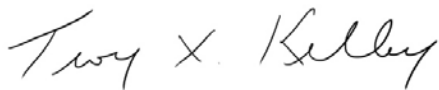
#### ***Supplementary and Other Information***

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2014 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.



**TROY KELLEY**  
STATE AUDITOR

September 11, 2014

## **Financial Section**

**City of Ferndale  
Whatcom County  
January 1, 2013 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013  
Notes to Financial Statements – 2013

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2013  
Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General	101 Street	102 Park Mitigation
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	1,114,889	20,470	0	0
30880	Beg Fund Bal-Unreserved	6,433,411	1,536,118	22,814	58,547
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	7,237,625	6,551,281	0	0
320	Licenses & Permits	656,841	656,841	0	0
330	Intergovernmental Revenues	3,302,149	291,919	761,375	0
340	Charges for Goods and Services	8,463,767	796,277	16,800	139,996
350	Fines & Penalties	166,649	162,227	0	0
360	Miscellaneous Revenues	1,197,697	97,248	16,902	56
<b>Total Operating Revenues:</b>		<b>21,024,727</b>	<b>8,555,792</b>	<b>795,077</b>	<b>140,053</b>
<b>Operating Expenditures</b>					
510	General Government	1,843,053	1,616,176	0	0
520	Public Safety	4,800,148	4,800,148	0	0
530	Utilities	3,036,898	0	0	0
540	Transportation	1,330,020	178,682	793,780	0
550	Natural and Economic Environment	542,570	483,493	0	0
560	Social Services	55,781	55,781	0	0
570	Culture And Recreation	453,433	453,433	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>12,061,904</b>	<b>7,587,714</b>	<b>793,780</b>	
<b>Net Operating Increase (Decrease):</b>		<b>8,962,825</b>	<b>968,079</b>	<b>1,297</b>	<b>140,052</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	2,458,816	323,958	4,000	0
391-393	Debt Proceeds	1,738,807	0	0	0
397	Transfers-In	2,108,719	218,445	601,129	0
<b>Total Nonoperating Revenues:</b>		<b>6,306,342</b>	<b>542,403</b>	<b>605,129</b>	
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	2,430,815	240,815	0	0
591-593	Debt Service	2,842,760	0	0	0
594-595	Capital Expenditures	6,725,310	41,594	557,361	0
597	Transfers-Out	1,932,146	975,794	0	117,301
<b>Total Nonoperating Expenditures:</b>		<b>13,931,031</b>	<b>1,258,203</b>	<b>557,361</b>	<b>117,301</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>1,338,136</b>	<b>252,280</b>	<b>49,065</b>	<b>22,751</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	2,849,258	4,659	0	81,299
50880	End Fund Balance-Unreserved	6,037,180	1,804,207	71,879	0

The accompanying notes are an integral part of this Statement.

BARS Code		104 Traffic Mitigation	106 Criminal Justice	107 Local Criminal Justice	198 Hotel Motel
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	9,172	2,178	12,343	20,661
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	187,253	64,844
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	157,654	0	0
340	Charges for Goods and Services	400,688	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	28	0	0	0
Total Operating Revenues:		400,716	157,654	187,253	64,844
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	59,077
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					59,077
Net Operating Increase (Decrease):		400,716	157,654	187,253	5,767
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	115,000	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:			115,000		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	115,000	0	0
591-593	Debt Service	0	56	0	0
594-595	Capital Expenditures	0	139,656	0	0
597	Transfers-Out	207,361	15,000	169,860	9,500
Total Nonoperating Expenditures:		207,361	269,712	169,860	9,500
Increase (Decrease) in Cash and Investments		193,355	2,942	17,393	-3,733
Ending Cash and Investments					
50810	End Fund Bal-Reserved	202,527	5,120	29,736	16,928
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.



BARS Code		213 1998 City Hall LTGO Bond Redemption.	214 Street/Parks/Land Debt Service	215 Labounty LID 2006-1 Bond Redemption	216 LaBounty LID 2006-1 Bond Guarantee
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	0	0	0	37,385
30880	Beg Fund Bal-Unreserved	12,321	2,090	6,319	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	9,129	0	0	0
350	Fines & Penalties	0	0	4,422	0
360	Miscellaneous Revenues	75	143	71,149	55
<b>Total Operating Revenues:</b>		<b>9,204</b>	<b>143</b>	<b>75,571</b>	<b>55</b>
<b>Operating Expenditures</b>					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>					
<b>Net Operating Increase (Decrease):</b>		<b>9,204</b>	<b>143</b>	<b>75,571</b>	<b>55</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	46,945	352,062	4,500	0
<b>Total Nonoperating Revenues:</b>		<b>46,945</b>	<b>352,062</b>	<b>4,500</b>	
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	68,470	352,241	60,382	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	4,500	4,500
<b>Total Nonoperating Expenditures:</b>		<b>68,470</b>	<b>352,241</b>	<b>64,882</b>	<b>4,500</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>-12,321</b>	<b>-36</b>	<b>15,189</b>	<b>-4,445</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	0	2,054	21,508	32,940
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		217 LaBounty GO Bond Debt Service	218 2010 Limited Tax General Obligation Bond Redemptio	219 2011 Limited Tax General Oblig Bond Redemption	301 RE Excise Tax - REET 1
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	125	4,808	1,237	202,131
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	217,124
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	78,505	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	9	183	91	9,081
Total Operating Revenues:		9	78,688	91	226,205
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		9	78,688	91	226,205
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	30,052	357,280	108,038	0
Total Nonoperating Revenues:		30,052	357,280	108,038	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	125,000
591-593	Debt Service	30,095	440,686	108,037	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	0	175,964
Total Nonoperating Expenditures:		30,095	440,686	108,037	300,964
Increase (Decrease) in Cash and Investments		-34	-4,718	92	-74,759
Ending Cash and Investments					
50810	End Fund Bal-Reserved	91	90	1,329	127,372
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		302 RE Excise Tax - REET 2	307 New Library Construction	308 Main St-3rd TO Church Constr	346 Church Road Construction
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	9,440	0	63,496	186,474
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	217,124	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	344,802	679,362	-19,030
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	8,906	345,263	1,641	0
Total Operating Revenues:		226,030	690,065	681,003	-19,030
<b>Operating Expenditures</b>					
510	General Government	0	51,052	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			51,052		
Net Operating Increase (Decrease):		226,030	639,013	681,003	-19,030
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	500,000	0	0
391-393	Debt Proceeds	0	1,600,000	0	0
397	Transfers-In	0	0	182,324	50,000
Total Nonoperating Revenues:			2,100,000	182,324	50,000
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	250,000	550,000	0
591-593	Debt Service	0	260	604	0
594-595	Capital Expenditures	0	1,368,137	376,220	118,016
597	Transfers-Out	159,144	0	0	93,222
Total Nonoperating Expenditures:		159,144	1,618,397	926,823	211,238
Increase (Decrease) in Cash and Investments		66,886	1,120,616	-63,497	-180,268
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	76,326	1,120,616	0	6,206
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		370 Thornton Road	375 Public Safety Building Constr	401 Water	402 Sewer
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	135,269	921,765
30880	Beg Fund Bal-Unreserved	20,469	366,557	1,433,778	1,911,990
38800/58800	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	977,744	29,818	0	0
340	Charges for Goods and Services	0	0	2,950,223	3,275,879
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	157	6,085	7,395
Total Operating Revenues:		977,744	29,975	2,956,308	3,283,274
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	1,287,397	1,281,571
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:				1,287,397	1,281,571
Net Operating Increase (Decrease):		977,744	29,975	1,668,911	2,001,703
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	350,000	0	554,000	354,200
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	150,444	0	0	0
Total Nonoperating Revenues:		500,444		554,000	354,200
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	350,000	0	0	350,000
591-593	Debt Service	68	0	501,497	1,246,322
594-595	Capital Expenditures	1,148,589	333,108	811,500	1,193,241
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		1,498,657	333,108	1,312,997	2,789,563
Increase (Decrease) in Cash and Investments		-20,469	-303,133	909,914	-433,660
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	63,424	135,269	921,765
50880	End Fund Balance-Unreserved	0	0	2,343,692	1,478,330

The accompanying notes are an integral part of this Statement.

BARS Code		407 Storm & Flood Control	510 Computer Repair & Replacement	550 Equip. Maint. & Replacement
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	504,682	27,139	18,523
38800/58800	Prior Period Adjustments, net	0	0	0
<b>Operating Revenues</b>				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	874,775	0	0
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	195	132,262	500,773
<b>Total Operating Revenues:</b>		<b>874,970</b>	<b>132,262</b>	<b>500,773</b>
<b>Operating Expenditures</b>				
510	General Government	0	115,825	60,000
520	Public Safety	0	0	0
530	Utilities	467,930	0	0
540	Transportation	0	0	357,558
550	Natural and Economic Environment	0	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
<b>Total Operating Expenditures:</b>		<b>467,930</b>	<b>115,825</b>	<b>417,558</b>
<b>Net Operating Increase (Decrease):</b>		<b>407,040</b>	<b>16,437</b>	<b>83,215</b>
<b>Nonoperating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	250,000	0	7,658
391-393	Debt Proceeds	138,807	0	0
397	Transfers-In	0	7,500	0
<b>Total Nonoperating Revenues:</b>		<b>388,807</b>	<b>7,500</b>	<b>7,658</b>
<b>Nonoperating Expenditures</b>				
580, 596, 599	Other Financing Uses	450,000	0	0
591-593	Debt Service	34,042	0	0
594-595	Capital Expenditures	549,185	23,937	64,765
597	Transfers-Out	0	0	0
<b>Total Nonoperating Expenditures:</b>		<b>1,033,227</b>	<b>23,937</b>	<b>64,765</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>-237,380</b>	<b>0</b>	<b>26,108</b>
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	0	0	0
50880	End Fund Balance-Unreserved	267,302	27,139	44,631

The accompanying notes are an integral part of this Statement.

## FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	613 Transportation Benefit District	650 Court Agency
308	Beginning Cash and Investments	76,717	60,184	16,533
388 and 588	Prior Period Adjustments, net	0	0	0
310-360	Revenues	355,611	355,611	0
380-390	Other Increases and Financing Sources	171,896	0	171,896
510-570	Expenditures	177,591	177,591	0
580-590	Other Decreases and Financing Uses	160,013	0	160,013
Increase (Decrease) in Cash and Investments		189,903	178,020	11,883
508	Ending Cash and Investments	266,620	238,204	28,416

The accompanying notes are an integral part of this Statement.

**City of Ferndale, WA**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended December 31, 2013**

**Note 1 - Summary of Significant Accounting Policies**

The City of Ferndale 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 Ferndale was incorporated on March 19, 1907 and operates under the laws of the state of Washington applicable to a Category 2 City. The City of Ferndale is a general purpose government and provides public safety, street maintenance and street improvements, parks, water/sewer/storm utilities, and general administrative services. The City of Ferndale 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 Ferndale are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Ferndale's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Ferndale:

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund**

This fund is the primary operating fund of the City of Ferndale. 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 of Ferndale.

**Debt Service Funds**

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

**Capital Projects Funds**

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

### Permanent Funds

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

### PROPRIETARY FUND TYPES:

#### Enterprise Funds

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

#### Internal Service Funds

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

### FIDUCIARY FUND TYPES:

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

#### Private-Purpose Trust Funds

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

#### Agency Funds

These funds are used to account assets that City of Ferndale holds for others in an agency capacity.

### B. Basis of Accounting

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

In accordance with state law the City of Ferndale 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 Ferndale 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 all funds lapse at the fiscal year end.

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

Certain funds listed below are eliminated for Statement C-4 consolidation purposes. For example, fund numbers 002, 003, 004, and 005 are rolled up into one General Fund per Statement C-4 Financial Statements. Other fund numbers listed below (403, 404, 408, and 412) are included in consolidated enterprise funds (401, 402, and 407) rollups. Also, certain transfers in and transfers out are eliminated for consolidation purposes, and therefore total expenditures listed below appropriately do not agree with the Financial Statement C-4 Total Expenditures and Other Uses plus Nonexpenditures.

The appropriated and actual 2013 expenditures for the legally adopted budgets were as follows:

<b><u>Fund Number and Name</u></b>	<b><u>Final Appropriated Amounts</u></b>	<b><u>Actual Expenditures</u></b>	<b><u>Variance</u></b>
001 Current Expense (General Fund)	\$7,838,991	\$7,733,877	\$105,114
002 General Fund Contingency Reserve	0	0	0
003 Facilities Capital Reserve	15,812	15,812	0
004 LEOFF 1 Police Retiree	184,767	161,873	22,894
005 Solid Waste Tax 2010 & On	1,453,024	1,232,234	220,790
101 Streets	1,666,617	1,351,141	315,476
102 Park Mitigation	117,301	117,301	0
104 Traffic Mitigation	306,153	207,361	98,792
106 Criminal Justice Fund	269,762	269,712	50
107 Local Criminal Justice	169,860	169,860	0
111 Real Estate Excise Tax First 1/4% REET 1	302,029	300,964	1,065
112 Real Estate Excise Tax Second 1/4% REET 2	189,145	159,144	30,001
198 Hotel/Motel	74,200	68,578	5,622
213 City Hall Bonds	68,471	68,471	0
214 Streets/Parks Debt Service	353,178	352,241	937
215 LaBounty LID 2006-1 Bond Redemption	64,883	64,882	1
216 LaBounty LID 2006-1 Bond Guarantee	4,500	4,500	0
217 LaBounty GO Bond Redemption	30,095	30,094	1
218 2010 GO Bond Redemption	504,324	504,322	2
219 2011 GO Bond Redemption	108,038	108,037	1
307 Library Construction	5,946,217	1,669,450	4,276,767
308 Main St./ 3rd to Church Construction	940,000	926,823	13,177
346 Church Road Construction	233,222	211,237	21,985
370 Thornton Road Construction	1,575,481	1,498,657	76,824
375 Public Safety Building	340,000	333,109	6,891
401 Water	2,848,011	2,585,462	262,549
402 Sewer	4,067,244	4,065,692	1,552
403 Sewer Revenue Bonds	1,255,211	1,254,793	418
404 Sewer Revenue Bonds Reserve	12,000	5,634	6,366
407 Storm & Flood Control	1,246,886	1,242,134	4,752

408 Utility Loan Service	471,566	445,340	26,226
412 Storm Regional Pond Construction	500,202	490,250	9,952
510 Computer Repair & Maint.	144,111	139,762	4,349
550 Equipment Repair & Maint.	487,630	482,323	5,307
650 Court Agency	225,000	171,896	53,104
<b>TOTAL EXPENDITURES</b>	<b>\$34,013,931</b>	<b>\$28,442,966</b>	<b>\$5,570,965</b>

Budgeted amounts are authorized to be transferred between departments within any fund and object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Ferndale City Council.

D. Cash

It is the City of Ferndale'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 Ferndale's deposits are covered by the Washington Public Deposit Protection Commission.

F. Investments See Note 2, Investments.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. The capital assets of the City of Ferndale are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to several different days depending on the applicable labor contract and is payable upon separation or retirement.

Sick leave may be accumulated up to several different days depending on the applicable labor contract. Upon separation or retirement employees do receive partial payment (typically 25%) for unused sick leave.

I. Long-Term Debt See Note 5, Debt Service Requirements.

J. Other Financing Sources or Uses

The City of Ferndale's Other Financing Sources or Uses consist of Bond and Loan Proceeds, and Interfund Loan Proceeds and Repayments.

K. Risk Management

The City of Ferndale is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

L. Reserved Fund Balances - Includes the following funds:

001 General Fund	\$4,659
102 Park Mitigation	81,299
104 Traffic Mitigation	202,527
106 Criminal Justice Fund	5,120
107 Local Criminal Justice	29,736
111 Real Estate Excise Tax First 1/4% REET 1	127,372
112 Real Estate Excise Tax Second 1/4% REET 2	76,326
198 Hotel/Motel	16,928
214 Streets/Parks Debt Service	2,054
215 LaBounty LID 2006-1 Bond Redemption	21,508
216 LaBounty LID 2006-1 Bond Guarantee	32,940
217 LaBounty GO Bond Redemption	91
218 2010 GO Bond Redemption	90
219 2011 GO Bond Redemption	1,329
307 Library Construction	1,120,616
346 Church Road Construction	6,206
375 Public Safety Building	63,424
401 Water	135,269
402 Sewer	921,765
<b>TOTAL</b>	<b>\$2,849,258</b>

**Note 2 - Investments**

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

Investments are presented at historical cost.

Investments by type at December 31, 2013 are as follows:

<b><u>Type of Investment</u></b>	<b><u>City of Ferndale's Own Investments</u></b>
L.G.I.P.	\$4,159,982
FHLMC Bonds	495,092
FHLB Bonds	500,652
FANNIE MAE Bonds	501,474
<b>TOTAL</b>	<b>\$5,657,200</b>

**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 after the end of each month. Property tax revenues are recognized when cash is received by City of Ferndale. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Ferndale's regular levy for the year 2013 was \$2.07510 per \$1,000 on an assessed valuation of \$1,096,951,832 for a total regular levy of \$2,276,281.

**Note 4 - Interfund Loans**

The following table displays interfund loan activity during 2013:

<b><u>Borrowing Fund</u></b>	<b><u>Lending Fund</u></b>	<b><u>Balance 1/1/2013</u></b>	<b><u>New Loans</u></b>	<b><u>Repayments</u></b>	<b><u>Balance 12/31/2013</u></b>	
Main St. 3rd to Church Constr. 308	Water 401	\$550,000	\$0	\$550,000	\$0	
Regional Storm Pond Constr. 412	Current Expense 001	\$200,000	\$0	\$200,000	\$0	
Criminal Justice 106	Current Expense 001	\$0	\$115,000	\$115,000	\$0	
Library Construction 307	LEOFF1 Police Retiree 004	\$0	\$125,000	\$0	\$125,000	Repaid Feb. 2014
Library Construction 307	REET 1 111	\$0	\$125,000	\$0	\$125,000	Repaid Feb. 2014
Library Construction 307	Storm Utility 407	\$0	\$250,000	\$250,000	\$0	
Thornton Road Construction 370	Sewer Utility 402	\$0	\$350,000	\$350,000	\$0	
<b>TOTALS</b>		<b>\$750,000</b>	<b>\$965,000</b>	<b>\$1,465,000</b>	<b>\$250,000</b>	

### **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 of Ferndale and summarizes the City's debt transactions for year ended December 31, 2013.

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

<b>Year(s)</b>	<b>General Obligation Bonds</b>	<b>Revenue Debt</b>	<b>Other Debt</b>	<b>Total Debt</b>
2014	\$1,051,658	\$1,590,466	\$191,786	\$2,833,910
2015	1,035,915	1,613,613	156,872	2,806,400
2016	945,407	1,636,460	154,957	2,736,824
2017	941,950	779,507	153,042	1,874,499
2018	945,876	780,209	151,127	1,877,212
2019-2023	4,639,675	2,507,069	726,920	7,873,664
2024-2028	2,989,168	2,360,970	485,305	5,835,443
2029-2033	728,144	1,416,637	122,980	2,267,761
<b>TOTALS</b>	<b>\$13,277,793</b>	<b>\$12,684,931</b>	<b>\$2,142,989</b>	<b>\$28,105,713</b>

### **Note 6 - Pension Plans**

Substantially all of the City of Ferndale's full-time and qualifying part-time employees participate in all qualifying plans (PERS, LEOFF and PSERS) 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 of Ferndale'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 – OPEB – LEOFF1 Retiree Other-Than-Pension Post-Employment Benefits**

The City of Ferndale has a commitment to pay for post-employment benefits for employees that belong to the LEOFF1 Washington State Department of Retirement Systems retirement plan. These benefits include unlimited medical, limited dental, unlimited vision, and unlimited nursing care. Three Police Officer retirees received benefits during the year and \$36,873 was paid out for those benefits in 2013. The LEOFF1 Police Retiree Fund No. 004 had a cash balance at 12/31/13 of \$141,051. Fund No. 004 had a cash balance at 2/28/14 of \$360,663.

**Note 8 – Other Disclosures – Component Unit – Ferndale Transportation Benefit District**

The Ferndale Transportation Benefit District (TBD) was formed in 2012 following a successful vote of the people. A .2% sales tax was added to the existing 8.5% sales tax – so the new Ferndale sales tax rate is 8.7%. Funds started being received monthly from the Department of Revenue in September, 2012. Annual revenues for 2013 are budgeted at \$355,611. The City Council serves as the TBD board. Road projects are listed in priority order, and approved annually by the TBD board. The TBD is a separate legal entity, with its own separate EIN, UBI, P.O. mailbox, checking account, accounting software and checks, and annual audit. See Schedule C-5 for the TBD Financial Statements.

**City of Ferndale**  
 Schedule of Liabilities  
 For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
<b>General Obligations</b>							
	251.11	1998 LTGO Bonds - City Hall	12/1/2013	65,000	0	65,000	0
	263.81	PWTF Loan - Storm	9/1/2024	86,840	0	7,895	78,945
	263.91	LTGO Bonds Street Lights KeyBank	7/29/2015	94,130	0	35,682	58,448
	263.91	Whatcom County Public Util. Impr. Fund Loan	8/30/2027	937,638	0	56,207	881,431
	263.96	Water Booster Pump Station Bond	6/1/2028	985,000	0	45,000	940,000
	263.81	PWTF Loan - Church Rd. Pre- Construction	7/1/2013	187,500	0	187,500	0
	263.81	PWTF Loan - Sewer Planning	7/1/2015	66,000	0	33,000	33,000
	263.96	Land Purchase Bond	12/1/2028	610,000	0	25,000	585,000
	251.11	LABOUNTY ROAD BOND	6/1/2023	254,986	0	23,606	231,380
	251.11	2010 LTGO BAB BONDS	12/1/2030	4,610,000	0	200,000	4,410,000
	251.11	2010 LTGO BAB BONDS - VACTOR TRUCK	12/1/2015	185,000	0	60,000	125,000
	251.11	2011 LTGO BONDS	12/1/2025	1,595,000	0	55,000	1,540,000
	263.81	PWTF Loan- Storm	6/1/2032	352,075	138,807	0	490,882
	251.11	2013 LTGO - Library 2013A	9/24/2023	0	550,000	0	550,000
	251.11	2013 LTGO Library Bonds 2013B	9/24/2023	0	1,050,000	0	1,050,000
	259.11	COMPENSATED ABSENCES	12/31/2013	313,666	299,402	280,721	332,347
<b>Total General Obligations:</b>				<b>10,342,835</b>	<b>2,038,209</b>	<b>1,074,611</b>	<b>11,306,433</b>

The accompanying notes to the financial statements are an integral part of this schedule



Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
<b>Revenue Obligations</b>							
	263.82	PWTF Loan - Sewer	7/1/2018	991,835	0	165,305	826,530
	263.82	SRF Loan - Sewer	8/1/2019	837,882	0	104,649	733,233
	252.11	REVENUE BONDS - Sewer Refunded 2005	11/1/2016	2,960,000	0	665,000	2,295,000
	252.11	REVENUE BONDS Water/Sewer 2011	11/1/2031	6,085,000	0	235,000	5,850,000
		<b>Total Revenue Obligations:</b>		<b>10,874,717</b>	<b>0</b>	<b>1,169,954</b>	<b>9,704,763</b>
<b>Assessment Obligations</b>							
	253.11	LABOUNTY ROAD LID 2009	12/1/2025	367,202	0	39,415	327,787
		<b>Total Assessment Obligations:</b>		<b>367,202</b>	<b>0</b>	<b>39,415</b>	<b>327,787</b>
		<b>Total Liabilities:</b>		<b>21,584,754</b>	<b>2,038,209</b>	<b>2,283,980</b>	<b>21,338,983</b>

The accompanying notes to the financial statements are an integral part of this schedule

MCAG NO. 0786

City of Ferndale

Schedule 16

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Bureau Of Justice Assistance, Department Of Justice/	Bulletproof Vest Partnership Program	16.607	001		2,722	2,722	Note 1 and 2
Federal Highway Administration (fhwa), Department Of Transportation/WA State DOT	Highway Planning and Construction	20.205	LA-7759	974,971		974,971	Note 1 and 2
Department Of Homeland Security/Whatcom County Sheriff's Office	Homeland Security Grant Program	97.067	WC 201111003	142,823		142,823	Note 1 and 2
Total Federal Awards Expended:				1,117,794	2,722	1,120,516	

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

City of Ferndale

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013**

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

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

## 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 to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

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