

Washington State Auditor's Office
Financial Statements Audit Report

City of Nooksack
Whatcom County

Audit Period
January 1, 2009 through December 31, 2011

Report No. 1008913

Issue Date
January 7, 2013



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

January 7, 2013

Mayor and City Council
City of Nooksack
Nooksack, Washington

Report on Financial Statements

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

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Whatcom County
January 1, 2009 through December 31, 2011**

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

**City of Nooksack
Whatcom County
January 1, 2009 through December 31, 2011**

Mayor and City Council
City of Nooksack
Nooksack, Washington

We have audited the financial statements of the City of Nooksack, Whatcom County, Washington, as of and for the years ended December 31, 2011, 2010 and 2009, and have issued our report thereon dated November 28, 2012.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

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

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 28, 2012

Independent Auditor's Report on Financial Statements

City of Nooksack Whatcom County January 1, 2009 through December 31, 2011

Mayor and City Council
City of Nooksack
Nooksack, Washington

We have audited the accompanying financial statements of the City of Nooksack, Whatcom County, Washington, for the years ended December 31, 2011, 2010 and 2009. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Nooksack, for the years ended December 31, 2011, 2010 and 2009, on the basis of accounting described in Note 1.

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

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Liabilities and Schedule of

Long-Term Debt are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 28, 2012

Financial Section

**City of Nooksack
Whatcom County
January 1, 2009 through December 31, 2011**

FINANCIAL STATEMENTS

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CITY OF NOOKSACK
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2011

BARS CODE		Total for All Funds ^{1/} Total Amount	001 Current Expense Actual Amount	101 Street Fund Actual Amount	103 CF (REET 2) Actual Amount
Beginning Cash and Investments:					
308.10	Reserved	\$40,000			
308.80	Unreserved	\$2,003,685	\$607,025	\$262,206	\$72,811
388.80 or 588.80	Prior Period Adjustments	\$0			
Revenues and Other Sources:					
310	Taxes	\$399,092	286,111	92,654	10,163
320	Licenses and Permits	\$27,413	26,978	435	
330	Intergovernmental	\$111,019	64,492	27,701	
340	Charges for Goods and Services	\$452,419	6,495		
350	Fines and Penalties	\$0	0		
360	Miscellaneous	\$22,775	7,861	2,612	851
370	Capital Contributions	\$21,000			
390	Other Financing Sources	\$0			
Total Revenues and Other Financing Sources		\$1,033,718	391,937	123,402	11,015
Total Resources		3,077,403	998,962	385,608	83,826
Operating Expenditures:					
510	General Government	\$96,345	96,345		
520	Public Safety	\$191,033	191,033		
530	Physical Environment	\$388,075	1,783		
540	Transportation	\$85,050		85,050	
550	Economic Environment	\$40,291	40,291		
560	Mental and Physical Health	\$351	351		
570	Culture and Recreational	\$11,114	11,114		
Total Operating Expenditures		812,258	340,916	85,050	0
591-593	Debt Service	\$11,522			
594-595	Capital Outlay	\$20,157	661	18,286	
Total Expenditures		843,937	341,577	103,336	0
597-599	Other Financing Uses	\$0			
Total Expenditures and Other Financing Uses		843,937	341,577	103,336	0
Excess (Deficit) of Resources Over Uses		2,233,466	657,385	282,272	83,826
380	Nonrevenues (Except 384)	\$2,612	2,612		
580	Nonexpenditures (Except 584)	\$86,951	2,612		
Ending Cash and Investments:			\$657,385	\$282,272	\$83,826
508.10	Reserved	\$339,618			83,826
508.80	Unreserved	\$1,809,509	\$657,385	\$282,272	\$0

^{1/} This column should summarize ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF NOOKSACK
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2011

BARS CODE		301 CIF(REET 1) Actual Amount	401 Water Utility Actual Amount	403 Sewer Utility Actual Amount	Fund Number and Title Actual Amount
Beginning Cash and Investments:					
308.10	Reserved			\$40,000	
308.80	Unreserved	\$203,504	\$366,358	\$491,781	
388.80 or 588.80	Prior Period Adjustments				
Revenues and Other Sources:					
310	Taxes	10,163			
320	Licenses and Permits				
330	Intergovernmental		6,969	11,857	
340	Charges for Goods and Services		201,837	244,087	
350	Fines and Penalties				
360	Miscellaneous	2,124	3,933	5,393	
370	Capital Contributions		6,000	15,000	
390	Other Financing Sources				
Total Revenues and Other Financing Sources		12,288	218,739	276,337	0
Total Resources		215,792	585,097	808,118	0
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment		147,553	238,739	
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreational				
Total Operating Expenditures		0	147,553	238,739	0
591-593	Debt Service		2,772	8,750	
594-595	Capital Outlay		605	605	
Total Expenditures		0	150,930	248,094	0
597-599	Other Financing Uses				
Total Expenditures and Other Financing Uses		0	150,930	248,094	0
Excess (Deficit) of Resources Over Uses		215,792	434,167	560,024	0
380	Nonrevenues (Except 384)				
580	Nonexpenditures (Except 584)		44,339	40,000	
Ending Cash and Investments:		\$215,792	\$389,828	\$520,024	\$0
508.10	Reserved	215,792		40,000	
508.80	Unreserved	(\$0)	\$389,828	\$480,024	\$0

The Accompanying Notes Are An Integral Part Of This Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For The Year Ending December 31, 2011

	Total for All Funds	631 Treasurer Suspense Actual Amount	632 Claims Clearing Actual Amount	633 Payroll Actual Amount	Fund Number and Title Actual Amount	Fund Number and Title Actual Amount
Beginning Cash and Investments	\$87,896	\$0	\$65,581	\$22,315		
Prior Period Adjustments	\$0					
Revenue and Other Financing Sources	\$0					
Total Resources	87,896	0	65,581	22,315	0	0
Expenditures And Other Financing Uses	\$0					
Excess (Deficit) of Resources Over Uses	87,896	0	65,581	22,315	0	0
Nonrevenues (Except 384)	\$932,628	81	664,492	268,055		
Nonexpenditures (Except 584)	\$901,658	81	633,562	268,016		
Ending Cash and Investments	\$118,866	\$0	\$96,511	\$22,354	\$0	\$0

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF NOOKSACK
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2010

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BARS CODE		Total for All Funds ^{1/} Total Amount	001 Current Expense Actual Amount	101 Street Fund Actual Amount	103 CF (REET 2) Actual Amount
Beginning Cash and Investments:					
308.10	Reserved	\$40,000			
308.80	Unreserved	\$2,126,584	\$638,074	\$182,916	\$61,379
388.80 or 588.80	Prior Period Adjustments	\$0			
Revenues and Other Sources:					
310	Taxes	\$390,524	240,801	128,666	10,529
320	Licenses and Permits	\$17,161	16,156	1,005	
330	Intergovernmental	\$80,399	55,208	25,190	
340	Charges for Goods and Services	\$430,993	2,016		
350	Fines and Penalties	\$0	0		
360	Miscellaneous	\$31,781	10,504	3,099	903
370	Capital Contributions	\$10,385			
390	Other Financing Sources	\$0			
Total Revenues and Other Financing Sources		\$961,243	324,686	157,961	11,432
Total Resources		3,127,827	962,760	340,877	72,811
Operating Expenditures:					
510	General Government	\$124,168	124,168		
520	Public Safety	\$182,288	182,288		
530	Physical Environment	\$308,984	1,704		
540	Transportation	\$78,671		78,671	
550	Economic Environment	\$36,901	36,901		
560	Mental and Physical Health	\$333	333		
570	Culture and Recreational	\$10,298	10,298		
Total Operating Expenditures		741,643	355,692	78,671	0
591-593	Debt Service	\$14,389			
594-595	Capital Outlay	\$243,771	43		
Total Expenditures		999,803	355,735	78,671	0
597-599	Other Financing Uses	\$0			
Total Expenditures and Other Financing Uses		999,803	355,735	78,671	0
Excess (Deficit) of Resources Over Uses		2,128,023	607,025	262,206	72,811
380	Nonrevenues (Except 384)	\$2,612	2,612		
580	Nonexpenditures (Except 584)	\$86,951	2,612		
Ending Cash and Investments:			\$607,025	\$262,206	\$72,811
508.10	Reserved	\$40,000			
508.80	Unreserved	\$2,003,684	\$607,025	\$262,206	\$72,811

^{1/} This column should summarize ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF NOOKSACK
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2010

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BARS CODE		301 CIF(REET 1) Actual Amount	401 Water Utility Actual Amount	403 Sewer Utility Actual Amount	Fund Number and Title Actual Amount
Beginning Cash and Investments:					
308.10	Reserved			\$40,000	
308.80	Unreserved	\$190,221	\$575,505	\$478,488	
388.80 or 588.80	Prior Period Adjustments				
Revenues and Other Sources:					
310	Taxes	10,529			
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services		193,825	235,152	
350	Fines and Penalties				
360	Miscellaneous	2,754	7,279	7,241	
370	Capital Contributions		10,385		
390	Other Financing Sources				
Total Revenues and Other Financing Sources		13,283	211,489	242,393	0
Total Resources		203,504	786,994	760,880	0
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment		129,389	177,891	
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreational				
Total Operating Expenditures		0	129,389	177,891	0
591-593	Debt Service		3,224	11,165	
594-595	Capital Outlay		243,684	43	
Total Expenditures		0	376,298	189,100	0
597-599	Other Financing Uses				
Total Expenditures and Other Financing Uses		0	376,298	189,100	0
Excess (Deficit) of Resources Over Uses		203,504	410,696	571,781	0
380	Nonrevenues (Except 384)				
580	Nonexpenditures (Except 584)		44,339	40,000	
Ending Cash and Investments:		\$203,504	\$366,358	\$531,781	\$0
508.10	Reserved			40,000	
508.80	Unreserved	\$203,504	\$366,358	\$491,781	\$0

The Accompanying Notes Are An Integral Part Of This Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For The Year Ending December 31, 2010

	Total for All Funds	631 Treasurer Suspense Actual Amount	632 Claims Clearing Actual Amount	633 Payroll Actual Amount	Fund Number and Title Actual Amount	Fund Number and Title Actual Amount
Beginning Cash and Investments	\$169,185	\$0	\$147,637	\$21,548		
Prior Period Adjustments	\$0					
Revenue and Other Financing Sources	\$0					
Total Resources	169,185	0	147,637	21,548	0	0
Expenditures And Other Financing Uses	\$0					
Excess (Deficit) of Resources Over Uses	169,185	0	147,637	21,548	0	0
Nonrevenues (Except 384)	\$1,090,975	50	831,587	259,338		
Nonexpenditures (Except 584)	\$1,172,264	50	913,644	258,570		
Ending Cash and Investments	\$87,896	\$0	\$65,581	\$22,315	\$0	\$0

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF NOOKSACK
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		Fund <u>Number</u> and Name		Fund <u>Number</u> and Name	
		001 Current Expense		101 City Street	
		Budget	Actual	Budget	Actual
Beginning	Net Cash and Investments				
308.10	Reserved	\$496,750	\$540,716	\$170,000	\$179,704
308.80	Unreserved				
	Revenues and Other Sources				
310	Taxes	258,056	281,385	83,256	86,260
320	Licenses and Permits	34,930	70,937	5,500	4,075
330	Intergovernmental	97,700	102,367	20,000	23,713
340	Charges for Goods and Services	15,275	23,382		
350	Fines and Penalties				
360	Miscellaneous	13,050	16,182	4,000	4,122
370	Capital Contributions				
390	Other Financing Sources		7,837		
	Total Revenues and Other Financing Sources	419,011	502,090	112,756	118,170
	Total Resources	915,761	1,042,806	282,756	297,874
	Operating Expenditures:				
510	General Government	244,700	130,562	4,500	4,437
520	Public Safety	186,966	174,630		
530	Physical Environment	1,950	1,699		
540	Transportation			114,790	82,095
550	Economic Environment	105,552	76,948		
560	Mental and Physical Health	500	290		
570	Culture and Recreational	15,100	12,523		
	Total Operating Expenditures	554,768	396,652	119,290	86,532
591-593	Debt Service				
594-595	Capital Outlay	40,000	242	79,000	28,425
	Total Expenditures	594,768	396,894	198,290	114,957
597-599	Other Financing Uses				
	Total Expenditures and Other Financing Uses	594,768	396,894	198,290	114,957
	Excess (Deficit) of Resources Over Uses	320,993	645,912	84,466	182,917
380	Nonrevenues (Except 384 and 388.80)				
580	Nonexpenditures (Except 584 and 588.80)		7,837		
	Ending Net Cash and Investments	\$320,993	\$638,075	\$84,466	\$182,917
508.10	Reserved				
508.80	Unreserved				

Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF NOOKSACK
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		Fund Number and Name		Fund Number and Name	
		403 Sewer Fund		401 Water Fund	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments					
308.10	Reserved	\$220,000	\$253,166	\$480,000	\$490,784
308.80	Unreserved				
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services	220,000	313,723	191,550	268,933
350	Fines and Forfeits				
360	Miscellaneous	6,525	8,244	10,400	12,234
370	Capital Contributions				
390	Other Financing Sources				
Total Revenues and Other Sources		226,525	321,967	201,950	281,167
Total Resources		446,525	575,133	681,950	771,951
Operating Expenditures:					
510	General Government	4,500	4,437	4,500	4,437
520	Public Safety	100	18	100	23
530	Physical Environment	327,834	237,194	250,990	235,851
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		332,434	241,649	255,590	240,311
591-593	Debt Service	600	327		
594-595	Capital Outlay	11,500	0	258,500	23,302
Total Expenditures		344,534	241,976	514,090	263,613
597-599	Other Financing Uses	48,699	48,089	48,016	48,016
Total Expenditures and Other Uses		393,233	290,065	562,106	311,629
Excess (Deficit) of Resources Over Uses		53,292	285,068	119,844	460,322
380	Nonrevenues (Except 384 and 388.80)				
580	Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments		\$53,292	\$285,068	\$119,844	\$460,322
508.10	Reserved				
508.80	Unreserved				

Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF NOOKSACK
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

Fund Type:	Fund Number and Name 103 Capital Facilities		Fund Number and Name 301 Capital Improvements	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$33,000	\$35,065	\$158,000	\$160,919
Revenue and Other Financing Sources	10,800	26,314	12,000	29,301
Total Resources	43,800	61,379	170,000	190,221
Expenditures And Other Financing Uses			100,000	
Excess (Deficit) of Resources Over Uses	43,800	61,379	70,000	190,221
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	\$43,800	\$61,379	\$70,000	\$190,221

Fund Type:	Fund Number and Name 404 Bond Redemption		Fund Number and Name 405 Bond Reserve	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments			\$40,000	\$40,000
Revenue and Other Financing Sources	48,699	48,089		
Total Resources	48,699	48,089	40,000	40,000
Expenditures And Other Financing Uses	48,699	48,089		
Excess (Deficit) of Resources Over Uses	0	0	40,000	40,000
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	\$0	\$0	\$40,000	\$40,000

Fund Type:	Fund Number and Name 406 PWTF		Fund Number and Name 633 Payroll	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments				\$22,181
Revenue and Other Financing Sources	48,016	48,016		
Total Resources	48,016	48,016	0	22,181
Expenditures And Other Financing Uses	3,677	3,677		
Excess (Deficit) of Resources Over Uses	44,339	44,339	0	22,181
Nonrevenues (Except 384 and 388.80)				257,384
Nonexpenditures (Except 584 and 588.80)	44,339	44,339		258,018
Ending Net Cash and Investments	\$0	\$0	\$0	\$21,547

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF NOOKSACK
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

Fund Type:	Fund Number and Name 632 Claims		Fund Number and Name 402 Water/Sewer Reserve	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$72,707	\$199,000	\$200,438
Revenue and Other Financing Sources			38,000	108,165
Total Resources	0	72,707	237,000	308,603
Expenditures And Other Financing Uses			15,000	
Excess (Deficit) of Resources Over Uses	0	72,707	222,000	308,603
Nonrevenues (Except 384 and 388.80)		866,067		
Nonexpenditures (Except 584 and 588.80)		791,137		
Ending Net Cash and Investments	0	\$147,637	\$222,000	\$308,603

Fund Type:	Fund Number and Name 631 Suspense Fund		Fund Number and Name	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments				
Revenue and Other Financing Sources		194		
Total Resources	0	194		
Expenditures And Other Financing Uses		194		
Excess (Deficit) of Resources Over Uses	0	0		
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	0	\$0		

The Accompanying Notes Are An Integral Part Of This Statement.

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

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Nooksack reports financial activity using the revenues 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 Nooksack was incorporated in 1912 and operates under the laws of the State of Washington applicable to a non-chartered code city with a Mayor-Council form of government. The City of Nooksack is a general purpose government and provides public safety and fire protection via a contract with the City of Everson and Whatcom County Fire Protection District No. 1, street_improvements, parks and recreation and general administrative services. In addition, the city owns and operates a water distribution system and a sewer collection system. The City Of Nooksack 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 Nooksack are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are fund types used by the City.

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund

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

Special Revenue Funds (100-199)

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

Capital Project Funds (300 – 399)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

FIDUCIARY FUND TYPES:

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

Agency Funds (631-699)

These funds are used to account assets that the city 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(s) budget appropriations as required by state law.

In accordance with state law the City of Nooksack 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 Nooksack adopts annual appropriated budgets for all funds. These budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

	Final Appropriated	Actual	
Fund/Department	Amounts	Expenditures	Variance
Current Expense Fund	\$ 984,607	\$ 344,190	\$ 640,417
Street Fund	\$ 372,402	\$ 103,336	\$ 269,066
Capital Facilities (REET#2)	\$ 83,475	\$ -	\$ 83,475
Capital Improvements (REET #1)	\$ 215,100	\$ -	\$ 215,100
Water Utility Fund	\$ 450,650	\$ 195,269	\$ 255,381
Water/Sewer Capital Reserve	\$ 357,375	\$ -	\$ 357,375
Sewer Utility Fund	\$ 545,025	\$ 288,094	\$ 256,931
Sewer Bond Redemption	\$ 49,045	\$ 48,435	\$ 610
Sewer Bond Reserve	\$ 40,000	\$ -	\$ 40,000
PWT Waterline	\$ 47,111	\$ 47,111	\$ -

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

d. Cash

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

e. Deposits

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

f. Investments See Note 3

g. Capital Assets

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

h. Compensated Absences

Vacation leave may be accumulated up to 25 days, however only 5 days (40 hours) may be carried over to an ensuing year. Employees are paid for unused vacation leave upon separation or retirement.

Sick leave may accumulate up to 480 hours. Upon separation or retirement employees will be paid 25% of the accumulated sick leave provided that the employee gives thirty (30) days written notice of separation and/or they are not terminated for cause. .

i. Long-Term Debt See Note 6

j. Other Financing Sources Or Uses

The City Of Nooksack's "Other Financing Sources or Uses" consist of debt proceeds, debt service, and transfers-in and out between funds.

k. Risk Management

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

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

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

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

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

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. In the event of termination, a

member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the pool. The pool has no employees, but has contracted with a third-party administrator, Canfield & Associates, Inc. to perform daily administration of the pool, including underwriting, brokerage, account education, risk management, and claims. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

1. Reserved Fund Balance

The City of Nooksack has reserved fund balances as follows:

- REET 1 (Real Estate Excise Tax – 1st Quarter) \$83,826
- REET 2 (Real Estate Excise Tax – 2nd Quarter) \$215,791
- Sewer Bond Reserve -\$40,000.00 to meet bond covenants of the Water/Sewer Revenue Refunding bond series 1994.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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

There have been no expenditures exceeding legal appropriations in any of the funds of the City.

NOTE 3 – INVESTMENTS

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

All investments are presented at cash value.

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

Type of Investment	City of Nooksack Own investments	Investments held by City of Nooksack as an agent for others	Total
L.G.I.P.	\$0.0	\$0.00	\$0.00
Certificates of Deposit	\$ 846,061.02	\$0.00	\$ 846,061.02
Money Market Accounts	\$ 956,114.80	\$0.00	\$ 956,114.80
Total	\$1,802,175.82	\$0.00	\$1,802,175.82

NOTE 4 – PROPERTY TAX

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

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

The City of Nooksack's regular levy for the year 2011 was 2.016286 per \$1,000 on an assessed valuation of \$80,123,108., for a total regular levy of \$161,551.08.

NOTE 6 – LONG TERM DEBT

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

	General		Other	
	Obligation	Revenue	Revenue	Total
	Bonds	Bonds	Debt	Debt
2011		\$ 48,435.00	\$ 47,110.60	\$ 95,545.60
2012		\$ 29,070.00	\$ 46,658.04	\$ 75,728.04
2013		\$ 27,870.00	\$ 46,205.48	\$ 74,075.48
2014		\$ 31,520.00	\$ 32,497.31	\$ 64,017.31
2015		\$ 30,013.75	\$ 32,309.87	\$ 62,323.62
2016		\$ 28,501.25	\$ 32,122.41	\$ 60,623.66
2017-2021		\$ 6,372.50	\$ 153,571.51	\$ 159,944.01
TOTALS	\$0.00	\$ 201,782.50	\$390,475.22	\$ 592,257.72

NOTE 7 – PENSION PLANS

Substantially all City of Nooksack's full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) 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 system 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

INSURANCE RISK POOL –SPECIAL ASSESSMENT

The City of Nooksack is a member of the Cities Insurance Association of Washington (CIAW) which is an insurance pool for the joint purchasing of insurance and/or risk management services (see Note 1k – Risk Management). Due to adverse losses during the years of 2002-2006 CIAW adopted resolution # 9-10-03 which provides for a five-year plan to impose a re-assessment to participating members of the plan at the time of the adverse losses. The City of Nooksack was one of those member cities and while the assessment does not represent a material impact to the financial position of the city it wishes to disclose the amount of the re-assessment.

- \$493.26 annual Funding plan re-assessment for five years (2010-2014)

FUND REPORTING

The city has several managerial funds that have been established to meet its fiscal and budgetary needs. For reporting purposes these funds are rolled to meet the BARS requirements as prescribed by the WA State Auditor's Office under RCW 43.09. The funds are:

- Water Utility Fund includes the funds of 401,406 and a portion of joint W/S Reserve #402
- Sewer Utility Fund includes the funds of 403, 404, 405 and a portion of joint W/S Reserve #402

CITY OF NOOKSACK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Nooksack reports financial activity using the revenues 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 Nooksack was incorporated in 1912 and operates under the laws of the State of Washington applicable to a non-chartered code city with a Mayor-Council form of government. The City of Nooksack is a general purpose government and provides public safety and fire protection via a contract with the City of Everson and Whatcom County Fire Protection District No. 1, street improvements, parks and recreation and general administrative services. In addition, the city owns and operates a water distribution system and a sewer collection system. The City Of Nooksack 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 Nooksack are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are fund types used by the City.

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund

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

Special Revenue Funds (100-199)

These funds account for revenues that are legally restricted or designated to finance particular activities of the City.

Capital Project Funds (300-399)

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

FIDUCIARY FUND TYPES:

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

Agency Funds (631-699)

These funds are used to account assets that the city 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(s) budget appropriations as required by state law.

In accordance with state law the City of Nooksack 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 Nooksack adopts annual appropriated budgets for all funds. These budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

	Final Appropriated	Actual	
Fund/Department	Amounts	Expenditures	Variance
Current Expense Fund	\$ 970,670	\$ 358,348	\$ 612,323
Street Fund	\$ 326,196	\$ 78,671	\$ 247,525
Capital Facilities (REET#2)	\$ 69,800	\$ -	\$ 69,800
Capital Improvements (REET #1)	\$ 199,000	\$ -	\$ 199,000
Water Utility Fund	\$ 663,950	\$ 420,636	\$ 243,314
Water/Sewer Capital Reserve	\$ 346,000	\$ -	\$ 346,000
Sewer Utility Fund	\$ 503,025	\$ 229,100	\$ 273,925
Sewer Bond Redemption	\$ 51,450	\$ 50,840	\$ 610
Sewer Bond Reserve	\$ 40,000	\$ -	\$ 40,000
PWT Waterline	\$ 47,563	\$ 47,563	\$ -

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

d. Cash

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

e. Deposits

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

f. Investments See Note 3

g. Derivatives And Similar Transactions

The City of Nooksack has no derivatives or similar transactions to report on.

h. Capital Assets

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

i. Compensated Absences

Vacation leave may be accumulated up to 25 days, however only 5 days (40 hours) may be carried over to an ensuing year. Employees are paid for unused vacation leave upon separation or retirement.

Sick leave may accumulate up to 480 hours. Upon separation or retirement employees hired before May 2, 1995 with three (3) or more years of service are entitled to 100% of accumulated sick leave provided that the employee gives thirty (30) days written notice of separation and/or they are not terminated for cause. All employees hired after May 2, 1995 will be paid 25% of the accumulated sick leave at the time of separation or retirement.

j. Long-Term Debt See Note 6

k. Other Financing Sources Or Uses

The City Of Nooksack's "Other Financing Sources or Uses" consist of debt proceeds, debt service, and transfers-in and out between funds.

l. Risk Management

The City of Nooksack is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, the CIAW has 115 member cities and 176 associate members.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claims made basis". All other coverage is on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: Property, liability, vehicle liability, other mobile equipment, boiler and machinery, bonds of various types, excess liability and public official liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool, however, purchases a Stop Loss Policy in the amount of \$3,508,000 to eliminate any risk to members and, in addition, fully funds the Stop Loss in the budget.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000. Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Each new member now pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member remains responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, Inc., which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2004 and 2006 were \$951,388 and \$1,057,063 respectively.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates, Inc. to perform day-to-day administration of the pool. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

m. Reserved Fund Balance

The City of Nooksack has reserved fund balances in:

- \$40,000.00 in the Sewer Refunding Bond Reserve Fund to meet bond covenants for a Water/Sewer Revenue Refunding bond series 1994. The bond covenants require ten percent (10%) of the original loan value be reserved for the term of the loan.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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

There have been no expenditures exceeding legal appropriations in any of the funds of the City.

NOTE 3 – INVESTMENTS

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

All investments are presented at cash value.

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

Type of Investment	City of Nooksack Own investments	Investments held by City of Nooksack as an agent for others	Total
L.G.I.P.	\$0.0	\$0.00	\$0.00
Certificates of Deposit	\$829,374.06	\$0.00	\$829,374.06
Money Market Accounts	\$951,518.37	\$0.00	\$951,518.37
Total	\$1,780,892.43	\$0.00	\$1,780,892.43

NOTE 4 – PROPERTY TAX

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

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

The City of Nooksack's regular levy for the year 2010 was 1.87119 per \$1,000 on an assessed valuation of \$82,680,341., for a total regular levy of \$154,710.62.

NOTE 5 – INTERFUND LOANS AND ADVANCES

There were no Interfund loans or advances for the year 2010

NOTE 6 – LONG TERM DEBT

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

	General		Other	
	Obligation	Revenue	Revenue	Total
	Bonds	Bonds	Debt	Debt
2010		\$ 50,840.00	\$ 47,563.16	\$ 98,403.16
2011		\$ 30,265.00	\$ 47,110.60	\$ 77,375.60
2012		\$ 29,070.00	\$ 46,658.04	\$ 75,728.04
2013		\$ 27,870.00	\$ 46,205.48	\$ 74,075.48
2014		\$ 31,520.00	\$ 32,497.31	\$ 64,017.31
2015		\$ 30,013.75	\$ 32,309.87	\$ 62,323.62
2016-2020		\$ 54,873.75	\$ 156,601.84	\$ 211,475.59
2021-2025		\$ -	\$ 29,092.08	\$ 29,092.08
TOTALS	\$0.00	\$ 254,452.50	\$438,038.38	\$ 692,490.88

NOTE 7 – PENSION PLANS

Substantially all City of Nooksack's full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) 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 system 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

INSURANCE RISK POOL –SPECIAL ASSESSMENT

The City of Nooksack is a member of the Cities Insurance Association of Washington (CIAW) which is an insurance pool for the joint purchasing of insurance and/or risk management services (see Note 11 – Risk Management). Due to adverse losses during the years of 2002-2006 CIAW adopted resolution # 9-10-03 which provides for a five-year plan to impose a re-assessment to participating members of the plan at the time of the adverse losses. The City of Nooksack was one of those member cities and while the assessment does not represent a material impact to the financial position of the city it wishes to disclose the amount of the re-assessment.

- \$493.26 annual Funding plan re-assessment for five years (2010-2014)

FUND REPORTING

The city has several managerial funds that have been established to meet its fiscal and budgetary needs. For reporting purposes these funds are rolled to meet the BARS requirements as prescribed by the WA State Auditor's Office under RCW 43.09. The funds are:

- Water Utility Fund includes the funds of 401,406 and a portion of joint W/S Reserve #402
- Sewer Utility Fund includes the funds of 403, 404, 405 and a portion of joint W/S Reserve #402

**CITY OF NOOKSACK
NOTES TO FINANCIAL STATEMENTS**

January 1st, 2009- December 31st, 2009

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

The City of Nooksack uses the revenue and expenditure classification contained in the Budgeting, Accounting and Reporting System (BARS) manual. The Manual is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Nooksack was incorporated December 6, 1912 and operates under the laws of the State of Washington applicable to a non-chartered code City with a Mayor-Council form of government. The City of Nooksack is a general purpose government and provides public safety, fire protection, street improvements, parks and recreation and general administrative services. In addition, the City owns and operates a water distribution system and a sewer collection system. The City of Nooksack uses single entry; cash basis accounting, which is a departure from generally, accepted accounting principles (GAAP).

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

Current Expense Fund

This fund is the primary operating fund of the City of Nooksack. 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 revenues that are legally restricted or designated to finance particular activities of the City of Nooksack.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources, which are designated for the acquisition or construction of general government capital projects.

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.

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account for assets that the City of Nooksack 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 years budget appropriations as required by state law.

In accordance with state law the City of Nooksack 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 in the United States of America.

c. Budgets

Annual appropriated budgets are adopted for all funds.

The Financial statements include budgetary comparisons for those funds.

Annual appropriated budgets are adopted at the level of the fund. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for general special revenue and proprietary funds lapse at the fiscal period end.

The Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affects the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Nooksack City Council's legislative body.

d. Cash

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

e. Deposits

The City deposits and certificates of deposit are covered by the Washington Public Deposit Protection Commission.

f. Investments

See Investment Note #3.

g. Capital Assets

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

h. Compensated Absences

Vacation leave may accumulate up to 25 days but only 5 days (40 Hrs) can be carried over to a ensuing year. Employees will be paid for unused vacation time upon termination of employment.

Sick leave may accumulate up to 480 hours. Upon separation or retirement employees employed before May 2, 1995 with 3 or more years of service are entitled to cash upon termination in the amount of a 100% provided that the employee gives 30 days prior notice and is not terminated for cause. All other employees will be cashed out at 25%.

i. Long-Term Debt

See Note 5

j. Other Financing Sources or Uses

The City of Nooksack "Other Financing Sources or Uses" consist of debt service transfers.

k. Risk Management

The City of Nooksack is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2009, the CIAW had 86 regular members and 170 associate members.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Employment Practices and Management Liability is on a "claims made basis". All other coverage's are on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: Property, liability, vehicle liability, other mobile equipment, boiler and machinery, bonds of various types, excess liability and public official liability.

The pool acquires liability insurance through St. Paul Fire & Marine Insurance Company (Travelers) that is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool also purchases a Stop Loss Policy in the amount of \$5,500,000 to cap the total claims paid by the pool in any one year.

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

each claim, while the pool is responsible for the remaining \$9,000.

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

Each new regular member pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member remains responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, Inc., which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the years ended August 31, 2008 and 2009 were \$1,321,289 and \$1,389,379 respectively.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of directors has contracted with Canfield & Associates, Inc. to perform day-to-day administration of the pool. This pool has no employees. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

NOTE 2- COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City of Nooksack.

NOTE 3 -INVESTMENTS

The City's investments are either insured, registered or held by the City of Nooksack or its agent in the City's name. The City of Nooksack holds no investments as an agent for any other local governments, individuals or private organizations.

Investments by type at December 31, 2009 are as follows:

Type of Investment

2009 Balances

Peoples Bank	
MM (own)	\$334,755.90
CD (own)	\$273,291.56
Sub-Total	\$608,047.46

Bank of the Pacific	
MM (own)	\$609,916.73
CD (own)	\$359,377.97
CD (own)	\$173,439.67
Sub-Total	\$1,142,734.37

TOTAL	\$1,750,781.83
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NOTE 4- PROPERTY TAXES

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

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

The City's regular levy for 2009 was \$1.87 per \$1,000 on an assessed valuation of \$77,642,145 for a total regular levy of \$145,105.40.

NOTE 5 - LONG - TERM DEBT

The accompanying schedule of long-term debt (09) provides a listing of the outstanding debt of the City and summarized the City's debt transactions for 2009. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Revenue Debt	Total Debt
2009		48,088.75	48,015.73	= 96,104.48
2010		50,840.00	47,563.16	= 98,403.16
2011		29,045.00	47,110.60	= 76,155.60
2012		27,850.00	46,658.04	= 74,508.04
2013		26,650.00	46,205.48	= 72,855.48
2014-2018		112,137.50	160,612.06	= 272,749.56
2019-2021		-0-	89 889.04	= 89 889.04
TOTALS		294,611.25	486,054.11	= 780,665.36

NOTE 6 - PENSION PLANS

Substantially all City of Nooksack full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) 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 is 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

City of Nooksack

Schedule of Liabilities

For the year ending December 31, 2011

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance December 31, 2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2011
General Obligations								
	263.91	CIAW - Re-Assessment 2010	12/31/2016	1,973	0	493		1,480
	259.11	Compensated Absence - GO	12/31/2011	1,288	3,341	0		4,629
Total General Obligations:				3,261	3,341	493		6,109
Revenue Obligations								
	252.11	Bank of NY Refunding 1994	2/1/2018	160,000	0	40,000	58235	120,000
	252.11	PWTF - Water 1995	6/30/2013	39,764	0	13,256	58234	26,509
	252.11	PWTF - Water 2000	6/30/2019	21,358	0	2,136	58234	19,222
	252.11	PWTF - Water 2002	6/30/2012	347,368	0	28,947	58234	318,421
	259.12	Compensated Absences - Water	12/31/2011	1,030	2,009	0		3,039
	259.12	Compensated Absences - Sewer	12/31/2011	830	1,756	0		2,586
Total Revenue Obligations:				570,350	3,765	84,339		489,776
Total Liabilities:				573,611	7,106	84,832		495,885

(4)

Beginning balances adjusted to reflect lender amortization schedules

CITY OF NOOKSACK
SCHEDULE OF LONG-TERM DEBT
For the Year Ended December 31, 2009

ID No.	Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 01/01/109	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/109	G.O. Debt x Revenue Debt Assessment Debt
252.11	1994	2019	235,000				35,000	582.35.72	404	200,000.00	
252.11	1995	2013	66,276				13,256	582.34.78	406	53,020	
252.11	2000	2019	23,492				2,136	582.34.78.01	406	21,356	
252.11	2002	2021	376,318				28,947	582.34.78.02	406	347,371	
Total			701,086				79,339			621,747	