

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

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**City of Forks**  
**Clallam County**

Audit Period  
**January 1, 2011 through December 31, 2012**

**Report No. 1010512**

Issue Date  
**September 27, 2013**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

September 27, 2013

Mayor and City Council  
City of Forks  
Forks, Washington

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

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

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

Sincerely,

**TROY KELLEY**  
STATE AUDITOR

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Clallam County  
January 1, 2011 through December 31, 2012**

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# Federal Summary

## City of Forks Clallam County January 1, 2012 through December 31, 2012

The results of our audit of the City of Forks 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 Forks  
Clallam County  
January 1, 2011 through December 31, 2012**

Mayor and City Council  
City of Forks  
Forks, 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 Forks, Clallam County, Washington, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 11, 2013.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

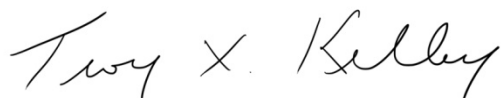
## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

September 11, 2013

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

**City of Forks  
Clallam County  
January 1, 2012 through December 31, 2012**

Mayor and City Council  
City of Forks  
Forks, Washington

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

We have audited the compliance of the City of Forks, Clallam County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the accompanying Federal Summary.

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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**TROY KELLEY**  
STATE AUDITOR

September 11, 2013

# Independent Auditor's Report on Financial Statements

**City of Forks  
Clallam County  
January 1, 2011 through December 31, 2012**

Mayor and City Council  
City of Forks  
Forks, Washington

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

We have audited the accompanying financial statements of the City of Forks, Clallam County, Washington, for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

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

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Forks, for the years ended December 31, 2012 and 2011, on the basis of accounting described in Note 1.

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

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2013 on our consideration of the City's internal control over financial reporting

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

**TROY KELLEY**  
STATE AUDITOR

September 11, 2013

# Financial Section

**City of Forks  
Clallam County  
January 1, 2011 through December 31, 2012**

## ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2012  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2012  
Fund Resources and Uses Arising from Cash Transactions – 2011  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2011  
Notes to Financial Statements – 2012  
Notes to Financial Statements – 2011

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

Schedule of Liabilities – 2012  
Schedule of Liabilities – 2011  
Schedule of Expenditures of Federal Awards – 2012  
Notes to the Schedule of Expenditures of Federal Awards – 2012

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 Current Expense	101 Street	103 Seized Property
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	121,703	0	0	1,798
30880	Beg Fund Bal-Unreserved	1,356,872	205,964	201,346	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	1,399,767	1,074,296	159,287	0
320	Licenses & Permits	17,002	17,002	0	0
330	Intergovernmental Revenues	1,333,952	147,269	71,591	0
340	Charges for Goods and Services	1,452,571	390,304	0	0
350	Fines & Penalties	53,549	53,549	0	0
360	Miscellaneous Revenues	284,649	40,324	2,827	305
Total Operating Revenues:		4,541,490	1,722,745	233,705	305
<b>Operating Expenditures</b>					
510	General Government	483,890	130,716	0	0
520	Public Safety	1,418,220	1,418,220	0	0
530	Utilities And Environment	772,638	6,453	0	0
540	Transportation	352,432	0	270,469	0
550	Economic Environment	142,016	43,372	0	0
560	Mental & Physical Health	6,500	6,500	0	0
570	Culture And Recreation	208,256	33,854	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		3,383,952	1,639,115	270,469	0
Net Operating Increase (Decrease):		1,157,538	83,630	-36,764	305
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	97,232	7,757	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	208,429	0	0	0
Total Nonoperating Revenues:		305,661	7,757	0	0
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	37,480	6,874	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	1,321,031	13,802	0	0
597	Transfers-Out	208,429	0	163,000	0
Total Nonoperating Expenditures:		1,566,940	20,675	163,000	0
Increase (Decrease) in Cash and Investments		-103,741	70,711	-199,764	305
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	171,504	0	0	2,103
50880	End Fund Balance-Unreserved	1,203,331	276,676	1,582	0

The accompanying notes are an integral part of this Statement.

BARS Code		140 Stadium Fund	150 Transit Center	301 TIB Projects	304 CIP(REET)
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	119,905	0	0	0
30880	Beg Fund Bal-Unreserved	0	6,744	26,986	63,611
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	147,901	0	0	18,283
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	635,760	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	247	11,042	0	133
Total Operating Revenues:		148,148	11,042	635,760	18,416
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	45,958	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	99,138	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		99,138	45,958	0	0
Net Operating Increase (Decrease):		49,010	-34,916	635,760	18,416
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	19,178	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	10,000	120,000	0
Total Nonoperating Revenues:		0	29,178	120,000	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	78	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	713,634	0
597	Transfers-Out	0	0	45,429	0
Total Nonoperating Expenditures:		0	78	759,063	0
Increase (Decrease) in Cash and Investments		49,010	-5,816	-3,303	18,416
Ending Cash and Investments					
50810	End Fund Bal-Reserved	168,914	0	23,683	0
50880	End Fund Balance-Unreserved	0	930	0	82,027

The accompanying notes are an integral part of this Statement.



BARS Code		310 Grant/Constructio n	340 Russell Rd Impv	400 Water	402 Sewer
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	8,544	0	187,082	130,172
38880/58880	Prior Period Adjustments, net	0	0	0	0
			0		
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	479,331	0	0
340	Charges for Goods and Services	0	0	785,882	276,384
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	0	3,064	587
Total Operating Revenues:		0	479,331	788,946	276,972
Operating Expenditures					
510	General Government	0	0	271,236	20,537
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	536,763	229,422
540	Transportation	849	137	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		849	137	808,000	249,958
Net Operating Increase (Decrease):		-849	479,194	-19,053	27,013
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	1,056	16
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	78,429	0	0
Total Nonoperating Revenues:		0	78,429	1,056	16
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	414	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	580,820	12,775	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		0	580,820	13,190	0
Increase (Decrease) in Cash and Investments		-849	-23,197	-31,186	27,029
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	-23,196	0	0
50880	End Fund Balance-Unreserved	7,694	0	155,894	157,201

The accompanying notes are an integral part of this Statement.

BARS Code		410 Airport/Ind Pk	412 Quillayute Air	505 Travel Fund
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	418,038	104,387	4,000
38880/58880	Prior Period Adjustments, net	0	0	0
<b>Operating Revenues</b>				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	0	0	0
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	224,614	1,506	0
Total Operating Revenues:		224,614	1,506	0
<b>Operating Expenditures</b>				
510	General Government	61,401	0	0
520	Public Safety	0	0	0
530	Utilities And Environment	0	0	0
540	Transportation	26,806	8,213	0
550	Economic Environment	98,644	0	0
560	Mental & Physical Health	0	0	0
570	Culture And Recreation	75,264	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		262,115	8,213	0
Net Operating Increase (Decrease):		-37,501	-6,707	0
<b>Nonoperating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	69,055	170	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	0	0	0
Total Nonoperating Revenues:		69,055	170	0
<b>Nonoperating Expenditures</b>				
580, 596, 599	Other Financing Uses	29,944	169	0
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	0	0	0
597	Transfers-Out	0	0	0
Total Nonoperating Expenditures:		29,944	169	0
Increase (Decrease) in Cash and Investments		1,610	-6,706	0
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	0	0	0
50880	End Fund Balance-Unreserved	419,647	97,679	4,000

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, 2012

BARS Code		Total for All funds	600 Jail Commissary
308	Beginning Cash and Investments	14,553	14,553
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
370-390	Other Increases and Financing Sources	0	0
510-570	Expenditures	-1,465	-1,465
580-590	Other Decreases and Financing Uses	0	0
Increase (Decrease) in Cash and Investments		1,465	1,465
508	Ending Cash and Investments	16,019	16,019

The accompanying notes are an integral part of this Statement.

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS Code		Total for All funds*	001 Current Expense	101 STREET	102 Arterial Streets
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	180,705	0	0	0
30880	Beg Fund Bal-Unreserved	1,094,428	165,082	58,574	148,172
38880/58880	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	1,470,189	1,167,768	154,704	0
320	Licenses & Permits	16,282	16,282	0	0
330	Intergovernmental Revenues	265,390	122,347	49,605	23,344
340	Charges for Goods and Services	1,251,642	265,960	0	0
350	Fines & Penalties	61,943	61,943	0	0
360	Miscellaneous Revenues	292,386	36,402	79	248
Total Operating Revenues:		3,357,832	1,670,701	204,388	23,591
<b>Operating Expenditures</b>					
510	General Government	554,453	146,448	0	0
520	Public Safety	1,444,821	1,444,821	0	0
530	Utilities And Environment	803,147	2,145	0	0
540	Transportation	303,976	0	183,532	0
550	Economic Environment	136,783	41,422	0	0
560	Mental & Physical Health	4,500	4,500	0	0
570	Culture And Recreation	128,601	24,601	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		3,376,280	1,663,937	183,532	0
Net Operating Increase (Decrease):		-18,449	6,764	20,856	23,591
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	423,050	47,019	5,153	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	132,726	20,000	0	0
Total Nonoperating Revenues:		555,776	67,019	5,153	0
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	137,281	6,693	0	0
591-593	Debt Service	7,533	0	0	0
594-595	Capital Expenditures	56,253	18,329	0	0
597	Transfers-Out	132,726	7,726	20,000	35,000
Total Nonoperating Expenditures:		333,793	32,748	20,000	35,000
Increase (Decrease) in Cash and Investments		203,533	41,035	6,009	-11,409
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	218,894	0	0	0
50880	End Fund Balance-Unreserved	1,259,685	206,118	64,582	136,764

The accompanying notes are an integral part of this Statement.

BARS Code		103 Seized Property	140 STADIUM FUND	150 TRANSIT CENTER	301 TIB PROJECTS
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	1,565	114,119	426	0
30880	Beg Fund Bal-Unreserved	0	0	0	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	0	139,595	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	28,592
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	82	191	12,202	0
Total Operating Revenues:		82	139,786	12,202	28,592
<b>Operating Expenditures</b>					
510	General Government	0	0	0	36,607
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	45,707	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	94,000	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		0	94,000	45,707	36,607
Net Operating Increase (Decrease):		82	45,786	-33,505	-8,015
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	0	12,186	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	27,726	35,000
Total Nonoperating Revenues:		0	0	39,912	35,000
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	40,000	0	0
Total Nonoperating Expenditures:		0	40,000	0	0
Increase (Decrease) in Cash and Investments		82	5,786	6,407	26,985
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	1,648	119,905	6,744	26,986
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		304 CIP(REET)	310 GRANT/CONST	400 WATER	402 SEWER
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	64,596	0	0	0
30880	Beg Fund Bal-Unreserved	0	0	307,677	110,542
38880/58880	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	8,123	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	785	40,717	0	0
340	Charges for Goods and Services	0	0	726,816	258,770
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	107	0	450	2,074
Total Operating Revenues:		9,015	40,717	727,266	260,845
<b>Operating Expenditures</b>					
510	General Government	0	0	286,796	25,086
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	49,447	535,183	216,372
540	Transportation	0	12,667	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	10,000	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		0	72,114	821,980	241,457
Net Operating Increase (Decrease):		9,015	-31,397	-94,713	19,387
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	0	2,699	242
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	50,000	0	0
Total Nonoperating Revenues:		0	50,000	2,699	242
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	716	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	10,059	27,865	0
597	Transfers-Out	10,000	0	0	0
Total Nonoperating Expenditures:		10,000	10,059	28,581	0
Increase (Decrease) in Cash and Investments		-985	8,544	-120,595	19,629
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	63,611	0	0	0
50880	End Fund Balance-Unreserved	0	8,544	187,082	130,172

The accompanying notes are an integral part of this Statement.

BARS Code		410 AIRPORT/IND PK	412 QUILLAYUTE AIR	505 TRAVEL FUND
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	282,757	17,624	4,000
38880/58880	Prior Period Adjustments, net	0	0	0
<b>Operating Revenues</b>				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	0	96	0
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	238,882	1,668	0
Total Operating Revenues:		238,882	1,764	0
<b>Operating Expenditures</b>				
510	General Government	59,516	0	0
520	Public Safety	0	0	0
530	Utilities And Environment	0	0	0
540	Transportation	30,312	31,758	0
550	Economic Environment	95,361	0	0
560	Mental & Physical Health	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		185,189	31,758	0
Net Operating Increase (Decrease):		53,693	-29,994	0
<b>Nonoperating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	131,290	224,460	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	0	0	0
Total Nonoperating Revenues:		131,290	224,460	0
<b>Nonoperating Expenditures</b>				
580, 596, 599	Other Financing Uses	29,703	100,169	0
591-593	Debt Service	0	7,533	0
594-595	Capital Expenditures	0	0	0
597	Transfers-Out	20,000	0	0
Total Nonoperating Expenditures:		49,703	107,703	0
Increase (Decrease) in Cash and Investments		135,280	86,764	0
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	0	0	0
50880	End Fund Balance-Unreserved	418,038	104,387	4,000

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, 2011

BARS Code		Total for All funds	631 JAIL COMMISSARY
308	Beginning Cash and Investments	5,123	5,123
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
370-390	Other Increases and Financing Sources	0	0
510-570	Expenditures	-9,430	-9,430
580-590	Other Decreases and Financing Uses	0	0
Increase (Decrease) in Cash and Investments		9,430	9,430
508	Ending Cash and Investments	14,553	14,553

The accompanying notes are an integral part of this Statement.



**CITY OF FORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 1, 2012 THROUGH DECEMBER 31, 2012**

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

The City of Forks reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Forks was incorporated on August 7, 1945 and operates under the laws of the state of Washington applicable to a non-charter code city. The City of Forks is a general purpose government and provides public safety, street improvements, parks, and general administrative services. In addition the City operates a water and wastewater utility, airport facilities and an industrial development park. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. Fund Accounting**

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

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund (001)**

This fund is the primary operating fund of the City of Forks. It accounts for all 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 or committed to expenditures for specified purposes of the City.

**Capital Projects Funds (300-399)**

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

**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.

### Private-Purpose Trust Funds

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

### Agency Funds (631-699)

These funds are used to account for 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 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 adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense Fund	\$1,672,000	\$1,659,790	\$ 12,210
Street Fund	\$ 408,000	\$ 434,233	\$ (26,233)
Stadium Fund	\$ 110,000	\$ 99,138	\$ 10,862
Airport/Industrial Park	\$ 301,000	\$ 292,059	\$ 8,941
Water Utility Fund	\$ 825,000	\$ 821,189	\$ 3,811
Sewer Utility Fund	\$ 275,000	\$ 249,958	\$ 25,042
Capital Fund	\$ 70,000	\$ -0-	\$ 70,000
Transit Center	\$ 51,000	\$ 46,035	\$ 4,965
Quillayute Airport	\$ 12,000	\$ 8,383	\$ 3,617
Industrial Park Development	\$ 4,000	\$ -0-	\$ 4,000

Search & Rescue Fund	\$ 3,000	\$ -0-	\$ 3,000
Seized Property Fund	\$ 5,000	\$ -0-	\$ 5,000
Donation Program	\$ 20,000	\$ -0-	\$ 20,000
Community Action Housing	\$ 40,000	\$ -0-	\$ 40,000
Grant/Construction	\$ 100,000	\$ 849	\$ 99,151
TIB Projects	\$1,400,000	\$1,340,020	\$ 59,980
TOTALS	\$5,296,000	\$4,951,654	\$344,346

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

D. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the 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 deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$4,000 and an estimated useful life in excess of five years. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,200 hours. Upon retirement employees receive payment for 30% of unused sick leave. For non-retirement separation, employees receive payment for 10% of unused sick leave.

I. Long-Term Debt

As of December 31, 2012 the City of Forks has no long term debt.

J. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of interfund transfers.

K. Risk Management

The City of Forks is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). 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 AWC RMSA was formed on January 1, 1989 when 32 municipalities 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 December 31, 2012, 91 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Lexington with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. Since AWC RMSA is a cooperative program, there is a joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

#### L. Reserved Fund Balance

The City of Forks has the following funds reserved:

- 103 Seized Property Fund per RCW 69.50.505
- 140 Stadium Fund per RCW 67.28.1815
- 340 Russell Road WSDOT/Federal Highway Project

## **Note 2 - Investments**

The City's investments are either insured, registered or held by the City or its agent in the City's name. Investments are presented at cost. Investments by type at December 31, 2012 are as follows:

<u>Type of Investment</u>	City's own investments	Investments held by the City as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ 1,200,000	\$ _____	\$ 1,200,000
U.S. Government Securities	_____	_____	_____
Other: _____	_____	_____	_____
Total	<u>\$ 1,200,000</u>	<u>\$ _____</u>	<u>\$ 1,200,000</u>

## **Note 3 - Property Tax**

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

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

The City's regular levy for the year 2012 was \$2.04907 per \$1,000 on an assessed valuation of \$153,649,956 for a total regular levy of \$314,840.

## **Note 4 - Interfund Loans**

There were no interfund loan balances or activity in 2012.

## **Note 5 – Debt Service Requirements**

As of December 31, 2012, the City of Forks has no debt.

## **Note 6 - Pension Plans**

Substantially all of the City's full-time and qualifying part-time employees participate in Public Employees Retirement System (PERS) Plan 1, 2 or 3 or in the Public Safety Employees' Retirement System (PSERS) or in the Law Enforcement and Fire Fighters (LEOFF) Plan 2 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits. Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

**Note 7 - Other Disclosures**

The City of Forks has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, dental, vision and long term care insurance and out of pocket reimbursements. Two retirees received benefits during the year and \$31,065 was paid out for those benefits during the year.

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

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Forks 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 Forks was incorporated in 1945 and operates under the laws of the State of Washington applicable to a non-charter code city. The City is a general purpose government and provides public safety, street improvements, parks, and general administrative services. In addition the City operates a water and wastewater utility, airport facilities and an industrial development park. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund (001)

This fund is the primary operating fund of the City of Forks. 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 or committed to expenditures for specified purposes 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 for 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 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 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	
<b>Fund/Department</b>	<b>Amounts</b>	<b>Expenditures</b>	<b>Variance</b>
Current Expense Fund	\$ 1,603,000	\$ 1,696,835	\$ (93,835)
Street Fund	\$ 249,000	\$ 203,532	\$ 45,468
Arterial Street	\$ 142,000	\$ 35,000	\$ 107,000
Stadium Fund	\$ 110,000	\$ 134,000	\$ (24,000)
Airport/Industrial Park	\$ 216,000	\$ 234,892	\$ (18,892)
Water Utility Fund	\$ 807,000	\$ 850,560	\$ (43,560)
Sewer Utility Fund	\$ 270,000	\$ 241,457	\$ 28,543
Capital Fund	\$ 45,000	\$ 10,000	\$ 35,000
Transit Center	\$ 50,000	\$ 45,795	\$ 4,205
Quillayute Airport	\$ 11,000	\$ 139,461	\$ (128,461)
Industrial Park Dev	\$ 4,000	\$ -	\$ 4,000
Search & Rescue Fund	\$ 3,000	\$ -	\$ 3,000
Seized Property Fund	\$ 5,000	\$ -	\$ 5,000
Donation Program	\$ 20,000	\$ -	\$ 20,000
Community Action Housing	\$ 40,000	\$ -	\$ 40,000
Grant/Construction	\$ 100,000	\$ 82,173	\$ 17,827
TIB Projects	\$ 800,000	\$ 36,607	\$ 763,393
<b>TOTALS</b>	<b>\$ 4,475,000</b>	<b>\$ 3,710,312</b>	<b>\$ 764,688</b>

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

See Note 2 to address negative variances.

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 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 and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may accumulate up to 1,200 hours. Upon retirement employees receive payment for 30% of unused sick leave. For non-retirement separation, employees receive payment for 10% of unused sick leave.

i. Long-Term Debt

As of December 31, 2011 the City of Forks has no long term debt.

j. Other Financing Sources Or Uses

The City's "Other Financing Sources or Uses" consist of Interfund transfers in and out and debt service.

k. Risk Management

The City of Forks is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). 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 AWC RMSA was formed on January 1, 1989 when 32 municipalities 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 December 31, 2011, 86 municipalities/entities participate in the RMSA Pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is

purchased through Lexington with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the RMSA Pool a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The Interlocal Governmental Agreement was revised in 2009 and approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The specific financials of the AWC RMSA can be obtained from the AWC RMSA Annual Report on file with the City of Forks.

1. Reserved Fund Balance

The City of Forks has the following funds reserved:

- 103 Seized Property Fund per RCW 69.50.505
- 140 Stadium Fund per RCW 67.28.1815
- 304 Capital Fund per RCW 82.46.010

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

The City has several funds that have exceeded their lawful appropriation. The City has had a long standing practice of amending its appropriations ordinance after the close of the fiscal period during its annual review and financial reporting process. The City has recently experienced a significant turnover in the finance department which revealed this budget amendment practice and its associated conflicts with the Washington State Auditor's Office interpretation that budget amendments may not be made after the end of the fiscal period.

The City is taking all steps to address past practices as part of its internal control review and evaluation as it transitions the finance department with a new treasurer and support staff. The City will assure that all future budget amendments are adopted in compliance with the RCW's and prescribed best practices within the BARS manual for budgets.

### NOTE 3 – INVESTMENTS

The City's investments are either insured, registered or held by the City or its agent in the City's name. Investments are presented at cost. Investments by type at December 31, 2011 are as follows:

Type of Investment	(City/county/district's) Own investments	Investments held by The City of Forks as an agent for other local governments, individuals or private organizations	Total
L.G.I.P.	\$1,200,000	\$	\$1,200,000
U.S. Government Securities			
Other			

### 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 at the end of each month.

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

The City's regular levy for the year 2011 was \$2.01960 per \$1,000 on an assessed valuation of \$154,486,360 for a total regular levy of \$312,000.

### NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2011:

<u>Borrowing</u> <u>Fund</u>	<u>Lending</u> <u>Fund</u>	<u>Balance</u> <u>1/1/2011</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2011</u>
Quillayute Airport	Airport Industrial Fund	\$100,000 \$	\$ -0- \$	\$100,000 \$	\$ -0- \$
	TOTALS	\$100,000	\$ -0-	\$100,000	\$ -0-

### NOTE 6 – LONG TERM DEBT

As of December 31, 2011 the City had no long-term debt.

### NOTE 7 – PENSION PLANS

Substantially all City of Forks full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) Plan 1, 2 or 3 or in the Law Enforcement and Fire Fighters

(LEOFF) Plan 2 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

#### NOTE 8 – OTHER DISCLOSURES

##### OTHER POST EMPLOYMENT BENEFITS

The City of Forks has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, dental, vision, long term care insurance and out of pocket reimbursements. Two retirees received benefits during the year and \$29,698.70 was paid out for those benefits during the year.

##### LITIGATION

The City of Forks receives claims for damages that are tendered for defense to the City's insurance agents. The City participates in said defense of any tendered claim in order to reduce costs to the City and/or insurance provider in such situations. It is the opinion of City management that the City's insurance policies are adequate to pay all known or pending claims.

The City is participating in litigation regarding the fluoridation of the City provided water. This matter is expected to cost the City of Forks approximately \$10,000-20,000 to litigate in total with the matter now before the State Court of Appeals, and probably any decision rendered by said Court being appealed to the State Supreme Court.

MCAG NO. 0227

## City of Forks

Schedule 09

Schedule of Liabilities  
For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2012
<b>General Obligations</b>								
	259.11	Compensated Absence	12/31/2012	60,071	0	10,142		49,929
		<b>Total General Obligations:</b>		<b>60,071</b>	<b>0</b>	<b>10,142</b>		<b>49,929</b>
<b>Revenue Obligations</b>								
	259.12	Proprietary Compensated Absence (Water)	12/31/2012	80,145	0	30,624		49,522
	259.12	Proprietary Compensated Absence (Sewer)	12/31/2012	25,689	4,309	0		29,998
	259.12	Proprietary Compensated Absence (AP/IP)	12/31/2012	10,645	0	2,049		8,595
		<b>Total Revenue Obligations:</b>		<b>116,479</b>	<b>4,309</b>	<b>32,673</b>		<b>88,115</b>
		<b>Total Liabilities:</b>		<b>176,550</b>	<b>4,309</b>	<b>42,815</b>		<b>138,044</b>

MCAG NO. 0227

## City of Forks

Schedule 09

Schedule of Liabilities  
For the year ended December 31, 2011

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2011
<b>General Obligations</b>								
	259.11	Compensated Absence	12/31/2011	60,380	0	310		60,070
		<b>Total General Obligations:</b>		<b>60,380</b>	<b>0</b>	<b>310</b>		<b>60,070</b>
<b>Revenue Obligations</b>								
	259.12	Compensated Absence Water	12/31/2011	117,659	0	37,514		80,145
	259.12	Compensated Absence Sewer	12/31/2011	0	25,689	0		25,689
	259.12	Compensated Absence AP/IP	12/31/2011	0	10,645	0		10,645
		<b>Total Revenue Obligations:</b>		<b>117,659</b>	<b>36,333</b>	<b>37,514</b>		<b>116,479</b>
		<b>Total Liabilities:</b>		<b>178,039</b>	<b>36,333</b>	<b>37,824</b>		<b>176,549</b>

MCAG NO. 0227

City of Forks

Schedule 16

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2012

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award I.D. Number	Expenditures			Foot Note Ref.
				From Pass-Through Awards	From Direct Awards	Total Amount	
Federal Highway Administration (fhwa), Department Of Transportation/Department of Transportation	Highway Planning and Construction	20.205	LA-7493 Russell Road	502,527		502,527	1,2
Total Federal Awards Expended:				502,527	0	502,527	



CITY OF FORKS, WASHINGTON  
(CITY/COUNTY/DISTRICT)

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

Note 1 is required for all entities. Disclose other notes only if applicable to your circumstances.

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

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



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

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

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

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

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

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

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

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

**Troy Kelley**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Kelly Collins, CPA**  
**Jan M. Jutte, CPA, CGFM**  
**Sadie Armijo**  
**Barb Hinton**  
**Thomas Shapley**  
**Mike Murphy**  
**Mary Leider**  
**(360) 902-0370**  
**(866) 902-3900**

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