



# Washington State Auditor's Office

Independence • Respect • Integrity

## Financial Statements and Federal Single Audit Report

# City of Aberdeen

Grays Harbor County

For the period January 1, 2014 through December 31, 2014

Published August 24, 2015

Report No. 1014783





## Washington State Auditor's Office

August 24, 2015

Mayor and City Council  
City of Aberdeen  
Aberdeen, Washington

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

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

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

## TABLE OF CONTENTS

Federal Summary .....	4
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 .....	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	9
Independent Auditor’s Report On Financial Statements .....	12
Financial Section.....	16
About The State Auditor’s Office.....	38

## FEDERAL SUMMARY

**City of Aberdeen  
Grays Harbor County  
January 1, 2014 through December 31, 2014**

The results of our audit of the City of Aberdeen 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 did not qualify as a low-risk auditee under OMB Circular A-133.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of Aberdeen  
Grays Harbor County  
January 1, 2014 through December 31, 2014**

Mayor and City Council  
City of Aberdeen  
Aberdeen, 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 Aberdeen, Grays Harbor County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 6, 2015.

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 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.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

August 6, 2015



**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 Aberdeen  
Grays Harbor County  
January 1, 2014 through December 31, 2014**

Mayor and City Council  
City of Aberdeen  
Aberdeen, Washington

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

We have audited the compliance of the City of Aberdeen, Grays Harbor 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, 2014. 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, 2014.

## **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.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

August 6, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Aberdeen Grays Harbor County January 1, 2014 through December 31, 2014

Mayor and City Council  
City of Aberdeen  
Aberdeen, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Aberdeen, Grays Harbor County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

#### 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 Aberdeen has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by 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 Aberdeen, for the year ended December 31, 2014, 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 Aberdeen, as of December 31, 2014, 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 August 6, 2015 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.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

August 6, 2015

## **FINANCIAL SECTION**

**City of Aberdeen  
Grays Harbor County  
January 1, 2014 through December 31, 2014**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2014  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014  
Notes to Financial Statements – 2014

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2014  
Schedule of Expenditures of Federal Awards – 2014  
Notes to the Schedule of Expenditures of Federal Awards – 2014



## Fund Resources and Uses Arising from Cash Transactions

For the Year Ending December 31, 2014

	Total for All Funds (Memo Only)	Combined General Fund	Combined Street Funds	Fund 107 Morrison Riverfront Park	Fund 120 Emergency Services	Fund 121 Animal Control Fund
<b>Beginning Cash and Investments</b>						
30810 Reserved	5,298,557.00	-	-	-	-	-
30880 Unreserved	10,020,759.00	5,694,639.00	214,133.00	17,506.00	257,363.00	107,046.00
388/588 Prior Period Adjustments, Net	-	-	-	-	-	-
<b>Operating Revenues</b>						
310 Taxes	11,622,779.00	11,427,093.00	-	-	-	-
320 Licenses and Permits	458,336.00	451,092.00	-	-	-	971.00
330 Intergovernmental Revenues	2,085,006.00	687,404.00	871,365.00	-	5,054.00	-
340 Charges for Goods and Services	13,796,169.74	149,059.00	423,623.00	-	3,235,201.00	10,451.00
350 Fines and Penalties	341,872.00	331,713.00	-	-	-	-
360 Miscellaneous Revenues	671,073.00	47,125.00	3,804.00	43,589.00	1,991.00	1,023.00
Total Operating Revenues:	28,975,235.74	13,093,486.00	1,298,792.00	43,589.00	3,242,246.00	12,445.00
<b>Operating Expenditures</b>						
510 General Government	1,686,938.00	1,686,938.00	-	-	-	-
520 Public Safety	10,934,273.00	7,391,951.00	53,657.00	-	3,057,045.00	-
530 Utilities	9,322,994.00	-	-	-	-	-
540 Transportation	2,309,210.00	274,748.00	1,781,552.00	-	-	-
550 Natural & Economic Environment	564,710.00	405,412.00	-	-	-	123,706.00
560 Social Services	-	-	-	-	-	-
570 Culture and Recreational	1,346,804.00	1,081,955.00	-	43,859.00	-	-
Total Operating Expenditures:	26,164,929.00	10,841,004.00	1,835,209.00	43,859.00	3,057,045.00	123,706.00
<b>Net Operating Increase (Decrease):</b>	<b>2,810,306.74</b>	<b>2,252,482.00</b>	<b>(536,417.00)</b>	<b>(270.00)</b>	<b>185,201.00</b>	<b>(111,261.00)</b>
<b>Nonoperating Revenues</b>						
370-380,395& 398 Other Financing Sources	1,181,614.00	9,983.00	-	-	-	-
391-393 Debt Proceeds	2,000.00	-	-	-	-	-
397 Transfers In	3,658,866.00	405,553.00	1,119,821.00	13,329.00	-	32,100.00
Total Nonoperating Revenues:	4,842,480.00	415,536.00	1,119,821.00	13,329.00	-	32,100.00
<b>Nonoperating Expenditures</b>						
580,596&599 Other Financing Uses	23,367.00	-	-	-	-	-
591-593 Debt Service	1,261,675.00	-	-	-	-	-
594-595 Capital Expenditures	1,955,177.54	10,240.00	448,611.00	-	5,000.00	-
597 Transfers Out	4,552,866.00	2,479,058.00	-	11,000.00	36,263.00	-
Total Nonoperating Expenditures:	7,793,085.54	2,489,298.00	448,611.00	11,000.00	41,263.00	-
<b>Increase (Decrease) in Cash and Investments</b>	<b>(140,299.00)</b>	<b>178,720.00</b>	<b>134,793.00</b>	<b>2,059.00</b>	<b>143,938.00</b>	<b>(79,161.00)</b>
<b>Ending Cash and Investments</b>						
50810 Reserved	5,071,421.87	-	-	-	-	-
50880 Unreserved	10,107,593.18	5,873,362.11	348,923.65	19,565.22	401,300.88	27,886.30

The accompanying notes are an integral part of this statement

## Fund Resources and Uses Arising from Cash Transactions

For the Year Ending December 31, 2014

	Fund 122 Parking Enforcement Fund	Fund 123 Police Canine Program	Fund 128 Community Center Fund	Fund 132 Recreation Sports Fund	Fund 145 Drug Enforcement Fund	Fund 206 Fire Truck Bond Fun
<b>Beginning Cash and Investments</b>						
30810 Reserved	-	15,000.00	-	-	226,325.00	53,237.00
30880 Unreserved	34,340.00	2,531.00	59,049.00	180,285.00	50,856.00	-
388/588 Prior Period Adjustments, Net	-	-	-	-	-	-
<b>Operating Revenues</b>						
310 Taxes	-	-	-	-	-	81,608.00
320 Licenses and Permits	-	-	-	-	-	-
330 Intergovernmental Revenues	-	-	-	-	144,211.00	-
340 Charges for Goods and Services	-	-	-	52,847.00	-	-
350 Fines and Penalties	6,060.00	-	-	-	4,099.00	-
360 Miscellaneous Revenues	9,411.00	15,000.00	103,744.00	12,485.00	15,245.00	42.00
Total Operating Revenues:	15,471.00	15,000.00	103,744.00	65,332.00	163,555.00	81,650.00
<b>Operating Expenditures</b>						
510 General Government	-	-	-	-	-	-
520 Public Safety	65,840.00	20,775.00	-	-	109,613.00	-
530 Utilities	-	-	-	-	-	-
540 Transportation	-	-	-	-	-	-
550 Natural & Economic Environment	-	-	-	-	-	-
560 Social Services	-	-	-	-	-	-
570 Culture and Recreational	-	-	81,695.00	95,448.00	-	-
Total Operating Expenditures:	65,840.00	20,775.00	81,695.00	95,448.00	109,613.00	-
<b>Net Operating Increase (Decrease):</b>	(50,369.00)	(5,775.00)	22,049.00	(30,116.00)	53,942.00	81,650.00
<b>Nonoperating Revenues</b>						
370-380,395& 398 Other Financing Sources	-	-	-	-	-	-
391-393 Debt Proceeds	-	-	-	-	-	-
397 Transfers In	53,220.00	5,655.00	-	25,000.00	-	-
Total Nonoperating Revenues:	53,220.00	5,655.00	-	25,000.00	-	-
<b>Nonoperating Expenditures</b>						
580,596&599 Other Financing Uses	-	-	23,367.00	-	-	-
591-593 Debt Service	-	-	2,771.00	-	-	80,841.00
594-595 Capital Expenditures	-	-	-	24,587.00	-	-
597 Transfers Out	-	-	2,500.00	-	55,590.00	-
Total Nonoperating Expenditures:	-	-	28,638.00	24,587.00	55,590.00	80,841.00
<b>Increase (Decrease) in Cash and Investments</b>	2,851.00	(120.00)	(6,589.00)	(29,703.00)	(1,648.00)	809.00
<b>Ending Cash and Investments</b>						
50810 Reserved	-	15,000.00	-	-	237,429.45	54,045.72
50880 Unreserved	37,191.13	2,411.00	52,459.91	150,580.62	38,101.55	-

The accompanying notes are an integral part of this statement

# Fund Resources and Uses Arising from Cash Transactions For the Year Ending December 31, 2014

	Fund 301 Community Dvlpmnt <u>Block Grant</u>	Fund 302 Urban Dvlpmnt <u>Action Grant</u>	Fund 303 Hotel/Motel Tax Fund	Fund 305 Dept of Justice Grants	Fund 306 Grant Funds	Fund 318 Abatement Fund
<b>Beginning Cash and Investments</b>						
30810 Reserved	-	184,070.00	-	-	-	-
30880 Unreserved	59,266.00	-	87,169.00	(64,729.00)	5,774.00	307,832.00
388/588 Prior Period Adjustments, Net	-	-	-	-	-	-
<b>Operating Revenues</b>						
310 Taxes	-	-	60,695.00	-	-	-
320 Licenses and Permits	-	-	-	-	-	-
330 Intergovernmental Revenues	-	-	-	209,438.00	-	-
340 Charges for Goods and Services	-	-	-	-	-	-
350 Fines and Penalties	-	-	-	-	-	3,410.00
360 Miscellaneous Revenues	175.00	782.00	336.00	2.00	-	1,146.00
Total Operating Revenues:	175.00	782.00	61,031.00	209,440.00	-	4,556.00
<b>Operating Expenditures</b>						
510 General Government	-	-	-	-	-	-
520 Public Safety	-	-	-	166,100.00	4,724.00	64,568.00
530 Utilities	-	-	-	-	-	-
540 Transportation	-	-	-	-	-	-
550 Natural & Economic Environment	22,778.00	-	-	-	-	12,814.00
560 Social Services	-	-	-	-	-	-
570 Culture and Recreational	-	-	37,597.00	-	-	-
Total Operating Expenditures:	22,778.00	782.00	37,597.00	166,100.00	4,724.00	77,382.00
<b>Net Operating Increase (Decrease):</b>	(22,603.00)		23,434.00	43,340.00	(4,724.00)	(72,826.00)
<b>Nonoperating Revenues</b>						
370-380,395& 398 Other Financing Sources	-	5,186.00	-	-	-	-
391-393 Debt Proceeds	-	-	-	-	-	-
397 Transfers In	-	-	-	-	-	60,000.00
Total Nonoperating Revenues:	-	5,186.00	-	-	-	60,000.00
<b>Nonoperating Expenditures</b>						
580,596&599 Other Financing Uses	-	-	-	-	-	-
591-593 Debt Service	-	-	-	-	-	-
594-595 Capital Expenditures	-	-	-	-	-	-
597 Transfers Out	-	-	25,000.00	-	-	-
Total Nonoperating Expenditures:	-	-	25,000.00	-	-	-
<b>Increase (Decrease) in Cash and Investments</b>	(22,603.00)	5,968.00	(1,566.00)	43,340.00	(4,724.00)	(12,826.00)
<b>Ending Cash and Investments</b>						
50810 Reserved	-	190,036.77	-	-	-	-
50880 Unreserved	36,662.66	-	85,603.59	(21,389.03)	1,049.91	295,007.01

The accompanying notes are an integral part of this statement

## Fund Resources and Uses Arising from Cash Transactions

For the Year Ending December 31, 2014

	Fund 320 <u>Public Buildings Fund</u>	Fund 399 <u>Capital Impr. Fund</u>	Fund 401 <u>Garbage Utility Fund</u>	Combined <u>Sewer Funds</u>	Combined <u>Water Funds</u>	Fund 405 <u>Storm Water Utility Fund</u>
<b>Beginning Cash and Investments</b>						
30810 Reserved	-	124,098.00	-	168,433.00	1,659,348.00	
30880 Unreserved	174,057.00	-	189,582.00	1,186,960.00	312,602.00	59,117.00
388/588 Prior Period Adjustments, Net	-	-	-	-	-	-
<b>Operating Revenues</b>						
310 Taxes	-	53,383.00	-	-	-	-
320 Licenses and Permits	-	-	-	-	6,273.00	-
330 Intergovernmental Revenues	13,534.00	-	-	154,000.00	-	-
340 Charges for Goods and Services	-	-	1,521,625.00	3,806,100.00	3,693,067.74	489,380.00
350 Fines and Penalties	-	-	-	-	-	-
360 Miscellaneous Revenues	285,309.00	619.00	681.00	44,884.00	66,561.00	349.00
Total Operating Revenues:	298,843.00	54,002.00	1,522,306.00	4,004,984.00	3,765,901.74	489,729.00
<b>Operating Expenditures</b>						
510 General Government	-	-	-	-	-	-
520 Public Safety	-	-	-	-	-	-
530 Utilities	-	-	1,473,126.00	3,353,581.00	3,791,134.00	467,388.00
540 Transportation	-	-	-	-	-	-
550 Natural & Economic Environment	-	-	-	-	-	-
560 Social Services	-	-	-	-	-	-
570 Culture and Recreational	6,250.00	-	-	-	-	-
Total Operating Expenditures:	6,250.00	-	1,473,126.00	3,353,581.00	3,791,134.00	467,388.00
<b>Net Operating Increase (Decrease):</b>	292,593.00	54,002.00	49,180.00	651,403.00	(25,232.26)	22,341.00
<b>Nonoperating Revenues</b>						
370-380,395& 398 Other Financing Sources	2,000.00	-	-	-	631,295.00	-
391-393 Debt Proceeds	-	-	-	-	-	-
397 Transfers In	121,518.00	-	-	-	-	-
Total Nonoperating Revenues:	123,518.00	-	-	-	631,295.00	-
<b>Nonoperating Expenditures</b>						
580,596&599 Other Financing Uses	-	-	-	-	-	-
591-593 Debt Service	2,850.00	-	-	370,490.00	769,808.00	-
594-595 Capital Expenditures	142,905.00	-	-	517,678.00	17,180.54	-
597 Transfers Out	-	60,585.00	60,000.00	-	-	-
Total Nonoperating Expenditures:	145,755.00	60,585.00	60,000.00	888,168.00	786,988.54	-
<b>Increase (Decrease) in Cash and Investments</b>	270,356.00	(6,583.00)	(10,820.00)	(236,765.00)	(180,925.80)	22,341.00
<b>Ending Cash and Investments</b>						
50810 Reserved	-	117,515.05	-	265,236.87	1,687,473.82	-
50880 Unreserved	444,412.92	-	178,761.63	853,391.29	103,551.15	81,457.55

The accompanying notes are an integral part of this statement

	Combined Industrial Water Funds	Combined Equipment Rental Funds
<b>Beginning Cash and Investments</b>		
30810 Reserved	940,567.00	1,927,479.00
30880 Unreserved	1,050,524.00	34,857.00
388/588 Prior Period Adjustments, Net	-	-
<b>Operating Revenues</b>		
310 Taxes	-	-
320 Licenses and Permits	-	-
330 Intergovernmental Revenues	-	-
340 Charges for Goods and Services	244,784.00	166,622.00
350 Fines and Penalties	-	-
360 Miscellaneous Revenues	8,176.00	8,594.00
Total Operating Revenues:	252,960.00	175,216.00
<b>Operating Expenditures</b>		
510 General Government	-	-
520 Public Safety	-	-
530 Utilities	237,765.00	-
540 Transportation	-	252,910.00
550 Natural & Economic Environment	-	-
560 Social Services	-	-
570 Culture and Recreational	-	-
Total Operating Expenditures:	237,765.00	252,910.00
<b>Net Operating Increase (Decrease):</b>	15,195.00	(77,694.00)
<b>Nonoperating Revenues</b>		
370-380,395& 398 Other Financing Sources	-	535,150.00
391-393 Debt Proceeds	-	-
397 Transfers In	-	-
Total Nonoperating Revenues:	-	535,150.00
<b>Nonoperating Expenditures</b>		
580,596&599 Other Financing Uses	-	-
591-593 Debt Service	34,915.00	-
594-595 Capital Expenditures	19,683.00	769,293.00
597 Transfers Out	-	200.00
Total Nonoperating Expenditures:	54,598.00	769,493.00
<b>Increase (Decrease) in Cash and Investments</b>	(39,403.00)	(312,037.00)
<b>Ending Cash and Investments</b>		
50810 Reserved	944,567.76	1,560,116.43
50880 Unreserved	1,007,119.07	90,183.06

The accompanying notes are an integral part of this statement

City of Aberdeen  
Fiduciary Fund Resources and Uses Arising from Cash Transactions  
For the Year Ended December 31, 2014

	Totals for All Funds (Memo Only)	Fund 605 Transportation District	Fund 611 Fire Pension
308 Beginning Cash and Investments	630,967	180,975	197,693
388/588 Prior Period Adjustments, Net	-		
310-360 Revenues	802,099	534,856	266,262
380-390 Other Increases and Financing Sources	1,194,000	-	654,000
510-570 Expenditures	1,464,794	230,643	697,152
580-590 Other Decreases and Financing Uses	300,424	-	183,500
Increase (Decrease) in Cash and Investments	230,881	304,213	39,610
508 Ending Cash and Investments	861,848	485,188	237,303

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, 2014**

	<u>Fund 612</u> <u>Police Pension</u>	<u>Fund 629</u> <u>Brownfield Dvlpmnt</u>	<u>Fund 660</u> <u>Agency Suspense</u>
308 Beginning Cash and Investments	76,901	177,599	(2,201)
388/588 Prior Period Adjustments, Net			
310-360 Revenues	370	611	-
380-390 Other Increases and Financing Sources	540,000	-	-
510-570 Expenditures	455,730	81,269	-
580-590 Other Decreases and Financing Uses	116,500	-	424
Increase (Decrease) in Cash and Investments	<u>(31,860)</u>	<u>(80,658)</u>	<u>(424)</u>
508 Ending Cash and Investments	<u>45,041</u>	<u>96,941</u>	<u>(2,625)</u>

The accompanying notes are an integral part of this statement

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

The City of Aberdeen was incorporated on May 12, 1890, and operates under the laws of the State of Washington applicable to a First Class Charter City. The City is a general-purpose government and provides public safety, water treatment and distribution, sewage collection and treatment, highway and street maintenance, planning and zoning, permits and inspections, municipal court, library, recreation services, and general administration.

The City of Aberdeen reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual* prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting and described below.
- Component units are required to be disclosed, but are not included in the financial statements
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

**A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

**Governmental Fund Types****General (Current Expense) Fund**

This fund is the general 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 government.

**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 or to other governmental units on a cost-reimbursement basis.

**Fiduciary Fund Types**

Fiduciary funds account for assets held by the City 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 for assets that the City of Aberdeen holds for others in a custodial capacity.

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

**C. Budgets**

Annual appropriated budgets are adopted for all Governmental, Proprietary, and Fiduciary Funds.

These budgets are appropriated at the fund level except for the General (Current Expense) Fund, where budgets are adopted at the department level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds except capital project funds lapse at the fiscal year end. Capital project funds are budgeted for the life of the project.

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

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

Fund/Dept#	Description	2014 Budget	2014 Expenditures	Variance
	<b>General Fund</b>			
01	Legislative	\$ 73,700	\$ 71,531	\$ 2,169
02	Executive	15,650	15,423	227
03	Judicial	648,354	622,659	25,695
05	General Government	8,026,760	3,730,242	4,296,518
06	Finance	379,450	355,826	23,624
16	Legal	277,301	247,812	29,489
18	Human Resources	116,021	110,685	5,336
19	Facilities	117,090	110,827	6,263
21	Engineering	334,776	274,748	60,028
22	Building & Code Enforcement	338,707	239,643	99,064
23	Community Development	126,740	120,789	5,951
45	Police	5,023,614	5,001,655	21,959
46	Care/Custody of Prisoners	467,265	456,809	10,456
48	Fire	1,779,607	1,770,123	9,484
49	911 Call Center	205,263	204,712	551
	<b>Total General Fund</b>	<b>\$ 17,930,298</b>	<b>\$ 13,333,484</b>	<b>\$ 4,596,814</b>
	<b>Special Revenue Funds</b>			
101	Library	\$ 83,500	\$ 63,430	\$ 20,070
102	Parks	1,045,960	1,012,900	33,060
103	Street	1,969,800	1,842,012	127,788
105	Arterial Street	1,693,000	439,756	1,253,244
106	Paths & Trails	7,439	2,053	5,386
107	Morrison Riverfront Park	58,707	54,859	3,848
112	Insurance Reserve	759,500	7,445	752,055
120	Emergency Medical Services	3,365,503	3,098,308	267,195
121	Animal control	139,244	123,706	15,538
122	Parking Enforcement	69,220	65,840	3,380
123	Canine Fund	21,655	20,775	880
125	Museum	30,685	24,303	6,382
128	Community Center	157,581	110,333	47,248
132	Recreational Sports Programs	276,358	120,036	156,322
145	Drug Task Force	428,800	165,203	263,597
	<b>Total Special Revenue Funds</b>	<b>\$ 10,106,952</b>	<b>\$ 7,150,960</b>	<b>\$ 2,955,992</b>
	<b>Debt Service Funds</b>			
206	2000 Fire Truck Bond Redemption	81,900	80,841	1,059
	<b>Total Debt Service Funds</b>	<b>\$ 81,900</b>	<b>\$ 80,841</b>	<b>\$ 1,059</b>

<b>Capital Project Funds</b>				
301	Community Devel. Block Grant	\$ 22,778	\$ 22,778	\$ (0)
302	Urban Devel. Action Grant	189,575	-	189,575
303	Hotel/Motel	79,100	62,597	16,503
305	Dept. of Justice Grants	176,100	166,100	10,000
306	Grant Funds	5,000	4,724	276
318	Abatement	285,500	77,382	208,118
320	Public Buildings	259,484	152,005	107,479
350	Utility Construction	258,000	-	258,000
399	Capital Improvements	85,000	60,585	24,415
<b>Total Capital Project Funds</b>		<b>\$ 1,360,537</b>	<b>\$ 546,171</b>	<b>\$ 814,366</b>
<b>Enterprise Funds</b>				
401	Garbage Utility	\$ 1,696,745	\$ 1,533,126	\$ 163,619
403	Sewer Utility	4,491,610	4,339,371	152,239
404	Water Utility	4,925,070	4,578,122	346,948
405	Storm Water Utility	500,100	467,388	32,712
407	Industrial Water System	1,290,630	292,363	998,267
413	Sewer Cumulative Reserve	266,880	3,738	263,142
414	Water Cumulative Reserve	2,142,662	610,000	1,532,662
417	Industrial Water Reserve	940,419	-	940,419
<b>Total Enterprise Funds</b>		<b>\$ 16,254,116</b>	<b>\$ 11,824,107</b>	<b>\$ 4,430,009</b>
<b>Internal Service Funds</b>				
501	Equipment Rental	\$ 544,850	\$ 253,110	\$ 291,740
502	Equipment Rental Reserve	2,390,000	769,293	1,620,707
<b>Total Internal Service Funds</b>		<b>\$ 2,934,850</b>	<b>\$ 1,022,402</b>	<b>\$ 1,912,448</b>
<b>Fiduciary Funds</b>				
390	Public Improvement District	721,000	230,643	490,357
611	Fire Pension	\$ 963,500	\$ 880,652	\$ 82,848
612	Police Pension	603,700	572,230	31,470
629	Brownfield Development Fund	170,000	81,269	88,731
<b>Total Fiduciary Funds</b>		<b>\$ 2,458,200</b>	<b>\$ 1,764,794</b>	<b>\$ 693,406</b>
<b>Grand Total All Funds</b>		<b>\$ 51,126,853</b>	<b>\$ 35,722,809</b>	<b>\$ 15,404,044</b>

The finance director is authorized to transfer budgeted amounts between departments within any fund/object classes within departments, with the exception of the General (Current Expense) Fund. 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.

**D. Cash and Investments**

See Note 3, *Deposits and Investments*.

**E. 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. Capital assets and inventory are recorded as capital expenditures when purchased.

**F. Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All compensated absences are reported as an expenditure when paid. The following table denotes the maximum threshold for accrual:

<u>Labor Unit</u>	<u>Vacation Hours</u>	<u>Compensatory Hours</u>
AFSCME	456	100
Police Guild	720	104
Fire Union	528	0
Non-represented	720	0

Sick leave may be accumulated up to 960 hours; but upon separation or retirement, employees do not receive any payment for unused sick time, with the exception of the Police Guild. Police Guild employees at separation of service, may be paid up to 25% of their accumulated sick leave balance up to \$10,000.

**G. Long Term Debt**

See Note 6, *Long Term Debt*

**H. Other Financing Sources or Uses**

The City's "Other Financing Sources or Uses" consist of operating transfers in and transfers out to and from other funds; proceeds from sale of assets; and deposits from other funds.

**I. Risk Management****Unemployment Compensation Self-insurance**

The City is self-insured for unemployment compensation exposure. Claims against the City are administered by the Washington State Department of Employment Security and are subsequently reimbursed by the City. Actual costs are paid by the former employee's fund and department as incurred.

**Auto Physical Damage Self-insurance**

The City has elected to partially self-insure automobile physical damage and as of December 31, 2014 had \$80,102 reserved for this purpose within the Equipment Reserve Fund.

*Liability and Property Risks Joint Insurance Pool*

The city of Aberdeen 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 175 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.

Financial statements of the WCIA may be obtained by contacting the agency at (206) 575-6046.

M. Reserved Fund Balance

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments made by formal action of the City Council. At the end of 2014, the City considered \$237,429 in the Drug Enforcement Fund # 145, \$ 15,000 in the Canine Fund #123, and \$485,188 in the Transportation District Fund #605, to be reserved by external parties; \$4,818,993 was reserved by the City Council for specific uses.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

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

During 2014, two funds had a negative cash balance at year end, resulting in negative fund balances: Fund 305, the Department of Justice Grant Fund had expenditures in the amount of

\$ 21,389 that were not reimbursed by the Grantor until 2015; Fund 660, Agency Suspense Fund had a negative balance of \$ 2,625.

**NOTE 3 – DEPOSITS and INVESTMENTS**

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

The City's deposits are entirely covered by the Federal Depository Insurance Corporation (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

All investments are reported at original cost plus accrued interest which approximates market. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>City's Own Investments</u>	<u>Investments held by City as an agent for City's Transportation</u>	<u>Total</u>
		<u>District</u>	
L.G.I.P.	\$ 758,247	\$ 485,000	\$ 1,243,247
Bank of the Pacific Sweep Account	2,591,016	-	2,591,016
U.S. Government Securities	9,912,557	-	9,912,557
Total	<u>\$ 13,261,820</u>	<u>\$ 485,000</u>	<u>\$ 13,746,820</u>

The City has agreed to maintain a balance of \$2,000,000 in the Bank of the Pacific to offset bank service charges (a verbal compensating balance agreement).

**NOTE 4 - PROPERTY TAXES**

The Grays Harbor County Treasurer acts as the agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed, with interest, after the end of each month. The county Treasurer has elected to distribute property tax revenue on a percentage, or pro-rata basis rather than on a levy basis. The effect of this method is that all taxing districts in the county share proportionately in all collections and all delinquencies, regardless of the specific districts from which the taxes are collected or are delinquent.

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

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

- a) Washington State Law in RCW 84.55.010 limits the growth of regular property taxes to 6 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 6 percent due to revaluation, the levy rate will be decreased.

- b) The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

For 2014, the City levied the property taxes noted in the table below. The special levy was approved by the voters and is not subject to the Levy rate limitations listed above.

Purpose of Levy	Levy (rate per \$1000)	Levy Amount	Assessed Value
Operations levy	\$ 2.947	\$ 2,751,097	\$ 933,547,542
Special Levy: 2001 SS Dike & Fire Dept. Refunding Bond	\$ .06617	\$ 60,968	\$ 921,799,655
<b>Totals</b>	<b>\$ 3.01317</b>	<b>\$ 2,812,,065</b>	

#### **NOTE 5 – INTERFUND LOANS AND ADVANCES**

The following table displays interfund loan activity during 2014:

Borrowing Fund	Lending Fund	Balance 01/01/14	New Loans	Repayments	Balance 12/31/14
Community Center Fund	ER Reserve	\$ 277,141	\$0	\$ 23,367	\$ 253,774
<b>Total</b>		<b>\$ 277,141</b>	<b>\$0</b>	<b>\$ 23,367</b>	<b>\$ 253,774</b>

#### **NOTE 6 - LONG-TERM DEBT**

The accompanying Schedule of Long Term Debt (09) provides a listing of the outstanding debt of the City and summarizes the City's debt transactions for 2014. The debt service requirements, including interest, are as follows:

##### **5 Year Repayment Schedule (including interest)**

	<b>G.O. Bond Debt</b>	<b>Revenue Debt</b>	<b>Other Debt</b>	<b>Total Debt</b>
2015	\$ 80,568	\$ 1,920,638	\$ 762,090	\$2,763,296
2016	\$ 82,496	\$ 1,550,528	\$ 756,532	\$ 2,389,557
2017	\$ 79,191	\$ 1,553,877	\$ 750,975	\$ 2,384,043
2018	\$ 80,641	\$ 1,547,378	\$ 745,417	\$ 2,373,436
2019	\$ 81,841	\$ 187,727	\$ 361,614	\$ 631,182
2020-2024	\$ 80,291	\$ 565,682	\$ 967,731	\$ 1,613,704
<b>Totals</b>	<b>\$ 485,028</b>	<b>\$ 7,325,830</b>	<b>\$ 4,344,359</b>	<b>\$ 12,155,218</b>



**Stafford Creek Revenue Bonds**

On November 1, 1998 and August 14, 2002 the City issued \$18,940,000 and \$2,455,000 of Special Revenue Bonds for the sole purpose of extending utility lines from the city limits of Aberdeen to the site of the new Washington State Stafford Creek Correctional Center. The State of Washington has an agreement with the City to pay System Development Fees for the benefit of receiving water and sewer services. These fees are pledged to cover the debt service payments. All system fees are paid directly by the State of Washington to the bond trustee (Bank of New York) for payment of the debt service.

In July, 2009, the Stafford Creek 1998 Special Revenue Bonds were refinanced. The total refinance issuance was \$11,090,000. There are no changes in the original agreement between the State of Washington and the City for repayment of these bonds.

**Department of Ecology Revolving Loan Fund**

Subsequent to year end, the City signed a loan agreement with the Washington State Department of Ecology, for the Waste Water Treatment Plant Outfall Project. The loan provides \$1,919,000 along with forgivable principal of \$84,000. Funds will be drawn as the capital project progresses.

**NOTE 7 - PENSION PLANS**

Substantially all City full-time and qualifying part-time employees participate in PERS I, PERS II, PERS III, PSERS, LEOFF I, or LEOFF II, which are 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 the plan benefits.

Historical trend and other information regarding each plan are 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

**Other Retirement Systems – Local Government Pension Trust Funds**

Plan Description – The City is the administrator of the Firefighter's and Police Officer's Pension Plans which are closed, single-employer, defined benefit pension plans that were established in conformance with RCW Chapters 14.16, 14.18 and 14.20. These plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to firefighters and police officers employed prior to March 1, 1970, when the LEOFF retirement system was established by the State of Washington. The City's obligation under the Firefighter's and Police Officer's Pension Plans consists of paying all benefits, including payments to beneficiaries, for firefighters and police officers who retired prior to March 1, 1970, and excess benefits over LEOFF for covered firefighters and police officers who retired on or after March 1, 1970.



**Funding Policy** – Under State law, the Firefighter's Pension Plan is funded from an allocation from the State of Washington fire insurance premium taxes; interest earnings; member contributions which were made prior to March 1, 1970 (the inception of LEOFF); regular property tax levies (see Note #4); and City contributions required to meet projected future pension obligations. The Police Officer's Pension Plan is funded from interest earnings; member contributions which were made prior to March 1, 1970 (the inception of LEOFF); and City contributions required to meet projected future pension obligations.

**Eligibility/Benefits** – All members are vested. Normal retirement occurs after service for a period of 25 years or more and attainment of age 50. There is no compulsory retirement age under RCW 41.18 and 41.20. Benefit is 50% of basic salary plus an additional 2% of basic salary for each year of service in excess of 25 to a maximum of 5 additional years, subject to a \$300 per month minimum.

For service retirement after July 1, 1969, benefits increased in pace with increases in the wage attached to the employee's rank at retirement. For service retirement before July 1, 1969, benefits increased to keep pace with the Seattle area consumer price index, with a minimum increase of 2% annually.

Membership in the Firefighter's and Police Officer's Pension Plans consisted of the following at December 31, 2014:

	<u>Firefighters'</u>	<u>Police Officers'</u>
Retired and receiving City pension only payments	13	0
Receiving in excess of LEOFF benefits & medical	16	10
Retired and receiving City medical benefits only	21	20
Active members not yet retired	<u>0</u>	<u>1</u>
Total	<u>50</u>	<u>31</u>

Funding sources at December 31, 2014 were received by each trust fund as follows:

Fire Insurance Premium Tax	\$ 36,194	\$ 0
Property Taxes	\$ 229,032	\$ 0
Operating Transfer from General Gov't & EMS Fund	\$ 654,000	\$ 540,000
Other Income	<u>\$ 1,036</u>	<u>\$ 370</u>
Total Funding	<u>\$ 920,262</u>	<u>\$ 540,370</u>

As of December 31, 2014, the market value of assets was \$ 282,343. The City also had \$964,800 in Fund 112, dedicated for the Reserve for Long Term Care.

**NOTE 8- OTHER DISCLOSURES****A. Joint Ventures**

The City is a participant in two joint ventures:

**Drug Task Force Unit**

The Interagency Drug Task Force is jointly operated by Grays Harbor County and the Cities of Aberdeen and Hoquiam. The purpose of the task force is to enhance the investigation and enforcement of laws against illegal drugs.

The task force is governed by an administrative board composed of the County Sheriff and the Aberdeen and Hoquiam Police Chiefs. They are responsible for establishing the budget, authorizing acquisition of equipment, setting policies for operating the task force, and resolving disputes.

**Grays Harbor Communication Center (911)**

The City participates with Cosmopolis, Elma, Hoquiam, McCleary, Montesano, and Grays Harbor County to operate a central emergency dispatch center. As a participant, the City has an ongoing financial commitment to provide its share of operating funds to the dispatch center. The City contributed \$204,200 to the Communication Center in 2014.

**B. Transportation District**

In 2012, the City formed a Transportation Benefit District. During 2013, a special election was held to assess a dedicated sales tax rate of thirteen hundredths of one percent (.0013) for the purpose of transportation improvements. Voters approved the proposition. The effective date for the new sales and use tax rate was July 1, 2013. In 2014, this fund was reclassified from a Capital Fund to a Fiduciary Fund.

During 2014, the City received \$533,746 from sales tax revenue and \$1,110 in interest income. \$230,643 was expended during the year on transportation projects.

**CITY OF ABERDEEN**  
**SCHEDULE OF LIABILITIES**  
**For the Year Ended December 31, 2014**

<b>Redeeming Fund</b>	<b>I.D. No.</b>	<b>Description of Debt</b>	<b>BARS Code for Redemption</b>	<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Beginning Outstanding Debt 01/01/14</b>	<b>Amount Issued in Current Year</b>	<b>Payments 2014</b>	<b>Ending Outstanding Debt 12/31/14</b>
<b>GENERAL OBLIGATION DEBT</b>									
206	251.11	G. O. Bond--Refunding	591.21	10/31/11	12/1/20	\$ 512,387	-	70,699	441,688
320	263.81	CERB Loan		07/01/01	07/01/20	\$ 17,500.00	-	2,500	15,000
		<b>TOTAL G. O. DEBT</b>				<b>\$ 529,887</b>	<b>\$ -</b>	<b>\$73,199</b>	<b>\$456,688</b>
<b>REVENUE BONDS</b>									
205	252.11	Revenue Bonds- Water Refunding	591	10/30/03	12/1/15	\$ 700,000	\$ -	\$ 345,000	\$ 355,000
Pd by State	252.11	Stafford Creek Correctional Facility-2002	N/A	08/01/02	11/1/22	\$ 1,345,000	-	125,000	\$ 1,220,000
Pd by State	252.11	SCCC Refunding -2009	N/A	07/22/09	11/1/18	\$ 5,975,000	-	1,100,000	\$ 4,875,000
		<b>TOTAL REVENUE BONDS</b>				<b>\$ 8,020,000.00</b>	<b>\$ -</b>	<b>\$ 1,570,000</b>	<b>\$ 6,450,000.00</b>
<b>PUBLIC WORKS TRUST FUND LOANS</b>									
407	263.82	Industrial Water - PW-5-94-787-TIM-201	582.34	09/26/94	7/1/14	\$ 34,915	\$ -	\$ 34,915	\$ (0)
404	263.82	Water Filtration - PW-98-791-001	582.34	04/22/98	7/1/18	\$ 1,891,228	-	378,246	1,512,982
403	263.82	Wastewater Plant - PW-00-691-PRE-101	582.35	02/01/01	7/1/20	\$ 373,537	-	53,363	320,174
403	263.82	Wastewater Plant - PW-02-691-001	582.35	01/24/02	7/1/22	\$ 2,715,154	-	301,684	2,413,470
		<b>TOTAL PW LOANS</b>				<b>\$ 5,014,834</b>	<b>\$ -</b>	<b>\$ 768,208</b>	<b>\$ 4,246,626</b>
<b>Compensated Absences</b>									
259.11		General Fund & Special Revenue Funds				\$ 1,087,464	\$ -	\$ 50,157	\$ 1,037,307
259.12		Utility Funds and Equipment Rental Fund				\$ 311,908	\$ -	\$ 7,964	\$ 303,944
		<b>TOTAL COMPENSATED ABSENCES</b>				<b>\$ 1,399,372</b>	<b>\$ -</b>	<b>\$ 58,122</b>	<b>\$ 1,341,251</b>
		<b>GRAND TOTAL LONG-TERM DEBT</b>				<b>\$14,964,094</b>	<b>\$0</b>	<b>\$2,469,529</b>	<b>\$12,494,566</b>

**CITY OF ABERDEEN, WASHINGTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2014

Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Other Identification	Pass-Through Indirect Awards	Expenditures Direct Awards	Total
<b><u>Dept. of the Interior</u></b>					
<b><u>Department of the Interior- Indirect from WA Dept. of Archaeology &amp; Historic Preservation</u></b>					
Historic Preservation Fund Grants-In-Aid	15.904	FY13-61013-008	\$ 10,000	\$ -	\$ 10,000
<b><u>U.S. Dept. of Justice</u></b>					
<b><i>U.S. Dept. of Justice - Direct CTED:</i></b>					
Bulletproof Vest Partnership Program	16.607	N/A	\$ -	\$ 2,818	\$ 2,818
<b><i>U.S. Dept. of Justice - Indirect from Grays Harbor County</i></b>					
Equitable Sharing Program	16.922	N/A	\$ 6,050	\$ -	\$ 6,050
<b><i>U.S. Dept. of Justice - Indirect from Dept. of Commerce:</i></b>					
Violence Against Women- Formula Grant	16.588	F13-31103-014	\$ 28,314	\$ -	\$ 28,314
<b><i>U.S. Dept. of Justice - Indirect from Dept. of Commerce:</i></b>					
Edward Byrne Memorial Justice Assistance Grants Program	16.738	M13-31440-001	\$ 64,779	\$ -	\$ 64,779
Edward Byrne Memorial Justice Assistance Grants Program	16.738	M14-31440-001	\$ 74,853	\$ -	\$ 74,853
		Total CFDA 16.738	\$ 139,632	\$ -	\$ 139,632
<b><i>U.S. Dept. of Justice - Direct Bureau of Justice Assistance</i></b>					
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0336	\$ -	\$ 168,125	\$ 168,125
<b>Total US Dept. of Justice</b>			\$ 173,996	\$ 170,943	\$ 344,940
<b><u>Dept. of Transportation</u></b>					
<b><i>Department of Transportation - Indirect from WSDOT:</i></b>					
Highway Planning and Construction - Chehalis River Bridge Pedestrian Lighting Project	20.205	STP - 0101 (350)	\$ 393,398		\$ 393,398
Highway Planning and Construction - Surface Transportation Project-Citywide ADA Improvement	20.205	STPUS 9914(002)	\$ 45,866		\$ 45,866
<b>Total Dept. of Transportation</b>			\$ 439,264	\$ -	\$ 439,264
<b><u>TOTAL FEDERAL AWARDS EXPENDED</u></b>			\$ 623,260	\$ 170,943	\$ 794,204

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

**City of Aberdeen, Washington**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2014**

**Note 1 - Basis of Accounting**

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City's financial statement. The City uses the other comprehensive basis of accounting for all governmental funds, proprietary and fiduciary funds.

**Note 2 - Program Costs**

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

**Note 3- Amounts Awarded to Subrecipients**

There were no subrecipients during this fiscal year.

**Note 4 - Allocation of Federal and State Funding**

The Edward Byrne Memorial Justice Assistance Grant Program funding is provided by the U.S. Dept. of Justice and the State of Washington Dept. of Commerce. Funding is awarded on a fiscal basis (June 30). Funds received are not identified separately by the funding sources.

## 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.

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>