



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of Aberdeen

Grays Harbor County

For the period January 1, 2012 through December 31, 2013

Published November 17, 2014

Report No. 1012982





Washington State Auditor Troy Kelley

November 17, 2014

Mayor and City Council
City of Aberdeen
Aberdeen, Washington

Report on Financial Statements

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

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

Sincerely,

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

TROY KELLEY
STATE AUDITOR

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

**City of Aberdeen
Grays Harbor County
January 1, 2012 through December 31, 2013**

Mayor and City Council
City of Aberdeen
Aberdeen, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Aberdeen, Grays Harbor County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 10, 2014.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

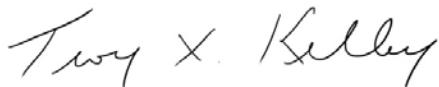
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

November 10, 2014

Independent Auditor's Report on Financial Statements

City of Aberdeen Grays Harbor County January 1, 2012 through December 31, 2013

Mayor and City Council
City of Aberdeen
Aberdeen, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Aberdeen, Grays Harbor County, Washington, for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Aberdeen, for the years ended December 31, 2013 and 2012, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Aberdeen, as of December 31, 2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

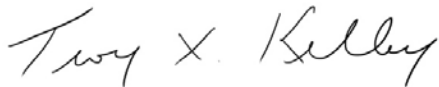
Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

TROY KELLEY
STATE AUDITOR

November 10, 2014

Financial Section

**City of Aberdeen
Grays Harbor County
January 1, 2012 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fund Resources and Uses Arising from Cash Transactions – 2012
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
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Notes to Financial Statements – 2013
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Long-Term Debt – 2012

City of Aberdeen
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2013

	Total For All Funds Total Amount	Combined General Fund Actual Amount	Combined Street Funds Actual Amount	Morrison Riverfront Park Fund #107 Actual Amount	Emergency Services Fund #120 Actual Amount	Parking Enforcement Fund # 122 Actual Amount	Police Canine Fund # 123 Actual Amount
Beginning Cash & Investment							
308.10 Reserved	\$ 2,724,788	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,110
308.80 Unreserved	\$ 12,772,050	6,190,963	80,546	15,957	187,391	30,643	-
388.80 Prior Period Adjustments	\$ (0)	(20,440)	-	-	-	-	20,440
Revenue and Other Sources							
310.00 Taxes	\$ 11,374,501	11,003,880	-	-	-	-	-
320.00 Licenses and Permits	\$ 662,152	662,152	-	-	-	-	-
330.00 Intergovernmental	\$ 2,403,764	566,942	1,483,888	-	16,676	-	-
340.00 Charges for Goods and Services	\$ 13,660,462	262,638	419,975	-	3,145,091	-	-
350.00 Fines and Penalties	\$ 439,338	422,879	-	-	-	7,091	-
360.00 Miscellaneous	\$ 542,156	54,357	131,644	44,654	2,381	9,429	15,000
370.00 Capital Contributions	\$ 154,469	-	-	-	-	-	-
390.00 Other Financing Sources	\$ 2,771,949	221,211	1,008,850	-	-	53,070	5,620
Total Revenue and Other Sources	32,008,791	13,194,059	3,044,357	44,654	3,164,148	69,590	20,620
Total Resources	47,505,628	19,364,582	3,124,903	60,611	3,351,539	100,233	49,170
Operating Expenditure							
510.00 General Government	\$ 1,671,005	1,671,005	-	-	-	-	-
520.00 Public Safety	\$ 10,794,326	7,184,894	47,463	-	3,059,986	65,893	31,639
530.00 Physical Environment	\$ 9,620,112	-	-	-	-	-	-
540.00 Transportation	\$ 2,500,206	320,308	1,822,466	-	-	-	-
550.00 Economic Environment	\$ 692,972	620,022	-	-	-	-	-
560.00 Mental and Physical Health	\$ -	-	-	-	-	-	-
570.00 Culture and Recreational	\$ 1,239,421	1,027,311	-	32,105	-	-	-
Total Operating Expenditures	26,518,042	10,823,540	1,869,929	32,105	3,059,986	65,893	31,639
591-593 Debt Service	\$ 1,262,887	2,900	-	-	-	-	-
594-595 Capital Outlay	\$ 1,773,945	19,051	1,040,839	-	5,443	-	-
Total Expenditures	29,554,874	10,845,491	2,910,768	32,105	3,065,429	65,893	31,639
597-599 Other Financing Uses	\$ 2,520,468	2,313,540	-	11,000	28,750	-	-
Total Expenditures and Other Uses	32,075,342	13,159,031	2,910,768	43,105	3,094,179	65,893	31,639
Excess (Deficit) of Resources Over Uses	15,430,286	6,205,551	214,135	17,506	257,360	34,340	17,531
380.00 Nonrevenues (Except 384)	\$ 97,454	-	-	-	-	-	-
580.00 Nonexpenditures (Except 584)	\$ 27,454	-	-	-	-	-	-
Ending Cash & Investments							
508.10 Reserved	\$ 5,479,532	-	214,135	17,506	-	-	15,000
508.80 Unreserved	\$ 10,020,754	6,205,551	-	-	257,360	34,340	2,531

The accompanying notes are an integral part of this Statement.

City of Aberdeen
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2013

	Community Center Fund # 128 Actual Amount	Recreation Sports Programs Fund # 132 Actual Amount	Drug Enforcement Fund # 145 Actual Amount	Fire Truck Bond Fund # 206 Actual Amount	Community Dvlpmnt Block Grant Fund # 301 Actual Amount	Urban Dvlpmnt Action Grant Fund # 302 Actual Amount	Hotel/Motel Tax Fund # 303 Actual Amount
Beginning Cash & Investment	\$ -	\$ -	\$ 216,033	\$ -	\$ -	\$ 187,917	\$ -
308.10 Reserved	49,705	167,371	51,604	48,245	59,005	-	85,635
308.80 Unreserved	-	-	-	-	-	-	-
388.80 Prior Period Adjustments	-	-	-	-	-	-	-
Revenue and Other Sources							
310.00 Taxes	-	-	-	83,555	-	-	56,229
320.00 Licenses and Permits	-	-	-	-	-	-	-
330.00 Intergovernmental	-	-	184,725	-	261	-	-
340.00 Charges for Goods and Services	-	58,665	-	-	-	-	-
350.00 Fines and Penalties	-	-	9,368	-	-	-	-
360.00 Miscellaneous	103,656	17,912	18,039	68	-	820	336
370.00 Capital Contributions	-	-	-	-	-	-	-
390.00 Other Financing Sources	-	28,500	-	-	-	-	-
Total Revenue and Other Sources	103,656	105,077	212,132	83,623	261	820	56,565
Total Resources	153,361	272,448	479,769	131,868	59,266	188,737	142,200
Operating Expenditure							
510.00 General Government	-	-	-	-	-	-	-
520.00 Public Safety	-	-	126,410	-	-	-	-
530.00 Physical Environment	-	-	-	-	-	-	-
540.00 Transportation	-	-	-	-	-	-	-
550.00 Economic Environment	-	-	-	-	-	4,667	-
560.00 Mental and Physical Health	-	-	-	-	-	-	-
570.00 Culture and Recreational	61,312	92,163	-	-	-	-	26,530
Total Operating Expenditures	61,312	92,163	126,410	-	-	4,667	26,530
591-593 Debt Service	3,046	-	-	78,631	-	-	-
594-595 Capital Outlay	-	-	-	-	-	-	-
Total Expenditures	64,358	92,163	126,410	78,631	-	4,667	26,530
597-599 Other Financing Uses	2,500	-	76,178	-	-	-	28,500
Total Expenditures and Other Uses	66,858	92,163	202,588	78,631	-	4,667	55,030
Excess (Deficit) of Resources Over Uses	86,503	180,285	277,181	53,237	59,266	184,070	87,170
380.00 Nonrevenues (Except 384)	-	-	-	-	-	-	-
580.00 Nonexpenditures (Except 584)	27,454	-	-	-	-	-	-
Ending Cash & Investments							
508.10 Reserved	\$ -	\$ -	226,325	53,237	-	184,070	-
508.80 Unreserved	59,049	180,285	50,856	(0)	59,266	-	87,170

The accompanying notes are an integral part of this Statement.

City of Aberdeen
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2013

	Dept. of Justice Grants Fund # 305 Actual Amount	Grant Funds # 306 Actual Amount	Abatement Fund # 318 Actual Amount	Transp. Benefit District Fund # 390 Actual Amount	Public Bldg. Fund #320 Actual Amount	Capital Improvement Fund # 399 Actual Amount
Beginning Cash & Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,849
308.10 Reserved	(26,799)	36,301	367,353	-	8,452	-
308.80 Unreserved	-	-	-	-	-	-
388.80 Prior Period Adjustments	-	-	-	-	-	-
Revenue and Other Sources						
310.00 Taxes	-	-	-	180,975	-	49,862
320.00 Licenses and Permits	-	-	-	-	-	-
330.00 Intergovernmental	122,170	10,256	5,014	-	-	-
340.00 Charges for Goods and Services	-	-	-	-	-	-
350.00 Fines and Penalties	-	-	20,907	-	377	387
360.00 Miscellaneous	-	-	-	-	-	-
370.00 Capital Contributions	-	-	60,000	-	52,000	-
390.00 Other Financing Sources	-	-	-	-	-	-
Total Revenue and Other Sources	122,170	10,256	85,921	180,975	52,377	50,249
Total Resources	95,371	46,557	453,274	180,975	60,829	124,098
Operating Expenditure						
510.00 General Government	-	-	-	-	-	-
520.00 Public Safety	160,100	40,783	77,158	-	-	-
530.00 Physical Environment	-	-	-	-	-	-
540.00 Transportation	-	-	-	-	-	-
550.00 Economic Environment	-	-	68,283	-	-	-
560.00 Mental and Physical Health	-	-	-	-	-	-
570.00 Culture and Recreational	-	-	-	-	-	-
Total Operating Expenditures	160,100	40,783	145,441	-	-	-
591-593 Debt Service	-	-	-	-	-	-
594-595 Capital Outlay	-	-	-	-	290,637	-
Total Expenditures	160,100	40,783	145,441	-	290,637	-
597-599 Other Financing Uses	-	-	-	-	-	-
Total Expenditures and Other Uses	160,100	40,783	145,441	-	290,637	-
Excess (Deficit) of Resources Over Uses	(64,729)	5,774	307,833	180,975	(229,809)	124,098
380.00 Nonrevenues (Except 384)	-	-	-	-	-	-
580.00 Nonexpenditures (Except 584)	-	-	-	-	-	-
Ending Cash & Investments						
508.10 Reserved	\$ -	\$ -	\$ -	\$ 180,975	\$ -	\$ 124,098
508.80 Unreserved	(64,729)	5,774	307,833	-	(229,809)	0

The accompanying notes are an integral part of this Statement.

City of Aberdeen
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2013

	Garbage Utility Fund # 401 Actual Amount	Combined Sewer Funds Actual Amount	Combined Water Funds Actual Amount	Storm Water Utility Fund #405 Actual Amount	Combined Industrial Water Funds Actual Amount	Combined Equipment Rental Fund Actual Amount
Beginning Cash & Investment	\$ -	\$ 168,433	\$ -	\$ -	\$ -	\$ 2,070,446
308.10 Reserved	165,915	1,088,621	2,192,456	10,492	1,971,668	(9,474)
308.80 Unreserved	-	-	-	-	-	-
388.80 Prior Period Adjustments	-	-	-	-	-	-
Revenue and Other Sources						
310.00 Taxes	-	-	-	-	-	-
320.00 Licenses and Permits	-	-	-	-	-	-
330.00 Intergovernmental	-	18,846	-	-	-	-
340.00 Charges for Goods and Services	1,513,142	3,709,148	3,562,904	485,921	251,664	246,300
350.00 Fines and Penalties	-	-	-	-	-	-
360.00 Miscellaneous	741	41,142	57,854	133	9,220	13,099
370.00 Capital Contributions	-	-	-	-	-	154,469
390.00 Other Financing Sources	-	-	1,342,698	-	-	-
Total Revenue and Other Sources	1,513,883	3,769,136	4,963,456	486,054	260,884	413,868
Total Resources	1,679,798	5,026,190	7,155,912	496,546	2,232,552	2,474,840
Operating Expenditure						
510.00 General Government	-	-	-	-	-	-
520.00 Public Safety	-	-	-	-	-	-
530.00 Physical Environment	1,430,219	3,152,560	4,393,357	437,430	206,546	-
540.00 Transportation	-	-	-	-	-	357,432
550.00 Economic Environment	-	-	-	-	-	-
560.00 Mental and Physical Health	-	-	-	-	-	-
570.00 Culture and Recreational	-	-	-	-	-	-
Total Operating Expenditures	1,430,219	3,152,560	4,393,357	437,430	206,546	357,432
591-593 Debt Service	-	372,265	771,130	-	34,915	-
594-595 Capital Outlay	-	145,976	19,474	-	-	252,525
Total Expenditures	1,430,219	3,670,801	5,183,961	437,430	241,461	609,957
597-599 Other Financing Uses	60,000	-	-	-	-	-
Total Expenditures and Other Uses	1,490,219	3,670,801	5,183,961	437,430	241,461	609,957
Excess (Deficit) of Resources Over Uses	189,579	1,355,389	1,971,951	59,116	1,991,091	1,864,883
380.00 Nonrevenues (Except 384)	-	-	-	-	-	97,454
580.00 Nonexpenditures (Except 584)	-	-	-	-	-	-
Ending Cash & Investments						
508.10 Reserved	\$ -	\$ 168,433	\$ 1,659,348	\$ -	\$ 940,567	\$ 1,927,479
508.80 Unreserved	\$ 189,579	\$ 1,186,956	\$ 312,603	\$ 59,116	\$ 1,050,524	\$ 34,858

The accompanying notes are an integral part of this Statement.

City of Aberdeen
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Total For All Funds Total Amount	Combined General Fund Actual Amount	Combined Street Funds Actual Amount	Morrison Riverfront Park Fund #107 Actual Amount	Emergency Services Fund #120 Actual Amount	Police Canine Fund # 123 Actual Amount	Community Center Fund # 128 Actual Amount
Beginning Cash & Investment							
308.10 Reserved	2,696,086	0	0	0	0	9,293	0
308.80 Unreserved	14,117,129	6,394,416	128,346	16,414	186,050	0	83,705
388.80 Prior Period Adjustments	0	0	0	0	0	0	0
Revenue and Other Sources							
310.00 Taxes	11,273,237	10,791,344	0	0	0	0	0
320.00 Licenses and Permits	390,607	390,607	0	0	0	0	0
330.00 Intergovernmental	2,653,771	609,138	1,290,002	0	97,258	0	0
340.00 Charges for Goods and Services	12,536,347	171,228	29,651	0	2,877,556	0	0
350.00 Fines and Penalties	428,405	426,092	0	0	0	0	0
360.00 Miscellaneous	768,551	69,818	31,886	40,260	135	50,224	103,555
370.00 Capital Contributions	0	0	0	0	0	0	0
390.00 Other Financing Sources	1,337,412	208,047	978,358	0	53,000	0	0
Total Revenue and Other Sources	29,388,330	12,666,274	2,329,897	40,260	3,027,949	50,224	103,555
Total Resources	46,201,545	19,060,690	2,458,243	56,674	3,213,999	59,517	187,260
Operating Expenditure							
510.00 General Government	1,602,607	1,602,607	0	0	0	0	0
520.00 Public Safety	10,451,630	6,949,578	47,411	0	3,010,107	51,407	0
530.00 Physical Environment	8,939,204	425,612	0	0	0	0	0
540.00 Transportation	2,320,036	63,351	1,770,535	0	0	0	0
550.00 Economic Environment	742,856	466,129	0	0	0	0	0
560.00 Mental and Physical Health	0	0	0	0	0	0	0
570.00 Culture and Recreational	1,283,354	1,050,476	0	29,717	0	0	61,055
Total Operating Expenditures	25,339,687	10,557,753	1,817,946	29,717	3,010,107	51,407	61,055
591-593 Debt Service	1,251,193	2,950	0	0	0	0	547
594-595 Capital Outlay	1,513,247	48,536	559,752	0	0	0	378,048
Total Expenditures	28,104,127	10,609,239	2,377,698	29,717	3,010,107	51,407	439,650
597-599 Other Financing Uses	2,600,578	2,229,845	0	11,000	16,500	0	2,500
Total Expenditures and Other Uses	30,704,705	12,839,084	2,377,698	40,717	3,026,607	51,407	442,150
Excess (Deficit) of Resources Over Uses	15,496,840	6,221,606	80,545	15,957	187,392	8,110	-254,890
380.00 Nonrevenues (Except 384)	351,501	0	0	0	0	0	328,048
580.00 Nonexpenditures (Except 584)	351,501	0	0	0	0	0	23,453
Ending Cash & Investments							
508.10 Reserved	4,938,530	0	0	0	0	8,110	0
508.80 Unreserved	10,558,310	6,221,606	80,545	15,957	187,392	0	49,705

The accompanying notes are an integral part of this financial statement.

City of Aberdeen
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Recreation Sports Programs Fund # 132 Actual Amount	Drug Enforcement Fund # 145 Actual Amount	Fire Truck Bond Fund # 206 Actual Amount	Community Dvlpmnt Block Grant Fund # 301 Actual Amount	Urban Dvlpmnt Action Grant Fund # 302 Actual Amount	Hotel/Motel Tax Fund # 303 Actual Amount	Dept. of Justice Grants Fund # 305 Actual Amount
Beginning Cash & Investment							
308.10 Reserved	0	193,160	0	0	187,796	0	0
308.80 Unreserved	167,917	80,339	120,347	65,960	0	93,886	13,858
388.80 Prior Period Adjustments	0	0	0	0	0	0	0
Revenue and Other Sources							
310.00 Taxes	0	0	361,916	0	0	59,455	0
320.00 Licenses and Permits	0	0	0	0	0	0	0
330.00 Intergovernmental	0	222,234	0	18,665	0	0	218,423
340.00 Charges for Goods and Services	57,984	0	0	0	0	0	0
350.00 Fines and Penalties	0	2,313	0	0	0	0	0
360.00 Miscellaneous	15,819	16,294	0	44	121	50	0
370.00 Capital Contributions	0	0	0	0	0	0	0
390.00 Other Financing Sources	23,000	0	0	0	0	0	0
Total Revenue and Other Sources	96,803	240,841	361,916	18,709	121	59,505	218,423
Total Resources	264,720	514,340	482,263	84,669	187,917	153,391	232,281
Operating Expenditure							
510.00 General Government	0	0	0	0	0	0	0
520.00 Public Safety	0	119,566	0	0	0	0	259,079
530.00 Physical Environment	0	0	0	0	0	0	0
540.00 Transportation	0	0	0	0	0	0	0
550.00 Economic Environment	0	0	0	25,664	0	0	0
560.00 Mental and Physical Health	0	0	0	0	0	0	0
570.00 Culture and Recreational	97,350	0	0	0	0	44,756	0
Total Operating Expenditures	97,350	119,566	0	25,664	0	44,756	259,079
591-593 Debt Service	0	0	434,018	0	0	0	0
594-595 Capital Outlay	0	11,090	0	0	0	0	0
Total Expenditures	97,350	130,656	434,018	25,664	0	44,756	259,079
597-599 Other Financing Uses	0	116,046	0	0	0	23,000	0
Total Expenditures and Other Uses	97,350	246,702	434,018	25,664	0	67,756	259,079
Excess (Deficit) of Resources Over Uses	167,370	267,638	48,245	59,005	187,917	85,635	-26,798
380.00 Nonrevenues (Except 384)	0	0	0	0	0	0	0
580.00 Nonexpenditures (Except 584)	0	0	0	0	0	0	0
Ending Cash & Investments							
508.10 Reserved	0	216,050	48,245	0	187,917	0	0
508.80 Unreserved	167,370	51,588	0	59,005	0	85,635	-26,798

The accompanying notes are an integral part of this financial statement.

City of Aberdeen
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Grant Funds # 306 Actual Amount	Abatement Fund # 318 Actual Amount	Public Bldg. Fund #320 Actual Amount	Capital Improvement Fund # 399 Actual Amount	Garbage Utility Fund # 401 Actual Amount	Combined Sewer Funds Actual Amount
Beginning Cash & Investment						
308.10 Reserved	0	0	0	50,153	0	0
308.80 Unreserved	0	421,812	19,076	0	165,520	1,324,759
388.80 Prior Period Adjustments	0	0	0	0	0	0
Revenue and Other Sources						
310.00 Taxes	0	0	0	60,522	0	0
320.00 Licenses and Permits	0	0	0	0	0	0
330.00 Intergovernmental	50,783	0	139,025	0	0	0
340.00 Charges for Goods and Services	0	136,534	0	0	1,459,922	3,408,225
350.00 Fines and Penalties	0	0	0	0	0	0
360.00 Miscellaneous	0	295	0	32	113	35,282
370.00 Capital Contributions	0	0	0	0	0	0
390.00 Other Financing Sources	0	60,000	340	0	0	0
Total Revenue and Other Sources	50,783	196,829	139,365	60,554	1,460,035	3,443,507
Total Resources	50,783	618,641	158,441	110,707	1,625,555	4,768,266
Operating Expenditure						
510.00 General Government	0	0	0	0	0	0
520.00 Public Safety	14,482	0	0	0	0	0
530.00 Physical Environment	0	0	0	0	1,399,638	2,914,805
540.00 Transportation	0	0	0	0	0	0
550.00 Economic Environment	0	251,063	0	0	0	0
560.00 Mental and Physical Health	0	0	0	0	0	0
570.00 Culture and Recreational	0	0	0	0	0	0
Total Operating Expenditures	14,482	251,063	0	0	1,399,638	2,914,805
591-593 Debt Service	0	0	0	0	0	374,040
594-595 Capital Outlay	0	224	149,990	0	0	222,364
Total Expenditures	14,482	251,287	149,990	0	1,399,638	3,511,209
597-599 Other Financing Uses	0	0	0	36,858	60,000	0
Total Expenditures and Other Uses	14,482	251,287	149,990	36,858	1,459,638	3,511,209
Excess (Deficit) of Resources Over Uses	36,301	367,354	8,451	73,849	165,917	1,257,057
380.00 Nonrevenues (Except 384)	0	0	0	0	0	0
580.00 Nonexpenditures (Except 584)	0	0	0	0	0	0
Ending Cash & Investments						
508.10 Reserved	0	0	0	73,849	0	168,433
508.80 Unreserved	36,301	367,354	8,451	0	165,917	1,088,624

The accompanying notes are an integral part of this financial statement.

City of Aberdeen
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For the Year Ended December 31, 2012

	Combined Water Funds Actual Amount	Storm Water Utility Fund #405 Actual Amount	Combined Industrial Water Funds Actual Amount	Combined Equipment Rental Fund Actual Amount
Beginning Cash & Investment	0	0	0	2,255,684
308.10 Reserved	2,725,891	76,270	2,000,545	32,018
308.80 Unreserved	0	0	0	0
388.80 Prior Period Adjustments				
Revenue and Other Sources				
310.00 Taxes	0	0	0	0
320.00 Licenses and Permits	0	0	0	0
330.00 Intergovernmental	8,243	0	0	0
340.00 Charges for Goods and Services	3,400,545	446,002	263,856	284,844
350.00 Fines and Penalties	0	0	0	0
360.00 Miscellaneous	45,390	43	1,279	357,911
370.00 Capital Contributions	0	0	0	0
390.00 Other Financing Sources	0	0	0	14,667
Total Revenue and Other Sources	3,454,178	446,045	265,135	657,422
Total Resources	6,180,069	522,315	2,265,680	2,945,124
Operating Expenditure				
510.00 General Government	0	0	0	0
520.00 Public Safety	0	0	0	0
530.00 Physical Environment	3,471,647	511,823	215,679	0
540.00 Transportation	0	0	0	486,150
550.00 Economic Environment	0	0	0	0
560.00 Mental and Physical Health	0	0	0	0
570.00 Culture and Recreational	0	0	0	0
Total Operating Expenditures	3,471,647	511,823	215,679	486,150
591-593 Debt Service	404,723	0	34,915	0
594-595 Capital Outlay	6,417	0	43,417	93,409
Total Expenditures	3,882,787	511,823	294,011	579,559
597-599 Other Financing Uses	104,829	0	0	0
Total Expenditures and Other Uses	3,987,616	511,823	294,011	579,559
Excess (Deficit) of Resources Over Uses	2,192,453	10,492	1,971,669	2,365,565
380.00 Nonrevenues (Except 384)	0	0	0	23,453
580.00 Nonexpenditures (Except 584)	0	0	0	328,048
Ending Cash & Investments				
508.10 Reserved	2,165,481			2,070,445
508.80 Unreserved	26,972	10,492	1,971,669	-9,475

The accompanying notes are an integral part of this financial statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2013

	Total For All Funds Total Amount	Fund 611 Fire Pension Fund Actual Amount	Fund 612 Police Pension Fund Actual Amount	Fund 629 Brownfield Fund Actual Amount	Fund 660 Agency Suspense Actual Amount
Beginning Cash and Investments	\$ 338,050	\$ 77,203	\$ 85,298	\$ 178,500	\$ (2,951)
Prior Period Adjustments	-	-	-	-	-
Revenue and Other Financing Sources	1,455,482	914,355	540,376	751	-
Total Resources	1,793,532	991,558	625,674	179,251	(2,951)
Expenditures and Other Financing Uses	1,344,290	793,865	548,773	1,652	-
Excess (Deficit) of Resources Over Uses	449,242	197,693	76,901	177,599	(2,951)
Nonrevenues (Except 384)	750	-	-	-	750
Nonexpenditures (Except 584)	-	-	-	-	-
Ending Cash and Investments	\$ 449,992	197,693	76,901	177,599	(2,201)

The accompanying notes are an integral part of this financial statement.

City of Aberdeen
FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Total For All Funds Total Amount	Fund 611 Fire Pension Fund Actual Amount	Fund 612 Police Pension Fund Actual Amount	Fund 629 Brownfield Fund Actual Amount	Fund 660 Agency Suspense Actual Amount
Beginning Cash and Investments	586,987	201,327	210,651	178,379	-3,370
Prior Period Adjustments	0	0	0	0	0
Revenue and Other Financing Sources	1,324,327	842,566	481,640	121	0
Total Resources	1,911,314	1,043,893	692,291	178,500	-3,370
Expenditures and Other Financing Uses	1,573,683	966,690	606,993	0	0
Excess (Deficit) of Resources Over Uses	337,631	77,203	85,298	178,500	-3,370
Nonrevenues (Except 384)	419	0	0	0	419
Nonexpenditures (Except 584)	0	0	0	0	0
Ending Cash and Investments	338,050	77,203	85,298	178,500	-2,951

The accompanying notes are an integral part of this financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Special Revenue Funds

These funds account for revenues derived from specific taxes, grants, or other sources, which are designated or legally restricted to finance particular activities of the City.

Debt Service Funds

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

Capital Projects Funds

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

Permanent Funds

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Proprietary Fund Types**Enterprise Funds

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

Internal Service Funds

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

Fiduciary Fund Types

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

Private Purpose Trust Funds

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

Agency Funds

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

B. Basis of Accounting

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund/Dept #	Description	2013 Budget	2013 Expenditures	Variance
General Fund				
01	Legislative	\$ 74,000	\$ 71,665	\$ 2,335
02	Executive	15,700	15,043	657
03	Judicial	603,420	564,209	39,211
05	General Government	7,288,565	3,658,645	3,629,920
06	Finance	382,472	371,736	10,736
16	Legal	271,439	271,477	(38)
18	Human Resources	121,322	109,974	11,348
19	Facilities	110,700	98,047	12,653
21	Engineering	324,860	320,308	4,552
22	Building & Code Enforcement	334,700	327,683	7,017
23	Community Development	135,080	131,131	3,949
45	Police	4,972,938	4,948,511	24,427
46	Care/Custody of Prisoners	459,066	443,668	15,398
48	Fire	1,845,045	1,786,416	58,629
49	911 Call Center	174,200	170,995	3,205
Total General Fund		\$ 17,113,507	\$ 13,289,509	\$ 3,823,998
Special Revenue Funds				
101	Library	\$ 79,900	\$ 63,089	\$ 16,811
102	Parks	1,018,490	992,647	25,843
103	Street	1,953,350	1,876,161	77,189
105	Arterial Street	2,535,365	1,032,871	1,502,494
106	Paths & Trails	7,700	1,737	5,963
107	Morrison Riverfront Park	47,056	43,105	3,951
112	Insurance Reserve	566,500	24,910	541,590
120	Emergency Medical Services	3,326,890	3,094,179	232,711
121	Animal control	139,660	119,975	19,685
122	Parking Enforcement	69,070	65,893	3,177
123	Canine Fund	41,120	31,639	9,481
125	Museum	29,713	23,575	6,138
128	Community Center	148,809	94,312	54,497
132	Recreational Sports Programs	264,574	92,163	172,411
145	Drug Task Force	347,200	202,588	144,612
Total Special Revenue Funds		\$ 10,575,397	\$ 7,758,844	\$ 2,816,553
Debt Service Funds				
205	Utility Bond Redemption	\$ -	\$ -	\$ -
206	2000 Fire Truck Bond Redemption	80,000	78,631	1,369
Total Debt Service Funds		\$ 80,000	\$ 78,631	\$ 1,369

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Capital Project Funds				
301	Community Devel. Block Grant	\$	-	\$ -
302	Urban Devel. Action Grant		191,350	4,667 186,683
303	Hotel/Motel		145,635	55,030 90,605
305	Dept. of Justice Grants		164,300	160,100 4,200
306	Grant Funds		-	40,783 (40,783)
318	Abatement		426,500	145,442 281,058
320	Public Buildings		292,000	300,513 (8,513)
350	Utility Construction		411,000	- 411,000
390	Public Improvement District		-	- -
399	Capital Improvements		66,000	- 66,000
Total Capital Project Funds		\$	1,696,785	\$ 706,534 \$ 990,251
Enterprise Funds				
401	Garbage Utility	\$	1,676,000	\$ 1,490,219 \$ 185,781
403	Sewer Utility		4,061,560	3,668,558 393,002
404	Water Utility		5,636,500	5,183,961 452,539
405	Storm Water Utility		602,840	437,430 165,410
407	Industrial Water System		1,217,000	241,461 975,539
413	Sewer Cumulative Reserve		169,000	2,243 166,757
414	Water Cumulative Reserve		3,185,000	1,855,000 1,330,000
417	Industrial Water Reserve		962,000	- 962,000
Total Enterprise Funds		\$	17,509,900	\$ 12,878,872 \$ 4,631,028
Internal Service Funds				
501	Equipment Rental	\$	428,545	\$ 355,582 \$ 72,963
502	Equipment Rental Reserve		2,270,000	252,525 2,017,475
Total Internal Service Funds		\$	2,698,545	\$ 608,107 \$ 2,090,438
Fiduciary Funds				
611	Fire Pension	\$	967,000	\$ 793,865 \$ 173,135
612	Police Pension		719,000	548,773 170,227
629	Brownfield Development Fund		177,200	1,652 175,548
Total Fiduciary Funds		\$	1,863,200	\$ 1,344,290 \$ 518,910
Grand Total All Funds		\$	51,537,334	\$ 36,664,788 \$ 14,872,546

The finance director is authorized to transfer budgeted amounts between departments within any fund/object classes within departments, with the exception of the General (Current Expense) Fund. However, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City council.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**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 are entirely covered by the Federal Depository Insurance Corporation (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

F. Investments

As required by state law, all investments of the City's funds (except as noted) are obligations of the U.S. Government, the Washington State Treasurer's Investment Pool, bankers' acceptances, or deposits with Washington State banks and savings and loan institutions. Investments of Pension trust funds are not subject to the preceding limitations. All temporary investments are stated at cost plus accrued interest which approximates market. See Note 3 – Investments

G. Derivatives and Similar Transactions

The City does not invest in derivatives or similar transactions.

H. Capital Assets

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

I. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All compensated absences are reported as an expenditure when paid.

Employees may accumulate up to a maximum of 50 days vacation leave and 30 days compensatory time. Sick leave may be accumulated up to 120 days; but upon separation or retirement, employees do not receive any payment for unused sick time, with the exception of the Police Guild. Police Guild employees at separation of service, may be paid up to 25% of their accumulated sick leave balance up to \$10,000.

J. Long Term Debt (See NOTE 6)**K. Other Financing Sources or Uses**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**L. Risk Management****Unemployment Compensation Self-insurance**

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

Auto Physical Damage Self-insurance

The City has elected to partially self-insure automobile physical damage and as of December 31, 2013 had \$80,102 reserved for this purpose within the Equipment Reserve Fund.

Liability and Property Risks Joint Insurance Pool

The city of Aberdeen is a member of the Washington Cities Insurance Authority (WCIA).

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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

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

M. Reserved Fund Balance

The City considers some portions of Fund Balance to be reserved in nature due to either restrictions imposed by external parties or internal commitments made by formal action of the City Council. At the end of 2013, the City considered \$226,325 in the Drug Enforcement Fund # 145 and \$ 15,000 in the Canine Fund #123, to be reserved by external parties; \$ 5,238,207 was reserved by the City Council for specific uses.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

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

During 2013, two funds exceeded legal appropriations of the City. Fund 306 Grant Activities exceeded the budget by \$ 40,783, the excess expenditures were related to grant revenue that was reimbursed after the year end. Fund 320 Public Buildings Capital Fund exceeded the budget by \$8,513, and was related to additional costs for the Library heating system that were reimbursed by a private foundation after year end. Council action approved the projects prior to acceptance of those grant and foundation awards.

During 2013, two funds had a negative cash balance at year end, resulting in negative fund balances: Fund 305, the Department of Justice Grant Fund had expenditures in the amount of \$ 64,729 that were not reimbursed by the Grantor until 2014; Fund 660, Agency Suspense Fund had a negative balance of \$ 2,201.

NOTE 3 - INVESTMENTS

All of the City's investments are insured, registered or held by the City or its agent in the City's name. As of December 31, 2013, the City had a total of \$16,014,271 invested in the following: \$ 5,365,692 in the Bank of Pacific, \$ 1,242,007 in the State Treasurer's Investment Pool, and \$ 9,406,572 in government securities. The City held no funds as an agent or for others as of the end of 2013.

NOTE 4 - PROPERTY TAXES

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

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

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

- a) Washington State Law in RCW 84.55.010 limits the growth of regular property taxes to 6 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 6 percent due to revaluation, the levy rate will be decreased.
- b) The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

For 2013, the City levied the property taxes noted in the table below. The special levy was approved by the voters and is not subject to the Levy rate limitations listed above.

Purpose of Levy	Levy (rate per \$1000)	Levy Amount	Assessed Value
Operations levy	\$ 2.6760356	\$ 2,711,559	\$ 1,013,274,621
Special Levy: 2001 SS Dike & Fire Dept. Refunding Bond	\$.0799290	\$ 80,000	\$ 1,000,362,208
Totals	\$ 2.7559646	\$ 2,791,559	

NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2013:

Borrowing Fund	Lending Fund	Balance 01/01/13	New Loans	Repayments	Balance 12/31/13
Community Center Fund	ER Reserve	\$304,595	\$0	\$ 27,454	\$277,141
Total		\$304,595	\$0	\$27,454	\$277,141

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long Term Debt (09) provides a listing of the outstanding debt of the City and summarizes the City's debt transactions for 2013. The debt service requirements, including interest, are as follows:

5 Year Repayment Schedule (including interest)

	G.O. Bond Debt	Revenue Debt	Other Debt	Total Debt
2014	83,691	1,928,015	802,563	2,814,268
2015	80,618	1,920,638	762,090	2,763,347
2016	82,546	1,550,528	756,532	2,389,606
2017	79,241	1,553,877	750,975	2,384,093
2018	80,691	1,547,378	745,417	2,373,486
2019-2023	164,732	753,409	1,329,345	2,247,486
2024	-	-	-	-
Totals	571,519	9,253,845	5,146,922	14,972,286

Stafford Creek Revenue Bonds

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

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

NOTE 7 - PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS I, PERS II, PERS III, PSERS, LEOFF I, or LEOFF II, which are administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis

and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan benefits. Historical trend and other information regarding each plan are presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

NOTE 7 - PENSION PLANS (cont.)**Other Retirement Systems – Local Government Pension Trust Funds**

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

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

Eligibility/Benefits – All members are vested. Normal retirement occurs after service for a period of 25 years or more and attainment of age 50. There is no compulsory retirement age under RCW 41.18

and 41.20. Benefit is 50% of basic salary plus an additional 2% of basic salary for each year of service in excess of 25 to a maximum of 5 additional years, subject to a \$300 per month minimum.

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

Membership in the Firefighter's and Police Officer's Pension Plans consisted of the following at December 31, 2013:

	<u>Firefighters'</u>	<u>Police Officers'</u>
Retired and receiving City pension only payments	2	1
Receiving in excess of LEOFF benefits & medical	28	11
Retired and receiving City medical benefits only	20	20
Active members not yet retired	<u>0</u>	<u>1</u>
Total	<u>50</u>	<u>33</u>

Funding sources at December 31, 2013 were received by each trust fund as follows:

Fire Insurance Premium Tax	\$ 32,683	\$ 0
Property Taxes	\$ 227,331	\$ 0
Operating Transfer from General Gov't & EMS Fund	\$ 654,000	\$ 540,000
Other Income	\$ 341	\$ 376
Total Funding	<u>\$ 914,355</u>	<u>\$ 540,376</u>

As of December 31, 2013, the market value of assets was \$ 274,593. The City also had \$664,800 in Fund 112, dedicated for the Reserve for Long Term Care.

NOTE 8- OTHER DISCLOSURES

A. Joint Ventures

The City is a participant in two joint ventures:

Drug Task Force Unit

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

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

Grays Harbor Communication Center (911)

The City participates with Cosmopolis, Elma, Hoquiam, McCleary, Montesano, and Grays Harbor County to operate a central emergency dispatch center. As a participant, the City has an ongoing financial commitment to provide its share of operating funds to the dispatch center. The City contributed \$164,211 to the Communication Center in 2013.

B. Prior Period Correction

A prior period correction was made between Fund 123 Canine Fund and Fund 001 General Fund, for an expenditure that was posted to the wrong account. The error was deemed material to the Canine Fund, and overstated the prior year's expenses by \$20,440.

C. Transportation Benefit District

In 2012, the City formed a Transportation Benefit District. During 2013, a special election was held to assess a dedicated sales tax rate of thirteen hundredths of one percent (.0013) for the purpose of transportation improvements. Voters approved the proposition. The effective date for the new sales and use tax rate was July 1, 2013. During 2013, the City received \$180,975 from this revenue source and had no expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Special Revenue Funds

These funds account for revenues derived from specific taxes, grants, or other sources, which are designated or legally restricted to finance particular activities of the City.

Debt Service Funds

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

Capital Projects Funds

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

Permanent Funds

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Proprietary Fund Types**Enterprise Funds**

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

Internal Service Funds

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

Fiduciary Fund Types

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

Private Purpose Trust Funds

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

Agency Funds

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

B. Basis of Accounting

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

<u>Fund/Dept. #</u>	<u>Description</u>	<u>2012 Budget</u>	<u>2012 Expenditures</u>	<u>Variance</u>
	General Fund			
01	Legislative	\$ 72,000	\$ 70,872	\$ 1,128
02	Executive	16,450	15,456	994
03	Judicial	525,920	519,414	6,506
05	General Government	8,027,467	4,052,500	3,974,967
06	Finance	362,144	362,100	44
16	Legal	254,533	254,533	-
18	Human Resources	99,160	90,899	8,261
19	Facilities	106,200	99,554	6,646
21	Engineering	314,810	297,161	17,649
22	Building & Code Enforcement	314,740	314,636	104
23	Community Development	135,290	116,293	18,997
45	Police	4,902,357	4,858,261	44,096
46	Care/Custody of Prisoners	433,611	331,585	102,026
48	Fire	1,716,322	1,689,080	27,242
49	911 Call Center	131,446	99,248	32,198
	Total General Fund	\$ 17,412,450	\$ 13,171,591	\$ 4,240,859
	Special Revenue Funds			
101	Library	\$ 76,200	\$ 73,689	\$ 2,511
102	Parks	985,450	981,165	4,285
103	Street	2,084,250	1,869,467	214,783
105	Arterial Street	799,000	532,316	266,684
106	Paths & Trails	4,215	-	4,215
107	Morrison Riverfront Park	63,484	40,717	22,767
112	Insurance Reserve	514,000	34,608	479,392
120	Emergency Medical Services	3,029,838	3,026,607	3,231
121	Animal control	133,581	121,048	12,533
122	Parking Enforcement	66,439	63,351	3,088
123	Canine Fund	74,295	51,407	22,888
125	Museum	27,600	21,760	5,840
128	Community Center	513,000	465,602	47,398
132	Recreational Sports Programs	268,142	95,552	172,590
145	Drug Task Force	148,500	246,702	(98,202)
	Total Special Revenue Funds	\$ 8,787,994	\$ 7,623,992	\$ 1,164,002
	Debt Service Funds			
205	Utility Bond Redemption	\$ 373,400	\$ 372,493	\$ 907
206	2000 Fire Truck Bond Redemption	435,000	434,018	982
209	PWT Long Term Debt	837,681	-	837,681
	Total Debt Service Funds	\$ 1,646,081	\$ 806,511	\$ 839,570

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Fund/Dept. #	Description	2012 Budget	2012 Expenditures	Variance
Capital Project Funds				
301	Community Devel. Block Grant	\$ 81,000	\$ 25,664	\$ 55,336
302	Urban Devel. Action Grant	184,822	-	184,822
303	Hotel/Motel	144,674	67,756	76,918
305	Dept. of Justice Grants	263,600	259,079	4,521
306	Grant Funds	-	14,482	(14,482)
318	Abatement	494,000	251,288	242,712
320	Public Buildings	331,550	162,887	168,663
350	Utility Construction	387,000	-	387,000
399	Capital Improvements	210,000	36,858	173,142
	Total Capital Project Funds	\$ 2,096,646	\$ 818,015	\$ 1,278,631
Enterprise Funds				
401	Garbage Utility	\$ 1,637,000	\$ 1,459,628	\$ 177,372
403	Sewer Utility	4,113,000	3,507,689	605,311
404	Water Utility	4,261,000	3,987,615	273,385
405	Storm Water Utility	540,750	511,823	28,927
407	Industrial Water System	1,417,000	294,011	1,122,989
413	Sewer Cumulative Reserve	176,500	3,480	173,020
414	Water Cumulative Reserve	2,443,000	500,000	1,943,000
417	Industrial Water Reserve	951,000	-	951,000
	Total Enterprise Funds	\$ 15,539,250	\$ 10,264,246	\$ 5,275,004
Internal Service Funds				
501	Equipment Rental	\$ 487,800	\$ 483,665	\$ 4,135
502	Equipment Rental Reserve	2,494,000	421,457	2,072,543
	Total Internal Service Funds	\$ 2,981,800	\$ 905,122	\$ 2,076,678
Fiduciary Funds				
611	Fire Pension	\$ 980,500	\$ 966,690	\$ 13,810
612	Police Pension	651,500	606,993	44,507
629	Brownfield Development Fund	-	-	-
	Total Fiduciary Funds	\$ 1,632,000	\$ 1,573,683	\$ 58,317
	Grand Total All Funds	\$ 50,096,221	\$ 35,163,160	\$ 14,933,061

The finance director is authorized to transfer budgeted amounts between departments within any fund/object classes within departments, with the exception of the General (Current Expense) Fund. However, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City council.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**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 are entirely covered by the Federal Depository Insurance Corporation (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

F. Investments

As required by state law, all investments of the City's funds (except as noted) are obligations of the U.S. Government, the Washington State Treasurer's Investment Pool, bankers' acceptances, or deposits with Washington State banks and savings and loan institutions. Investments of Pension trust funds are not subject to the preceding limitations. All temporary investments are stated at cost plus accrued interest which approximates market. See Note 3 – Investments

G. Derivatives and Similar Transactions

The City does not invest in derivatives or similar transactions.

H. Capital Assets

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

I. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All compensated absences are reported as an expenditure when paid.

Employees may accumulate up to a maximum of 50 days vacation leave and 30 days compensatory time. Sick leave may be accumulated up to 120 days; but upon separation or retirement, employees do not receive any payment for unused sick time, with the exception of the Police Guild. Police Guild employees at separation of service, may be paid up to 25% of their accumulated sick leave balance up to \$10,000.

J. Long Term Debt (See NOTE 6)**K. Other Financing Sources or Uses**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**L. Risk Management****Unemployment Compensation Self-insurance**

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

Auto Physical Damage Self-insurance

The City has elected to partially self-insure automobile physical damage and as of December 31, 2011 had \$79,673 reserved for this purpose within the Equipment Reserve Fund.

Liability and Property Risks Joint Insurance Pool

The city of Aberdeen is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 153 Members.

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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

M. Reserved Fund Balance

The City considers some portions of Fund Balance to be reserved in nature due to either restrictions imposed by external parties or internal commitments made by formal action of the City Council. At the end of 2012, the City considered \$216,050 in the Drug Enforcement Fund # 145 and \$8,110 in the Canine Fund #123, to be reserved by external parties; \$4,714,370 was reserved by the City Council for specific uses.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

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

During 2012, two funds exceeded legal appropriations of the City. Fund 145, Drug Task Force exceeded the budget by \$98,202; Fund 306 Grant Activities exceeded the budget by \$14,482. In both cases the excess expenditures were related to additional grant income received by the City. Council action approved the acceptance of those grant funds.

During 2012, three funds had a negative cash balance at year end, resulting in negative fund balances. Fund 501, Equipment Rental Operations, had a negative balance in the unrestricted cash of \$9,474; Fund 305, the Department of Justice Grant Fund had expenditures in the amount of \$26,799 that were not reimbursed by the Grantor until 2013; Fund 660, Agency Suspense Fund had a negative balance of \$ 2,951.

NOTE 3 - INVESTMENTS

All of the City's investments are insured, registered or held by the City or its agent in the City's name. As of December 31, 2012, the City had a total of \$15,884,744 invested in the following: \$1,383,554 in the Bank of America, \$56,173 in Bank of the Pacific (including court funds held in trust), \$890,140 in the State Treasurer's Investment Pool, and \$13,554,877 in government securities. The City held no funds as an agent or for others as of the end of 2012.

NOTE 4 - PROPERTY TAXES

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

NOTE 4 - PROPERTY TAXES (cont.)

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

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

- a) Washington State Law in RCW 84.55.010 limits the growth of regular property taxes to 6 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 6 percent due to revaluation, the levy rate will be decreased.
- b) The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

For 2012, the City levied the property taxes noted in the table below. The special levy was approved by the voters and is not subject to the Levy rate limitations listed above.

Purpose of Levy	Levy (rate per \$1000)	Levy Amount	Assessed Value
Operations levy	\$ 2.696	\$ 2,562,629	\$ 950,626,513
Special Levy: 2001 SS Dike Fire Dept. Refunding Bond	\$.384	\$ 360,000	\$ 937,717,912
Totals	\$ 3.080	\$ 2,922,629	

NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2012:

Borrowing Fund	Lending Fund	Balance 01/01/12	New Loans	Repayments	Balance 12/31/12
Community Center Fund	ER Reserve	\$0	\$328,048	\$ 23,453	\$304,595
Total		\$0	\$328,048	\$23,453	\$304,595

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long Term Debt (09) provides a listing of the outstanding debt of the City and summarizes the City's debt transactions for 2012. The debt service requirements, including interest, are as follows:

NOTE 6 - LONG-TERM DEBT (cont.)

2012 - 5 Year Repayment Schedule

	G.O. Bond Debt	Revenue Debt	Other Debt	Total Debt
2013	69,595	1,515,000	768,207	2,352,802
2014	73,199	1,570,000	768,207	2,411,406
2015	71,618	1,620,000	733,292	2,424,910
2016	75,030	1,315,000	733,292	2,123,322
2017	73,253	1,390,000	733,292	2,196,545
2018-2022	236,787	2,125,000	2,046,752	4,408,540
2023	-	-	-	-
Totals	599,482	9,535,000	5,783,042	15,917,525

Stafford Creek Revenue Bonds

On November 1, 1998 and August 14, 2002 the City issued \$18,940,000 and \$2,455,000 of Special Revenue Bonds for the sole purpose of extending utility lines from the city limits of Aberdeen to the

site of the new Washington State Stafford Creek Correctional Center. The State of Washington has an agreement with the City to pay System Development Fees for the benefit of receiving water and sewer services. These fees are pledged to cover the debt service payments. All system fees are paid directly by the State of Washington to the bond trustee (Bank of New York) for payment of the debt service.

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

NOTE 7 - PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS I, PERS II, PERS III, PSERS, LEOFF I, or LEOFF II, which are administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis

and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan benefits.

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

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

Other Retirement Systems – Local Government Pension Trust Funds

Plan Description – The City is the administrator of the Firefighter's and Police Officer's Pension Plans which are closed, single-employer, defined benefit pension plans that were established in conformance with RCW Chapter 14.16, 14.18 and 14.20. These plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and

NOTE 7 - PENSION PLANS (cont.)

beneficiaries. Membership is limited to firefighters and police officers employed prior to March 1, 1970, when the LEOFF retirement system was established by the State of Washington. The City's obligation under the Firefighter's and Police Officer's Pension Plans consists of paying all benefits, including payments to beneficiaries, for firefighters and police officers who retired prior to March 1, 1970, and excess benefits over LEOFF for covered firefighters and police officers who retired on or after March 1, 1970.

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

Eligibility/Benefits – All members are vested. Normal retirement occurs after service for a period of 25 years or more and attainment of age 50. There is no compulsory retirement age under RCW 41.18

and 41.20. Benefit is 50% of basic salary plus an additional 2% of basic salary for each year of service in excess of 25 to a maximum of 5 additional years, subject to a \$300 per month minimum.

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

Membership in the Firefighter's and Police Officer's Pension Plans consisted of the following at December 31, 2012:

	<u>Firefighters'</u>	<u>Police Officers'</u>
Retired and receiving City pension payments in full	3	2
Receiving in excess of LEOFF benefits only	19	10
Retired and not receiving City pension payments	20	19
Active members not yet retired	<u>0</u>	<u>2</u>
Total	<u>42</u>	<u>33</u>

Funding sources at December 31, 2012 were received by each trust fund as follows:

Fire Insurance Premium Tax	\$ 29,496	\$ 0
Property Taxes	\$ 213,798	\$ 0
Operating Transfer from General Gov't & EMS Fund	\$ 599,145	\$ 481,500
Other Income	<u>\$ 127</u>	<u>\$ 140</u>
Total Funding	<u>\$ 842,566</u>	<u>\$ 481,640</u>

As of December 31, 2012, the market value of assets was \$ 162,501. The City also had \$602,800 in Fund 112, dedicated for the Reserve for Long Term Care.

NOTE 8- OTHER DISCLOSURES

A. Joint Ventures

The City is a participant in two joint ventures:

Drug Task Force Unit

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

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

Grays Harbor Communication Center (911)

The City participates with Cosmopolis, Elma, Hoquiam, McCleary, Montesano, and Grays Harbor County to operate a central emergency dispatch center. As a participant, the City has an ongoing financial commitment to provide its share of operating funds to the dispatch center. The City contributed \$95,856 to the Communication Center in 2012.

B. Note Receivable

During 2004, the City entered into an agreement with the Grays Harbor Regional Transit Authority to assist in the acquisition of property and subsequent demolition of structures. The property was located adjacent to the Aberdeen Transit Bus Depot and would assist in future Bus Depot expansion plans as well as enhanced safety for pedestrian and vehicular traffic. The property was purchased for \$64,966 of which the City provided \$24,966 of the funding, resulting in a net purchase cost to the

Transit Authority of \$40,000. Demolition of Phase I was completed in August of 2004 while demolition of Phase II was completed in 2006. Details of the loan are reflected in the table below.

Activity	Amount	Balance 1/01/12	Repayments	Balance 12/31/12
Purchase of 307 & 311 East Market	\$ 40,000			
Demolition of 313, 315, 319 East Market Street Buildings	\$202,001			
Demolition of 307,309, 311 East Market Street Buildings	\$235,395	\$127,396	127,396	\$0
Total	<u>\$477,396</u>	<u>\$127,396</u>	<u>\$127,396</u>	<u>\$0</u>

Terms of the contract call for the Transit Authority to pay the City of Aberdeen within three years of the certified completion date, October 3, 2006. The terms also allow a three year extension should the Transit Authority require additional time to secure funding and carries no interest charges.

During 2012, the city received the final payment of \$127,396 from the Transit Authority.

**CITY OF ABERDEEN
SCHEDULE OF LONG-TERM DEBT
For the Year Ended December 31, 2013**

Redeeming Fund	I.D. No.	Description of Debt	BARS Code for Redemption	Date of Issue	Date of Maturity	Beginning Outstanding Debt 01/01/13	Amount Issued in Current Year	Payments 2013	Ending Outstanding Debt 12/31/13
<u>GENERAL OBLIGATION DEBT</u>									
206	251.11	G. O. Bond--Refunding	591.21	10/31/11	12/1/20	\$ 579,483	-	67,095	512,387
320	263.81	CERB Loan		07/01/01	07/01/20	\$ 20,000.00	-	2,500	17,500
		TOTAL G. O. DEBT				\$ 599,483	\$ -	\$69,595	\$529,887
<u>REVENUE BONDS</u>									
205	252.11	Revenue Bonds- Water Refunding	591	10/30/03	12/1/15	\$ 1,030,000	\$ -	\$ 330,000	\$ 700,000
Pd by State	252.11	Stafford Creek Correctional Facility-2002	N/A	08/01/02	11/1/22	\$ 1,465,000	-	120,000	\$ 1,345,000
Pd by State	252.11	SCCC Refunding -2009	N/A	07/22/09	11/1/18	\$ 7,040,000	-	1,065,000	\$ 5,975,000
		TOTAL REVENUE BONDS				\$ 9,535,000.00	\$ -	\$ 1,515,000	\$ 8,020,000.00
<u>PUBLIC WORKS TRUST FUND LOANS</u>									
407	263.82	Industrial Water - PW-5-94-787-TIM-201	582.34	09/26/94	7/1/14	\$ 69,830	\$ -	\$ 34,915	\$ 34,915
404	263.82	Water Filtration - PW-98-791-001	582.34	04/22/98	12/3/15	\$ 2,269,474	-	378,246	1,891,228
403	263.82	Wastewater Plant - PW-00-691-PRE-101	582.35	02/01/01	12/4/15	\$ 426,900	-	53,363	373,537
403	263.82	Wastewater Plant - PW-02-691-001	582.35	01/24/02	12/5/15	\$ 3,016,838	-	301,684	2,715,154
		TOTAL PW LOANS				\$ 5,783,042	\$ -	\$ 768,208	\$ 5,014,834
<u>Compensated Absences</u>									
259.11		General Fund & Special Revenue Funds				\$ 967,179	\$ 120,285	\$ -	\$ 1,087,464
259.12		Utility Funds and Equipment Rental Fund				\$ 315,179	\$ -	\$ 3,271	311,908
		TOTAL COMPENSATED ABSENCES				\$ 1,282,357	\$ 120,285	\$ 3,271	\$ 1,399,372
		GRAND TOTAL LONG-TERM DEBT				\$17,199,882	\$120,285	\$2,356,074	\$14,964,094

**CITY OF ABERDEEN
SCHEDULE OF LONG-TERM DEBT
For the Year Ended December 31, 2012**

Redeeming Fund	I.D. No.	Description of Debt	BARS Code for Redemption	Date of Issue	Date of Maturity	Beginning Outstanding Debt 01/01/12	Amount Issued in Current Year	Payments 2012	Ending Outstanding Debt 12/31/12
GENERAL OBLIGATION DEBT									
206	251.11	G. O. Bond--Refunding	591.21	10/31/11	12/1/20	989,614.03	-	410,131	579,483
320	263.81	CERB Loan		07/01/01	07/01/20	22,500.00	-	2,500	20,000
103	263.81	P. W. Trust Fund Loan (E. Ab.)	591.42	04/17/92	07/01/12	24,000.00	-	24,000	0
		TOTAL G. O. DEBT				\$1,036,114	\$ -	\$436,631	\$599,483
REVENUE BONDS									
205	252.11	Revenue Bonds- Water Refunding	591	10/30/03	12/1/15	\$ 1,350,000	\$ -	\$ 320,000	\$ 1,030,000
Pd by State	252.11	Stafford Creek Correctional Facility-2002	N/A	08/01/02	11/1/22	\$ 1,580,000	-	115,000	\$ 1,465,000
Pd by State	252.11	SCCC Refunding -2009	N/A	07/22/09	11/1/18	\$ 8,070,000	-	1,030,000	\$ 7,040,000
		TOTAL REVENUE BONDS				\$11,000,000.00	\$ -	\$ 1,465,000	\$ 9,535,000.00
PUBLIC WORKS TRUST FUND LOANS									
407	263.82	Industrial Water - PW-5-94-787-TIM-201	582.34	09/26/94	7/1/14	\$ 104,745	\$ -	\$ 34,915	\$ 69,830
404	263.82	Water Filtration - PW-98-791-001	582.34	04/22/98	12/3/15	\$ 2,647,719	-	378,246	2,269,473
403	263.82	Wastewater Plant - PW-00-691-PRE-101	582.35	02/01/01	12/4/15	\$ 480,262	-	53,363	426,899
403	263.82	Wastewater Plant - PW-02-691-001	582.35	01/24/02	12/5/15	\$ 3,318,522	-	301,684	3,016,838
		TOTAL PW LOANS				\$ 6,551,248	\$ -	\$ 768,208	\$ 5,783,040
Compensated Absences									
259.11		General Fund & Special Revenue Funds				\$ 972,650	\$ -	\$ 5,472	\$ 967,179
259.12		Utility Funds and Equipment Rental Fund				\$ 320,428	\$ -	\$ 5,249	\$ 315,179
		TOTAL COMPENSATED ABSENCES				\$ 1,293,078	\$ -	\$ 10,721	\$ 1,282,357
		GRAND TOTAL LONG-TERM DEBT				\$19,880,440	\$0	\$2,680,560	\$17,199,880

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

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

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

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