



# Washington State Auditor's Office

Independence • Respect • Integrity

## Financial Statements and Federal Single Audit Report

### **City of Ferndale**

**Whatcom County**

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

**Published June 1, 2015**

**Report No. 1014439**





## Washington State Auditor's Office

June 1, 2015

Mayor and City Council  
City of Ferndale  
Ferndale, Washington

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jan M. Jutte".

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

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## FEDERAL SUMMARY

**City of Ferndale  
Whatcom County  
January 1, 2014 through December 31, 2014**

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

### **Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

### **Federal Awards**

Internal Control Over Major Programs:

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

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

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

## **Identification of Major Programs:**

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

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

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

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

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

**City of Ferndale  
Whatcom County  
January 1, 2014 through December 31, 2014**

Mayor and City Council  
City of Ferndale  
Ferndale, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Ferndale, Whatcom County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated May 14, 2015.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Jan M. Jutte".

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

May 14, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

**City of Ferndale  
Whatcom County  
January 1, 2014 through December 31, 2014**

Mayor and City Council  
City of Ferndale  
Ferndale, Washington

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

We have audited the compliance of the City of Ferndale, Whatcom County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Jan M. Jutte".

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

May 14, 2015

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

### City of Ferndale Whatcom County January 1, 2014 through December 31, 2014

Mayor and City Council  
City of Ferndale  
Ferndale, Washington

### REPORT ON THE FINANCIAL STATEMENTS

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

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

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Ferndale, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

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

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

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Ferndale, as of December 31, 2014, or the

changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **Other Matters**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2015 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

May 14, 2015

## FINANCIAL SECTION

**City of Ferndale  
Whatcom County  
January 1, 2014 through December 31, 2014**

### **FINANCIAL STATEMENTS**

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

### **SUPPLEMENTARY AND OTHER INFORMATION**

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

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

		<b>Total for All Funds</b>	<b>001 General</b>	<b>101 Street</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	2,849,259	4,659	-
30880	Unreserved	6,037,180	1,804,207	71,879
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	7,992,814	7,220,299	-
320	Licenses and Permits	582,383	582,383	-
330	Intergovernmental Revenues	3,370,518	267,953	607,965
340	Charges for Goods and Services	8,963,331	732,685	67,800
350	Fines and Penalties	185,620	185,620	-
360	Miscellaneous Revenues	2,906,057	170,073	8,777
Total Operating Revenues:		<u>24,000,723</u>	<u>9,159,013</u>	<u>684,542</u>
<b>Operating Expenditures</b>				
510	General Government	1,797,561	1,620,816	-
520	Public Safety	5,094,389	5,094,389	-
530	Utilities	3,209,590	-	-
540	Transportation	1,422,019	200,076	819,472
550	Natural and Economic Environment	549,449	496,575	-
560	Social Services	61,939	61,939	-
570	Culture and Recreation	382,218	382,218	-
Total Operating Expenditures:		<u>12,517,164</u>	<u>7,856,013</u>	<u>819,472</u>
<b>Net Operating Increase (Decrease):</b>		<b><u>11,483,559</u></b>	<b><u>1,303,000</u></b>	<b><u>(134,930)</u></b>
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	881,268	358,852	2,667
391-393	Debt Proceeds	9,370,096	-	-
397	Transfers-In	2,372,638	295,304	494,000
Total Nonoperating Revenues:		<u>12,624,002</u>	<u>654,156</u>	<u>496,667</u>
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	819,506	345,666	-
591-593	Debt Service	3,089,609	-	-
594-595	Capital Expenditures	12,147,594	111,983	396,856
597	Transfers-Out	2,372,638	959,160	-
Total Nonoperating Expenditures:		<u>18,429,348</u>	<u>1,416,809</u>	<u>396,856</u>
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b><u>5,678,213</u></b>	<b><u>540,347</u></b>	<b><u>(35,119)</u></b>
<b>Ending Cash and Investments</b>				
50810	Reserved	9,701,891	-	-
50880	Unreserved	4,862,761	2,349,213	36,760

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

<b>102 Park Mitigation</b>	<b>104 Traffic Mitigation</b>	<b>106 Criminal Justice</b>	<b>107 Local Criminal Justice</b>	<b>198 Hotel Motel</b>	<b>214 Street/Parks/Land Debt Service</b>
81,299	202,527	5,120	29,736	16,928	2,054
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	197,223	50,869	-
-	-	-	-	-	-
-	-	119,936	-	-	-
99,239	424,063	-	-	-	-
-	-	-	-	-	-
18	190	-	-	-	-
<b>99,257</b>	<b>424,253</b>	<b>119,936</b>	<b>197,223</b>	<b>50,869</b>	<b>-</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	52,873	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>99,257</b>	<b>424,253</b>	<b>119,936</b>	<b>197,223</b>	<b>52,873</b>	<b>-</b>
-	-	95,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	167,993
-	-	95,000	-	-	167,993
-	-	95,000	-	-	-
-	-	12	-	-	167,991
-	-	103,847	-	-	-
<b>122,467</b>	<b>330,390</b>	<b>21,000</b>	<b>226,000</b>	<b>9,000</b>	<b>-</b>
<b>122,467</b>	<b>330,390</b>	<b>219,859</b>	<b>226,000</b>	<b>9,000</b>	<b>167,991</b>
<b>(23,210)</b>	<b>93,863</b>	<b>(4,923)</b>	<b>(28,777)</b>	<b>(11,004)</b>	<b>2</b>
58,089	296,390	196	959	5,924	2,056
-	-	-	-	-	-

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

215 LaBounty LID 2006-1 Bond Redemption	216 LaBounty LID 2006-1 Bond Guarantee	217 LaBounty GO Bond Debt Service	218 2010 Limited Tax General Obligation Bond	219 2011 Limited Tax General Oblig Bond Rede	220 2013 Library LTGO Bond Redemption
21,508	32,940	91	90	1,329	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	62,507
-	-	-	-	-	
-	-	-	76,950	-	
-	-	-	-	-	
-	-	-	-	-	
42,953	27	-	10	-	
<hr/> 42,953	<hr/> 27	<hr/> -	<hr/> 76,960	<hr/> -	<hr/> 62,507
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
<hr/> 42,953	<hr/> 27	<hr/> -	<hr/> 76,960	<hr/> -	<hr/> 62,507
-	-	-	-	-	
-	-	-	-	-	
2,500	-	26,720	358,090	161,938	125,857
<hr/> 2,500	<hr/> -	<hr/> 26,720	<hr/> 358,090	<hr/> 161,938	<hr/> 125,857
-	-	-	-	-	
44,304	-	26,720	435,049	161,338	186,072
-	-	-	-	-	
14,304	2,500	-	-	-	
<hr/> 58,608	<hr/> 2,500	<hr/> -	<hr/> 435,049	<hr/> 161,338	<hr/> 186,072
<hr/> (13,155)	<hr/> (2,473)	<hr/> -	<hr/> 1	<hr/> 600	<hr/> 2,292
8,353	30,467	91	90	1,930	2,292

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

<b>301 Real Estate Excise Tax - First 1/4 Perce</b>	<b>302 Real Estate Excise Tax - Second 1/4 Perc</b>	<b>305 Pioneer Park Pavilion Constr</b>	<b>307 New Library Construction</b>	<b>308 Main St-3rd TO Church Constr</b>	<b>309 Star Park Design and Construction</b>
127,372	76,326	-	1,120,616	-	-
-	-	-	-	-	-
-	-	-	-	-	-
230,958	230,958	-	-	-	-
-	-	-	-	-	-
-	-	-	109,038	-	-
-	-	-	-	-	-
-	-	-	-	-	-
173	17	-	2,521,505	-	24,510
<b>231,131</b>	<b>230,975</b>	<b>-</b>	<b>2,630,543</b>	<b>-</b>	<b>24,510</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>231,131</b>	<b>230,975</b>	<b>-</b>	<b>2,630,543</b>	<b>-</b>	<b>24,510</b>
125,000	-	-	-	-	-
-	-	-	-	-	-
-	-	34,846	170,000	68,000	20,000
<b>125,000</b>	<b>-</b>	<b>34,846</b>	<b>170,000</b>	<b>68,000</b>	<b>20,000</b>
-	-	-	203,840	-	-
-	-	-	64	-	-
-	-	1,032	3,708,267	67,461	21,473
<b>363,826</b>	<b>254,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>363,826</b>	<b>254,145</b>	<b>1,032</b>	<b>3,912,171</b>	<b>67,461</b>	<b>21,473</b>
<b>(7,695)</b>	<b>(23,170)</b>	<b>33,814</b>	<b>(1,111,628)</b>	<b>539</b>	<b>23,037</b>
119,677	53,156	33,814	8,988	539	23,037
-	-	-	-	-	-

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

<b>346 Church Road Construction</b>	<b>347 Main &amp; LaBounty Roundabout</b>	<b>370 Thornton Road Construction</b>	<b>375 Public Safety Building Constru</b>	<b>401 Water</b>	<b>402 Sewer</b>
6,206	-	-	63,424	135,269	921,765
-	-	-	-	2,343,692	1,478,330
-	-	-	-	-	-
-	-	-	-	-	-
1,988,106	-	13,428	-	-	-
436,000	-	-	-	2,641,748	3,116,253
-	-	-	-	-	-
-	10	48	4	78,920	48,759
<b>2,424,106</b>	<b>10</b>	<b>13,476</b>	<b>4</b>	<b>2,720,667</b>	<b>3,165,012</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,357,537	1,353,260
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>2,424,106</b>	<b>10</b>	<b>13,476</b>	<b>4</b>	<b>1,363,130</b>	<b>1,811,752</b>
250,000	-	-	44,416	2,667	2,667
-	-	-	-	-	8,728,744
160,000	50,000	237,390	-	-	-
410,000	50,000	237,390	44,416	2,667	8,731,411
175,000	-	-	-	-	-
147	-	-	-	500,894	1,488,100
2,651,568	-	39,615	37,997	2,906,017	1,134,943
-	-	-	69,846	-	-
<b>2,826,714</b>	<b>50,010</b>	<b>39,615</b>	<b>107,843</b>	<b>3,406,911</b>	<b>2,623,043</b>
<b>7,391</b>	<b>211,251</b>	<b>(63,423)</b>	<b>(2,041,114)</b>	<b>7,920,120</b>	
13,598	50,010	211,250	0	135,269	8,608,160
-	-	-	-	302,578	1,712,055

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

<b>407 Storm &amp; Flood Control</b>	<b>510 Computer Repair &amp; Replacement</b>	<b>550 Equip. Maint. &amp; Replacement</b>
-	-	-
267,302	27,139	44,631
-	-	-
-	-	-
187,143	-	-
842,143	120,413	482,987
-	-	-
2,452	-	7,615
<b>1,031,737</b>	<b>120,413</b>	<b>490,602</b>
-	116,746	60,000
-	-	-
498,793	-	-
-	-	402,471
-	-	-
-	-	-
-	-	-
<b>498,793</b>	<b>116,746</b>	<b>462,471</b>
<b>532,944</b>	<b>3,667</b>	<b>28,131</b>
-	-	-
641,351	-	-
<b>641,351</b>	<b>-</b>	<b>-</b>
-	-	-
78,919	-	-
924,352	15,668	26,516
-	-	-
<b>1,003,271</b>	<b>15,668</b>	<b>26,516</b>
<b>171,024</b>	<b>(12,001)</b>	<b>1,615</b>
37,556	-	-
400,770	15,139	46,246

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

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

		<b>Total for All Funds</b>	<b>613 Transportation Benefit District</b>	<b>650 Court Agency</b>	<b>651 Energy Grant Loan Loss Reserve</b>
308	Beginning Cash and Investments	275,265	238,204	28,416	8,645
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	392,183	392,183	-	-
380-390	Other Increases and Financing Sources	196,338	-	196,338	-
510-570	Expenditures	491,097	491,097	-	-
580-590	Other Decreases and Financing Uses	197,544	-	197,544	-
	Net Increase (Decrease) in Cash and Investments:	(100,120)	(98,914)	(1,206)	-
508	Ending Cash and Investments	175,145	139,290	27,210	8,645

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

**City of Ferndale, WA**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended December 31, 2014**

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

The City of Ferndale was incorporated on March 19, 1907 and operates under the laws of the state of Washington applicable to a Category 2 City. The City of Ferndale is a general purpose government and provides public safety, street maintenance and street improvements, parks, water/sewer/storm utilities, and general administrative services.

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

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

**A. Fund Accounting**

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

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Funds**

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

**Capital Projects Funds**

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

### Permanent Funds

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

### PROPRIETARY FUND TYPES:

#### Enterprise Funds

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

#### Internal Service Funds

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

### FIDUCIARY FUND TYPES:

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

#### Private-Purpose Trust Funds

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

#### Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

## B. Basis of Accounting

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

In accordance with state law the City of Ferndale also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

## C. Budgets

The City of Ferndale adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal year end.

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

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

The appropriated and actual 2014 expenditures for the legally adopted budgets were as follows:

<b><u>Fund Number and Name</u></b>	<b><u>Final Appropriated Amounts</u></b>	<b><u>Actual Expenditures</u></b>	<b><u>Variance</u></b>
001 Current Expense (General Fund)	\$8,499,129	\$8,307,139	\$191,990
002 General Fund Contingency Reserve	4,561	4,561	0
003 Facilities Capital Reserve	98	98	0
004 LEOFF 1 Police Retiree	62,164	33,517	28,647
005 Solid Waste Tax 2010 & On	1,506,832	1,285,332	221,500
101 Streets	1,390,751	1,216,328	174,423
102 Park Mitigation	122,467	122,467	0
104 Traffic Mitigation	330,390	330,390	0
106 Criminal Justice Fund	221,000	219,860	1,140
107 Local Criminal Justice	226,000	226,000	0
111 Real Estate Excise Tax First 1/4% REET 1	127,372	127,372	0
112 Real Estate Excise Tax Second 1/4% REET 2	76,326	76,326	0
198 Hotel/Motel	68,700	61,873	6,827
214 Streets/Parks Debt Service	167,993	167,991	2
215 LaBounty LID 2006-1 Bond Redemption	58,608	58,608	0
216 LaBounty LID 2006-1 Bond Guarantee	2,500	2,500	0
217 LaBounty GO Bond Redemption	26,720	26,720	0
218 2010 GO Bond Redemption	497,743	497,693	50
219 2011 GO Bond Redemption	161,938	161,338	600
220 2014 GO Library Bond Redemption	186,072	186,072	0
301 Real Estate Excise Tax First 1/4% REET 1	363,826	363,826	0
302 Real Estate Excise Tax Second 1/4% REET 2	254,145	254,145	0
305 Pioneer Pavilion Construction	34,850	1,032	33,818
307 Library Construction	3,921,159	3,912,170	8,989
308 Main St./ 3rd to Church Construction	68,000	67,461	539
309 Star Park Construction	25,000	21,473	3,527
346 Church Road Construction	3,800,466	2,826,714	973,752
347 Main & LaBounty Roundabout Construction	50,000	0	50,000
370 Thornton Road Overpass Construction	50,000	39,615	10,385
375 Public Safety Building	107,864	107,844	20
401 Water	4,830,991	4,764,449	66,542
402 Sewer	7,745,136	4,562,743	3,182,393
403 Sewer Revenue Bonds	1,395,134	1,395,134	0
404 Sewer Revenue Bonds Reserve	12,000	9,401	2,599
407 Storm & Flood Control	1,523,895	1,521,729	2,166
408 Utility Loan Service	473,157	472,650	507
412 Storm Regional Pond Construction	151,629	150,980	649
510 Computer Repair & Maint.	162,341	132,413	29,928
550 Equipment Repair & Maint.	498,210	488,987	9,223
650 Court Agency	225,000	196,338	28,662
<b>TOTAL EXPENDITURES</b>	<b>\$39,430,167</b>	<b>\$34,401,289</b>	<b>\$5,028,878</b>

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

**D. Cash and Investments**

See Note 2, Deposits and Investments.

**E. Deposits**

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

**F. Investments See Note 2, Investments.**

**G. Capital Assets**

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

**H. Compensated Absences**

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

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

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

**J. Other Financing Sources or Uses**

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

**K. Risk Management**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 175 Members.

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

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

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

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

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

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

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

L. Reserved Fund Balances - Includes the following funds:

102 Park Mitigation	\$58,089
104 Traffic Mitigation	296,390
106 Criminal Justice Fund	196
107 Local Criminal Justice	959
198 Hotel/Motel	5,924
214 Streets/Parks Debt Service	2,056
215 LaBounty LID 2006-1 Bond Redemption	8,353
216 LaBounty LID 2006-1 Bond Guarantee	30,467
217 LaBounty GO Bond Redemption	91
218 2010 GO Bond Redemption	90
219 2011 GO Bond Redemption	1,930
220 2014 GO Library Bond Redemption	2,292
301 Real Estate Excise Tax First 1/4% REET 1	119,677
302 Real Estate Excise Tax Second 1/4% REET 2	53,156
305 Pioneer Pavilion Construction	33,814
307 Library Construction	8,988
308 Main St. /3rd to Church Construction	539
309 Star Park Construction	23,037
346 Church Road Construction	13,598
347 Main & LaBounty Roundabout Construction	50,010
370 Thornton Road Construction	211,250
401 Water	135,269
402 Sewer	8,608,160
407 Storm	37,556
<b>TOTAL</b>	<b>\$9,701,891</b>

The largest fund containing reserved cash balances is the 402 Sewer Proprietary fund – it contains required loan and revenue bond reserves, as well as unspent 2014 revenue bond proceeds. Proprietary funds 401 Water and 407 Storm likewise contain required revenue bond reserves. All of the other funds listed above are restricted by the very nature of the title of the fund.

## **Note 2 – Deposits and Investments**

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the city or its agent in the government's name. Investments are reported at original cost.

Investments by type at December 31, 2014 are as follows:

<b>Type of Investment</b>	<b>City of Ferndale's Own Investments</b>
L.G.I.P.	\$2,729,024
FHLMC Bonds	495,092
FHLB Bonds	4,011,791
FANNIE MAE Bonds	<u>4,123,941</u>
	<b>\$11,359,848</b>
<b>TOTAL</b>	

## **Note 3 - Property Tax**

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

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

The City of Ferndale's regular levy for the year 2014 was \$2.10205 per \$1,000 on an assessed valuation of \$1,122,838,797 for a total regular levy of \$2,360,265.

## **Note 4 - Interfund Loans**

The following table displays interfund loan activity during 2014:

<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Balance 1/1/2014</b>	<b>New Loans</b>	<b>Repayments</b>	<b>Balance 12/31/2014</b>
Library Construction 307	LEOFF1 Police Retiree 004	\$125,000	\$0	\$78,840	\$46,160
Library Construction 307	REET 1 111	\$125,000	\$0	\$125,000	\$0
Criminal Justice 106	Cur. Exp. 001	\$0	\$95,000	\$95,000	\$0
Church Road Construction 346	Cur. Exp. 001	\$0	\$250,000	\$175,000	\$75,000
<b>TOTALS</b>		<b>\$250,000</b>	<b>\$345,000</b>	<b>\$473,840</b>	<b>\$121,160</b>

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

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Ferndale and summarizes the City's debt transactions for year ended December 31, 2014.

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

<b>Year(s)</b>	<b>General Obligation Bonds</b>	<b>Revenue Debt</b>	<b>Other Debt</b>	<b>Total Debt</b>
2015	\$1,035,878	\$2,274,625	\$158,234	\$3,468,737
2016	945,407	2,300,273	156,242	3,401,922
2017	941,950	1,440,919	154,250	2,537,119
2018	945,876	1,444,121	152,258	2,542,255
2019	938,970	1,280,845	150,268	2,370,083
2020-2024	4,405,850	5,684,168	733,360	10,823,378
2025-2029	2,650,805	5,671,707	366,716	8,689,228
2030-2034	361,362	2,938,331	92,633	3,392,326
<b>TOTALS</b>	<b>\$12,226,098</b>	<b>\$23,034,989</b>	<b>\$1,963,961</b>	<b>\$37,225,048</b>

## **Note 6 - Pension Plans**

Substantially all of the City of Ferndale's full-time and qualifying part-time employees participate in all qualifying plans (PERS, LEOFF and PSERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Ferndale's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

## **Note 7 – OPEB – LEOFF1 Retiree Other-Than-Pension Post-Employment Benefits**

The City of Ferndale has a commitment to pay for post-employment benefits for employees that belong to the LEOFF1 Washington State Department of Retirement Systems retirement plan. These benefits include unlimited medical, limited dental, unlimited vision, and unlimited nursing care. Three Police Officer retirees received benefits during the year and \$33,517 was paid out for those benefits in 2014. The LEOFF1 Police Retiree Fund No. 004 had a cash balance at 12/31/14 of \$286,563.

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

The Ferndale Transportation Benefit District (TBD) was formed in 2012 following a successful vote of the people. A .2% sales tax was added to the existing 8.5% sales tax – so the total Ferndale sales tax rate is 8.7%. Funds started being received monthly from the Department of Revenue in September, 2012. Annual revenues for 2015 are budgeted at \$360,000. The City Council serves as the TBD board. Road projects are listed in priority order, and approved annually by the TBD board. The TBD is a separate legal entity, with its own separate EIN, UBI, P.O. mailbox, checking account, accounting software and checks, and tri-annual audit. See Schedule C-5 for the TBD Financial Statements.

#### **Note 9 – Other Disclosures – Loan Loss Reserve for Federal Energy Efficiency Grant**

The City of Ferndale holds \$8,645 combined reserved cash in two Banner Bank accounts for Loan Loss Reserves for a Federal Energy Efficiency Grant program administered by the Washington State Department of Commerce in conjunction with Whatcom County. See Schedule C-5.

#### **Note 10 – Other Disclosures – Construction Commitment**

The City of Ferndale has an active construction project as of December 31, 2014. The project is the Church Road Construction Project, Fund Number 346.

\$3,083,248 was spent to date with \$401,542 the remaining commitment. Of the committed balance the City will be required to raise \$0 in future financing. REET 2 and TBD funds will be utilized as needed. The majority of the commitment will be covered by Federal and State grants.

**City of Ferndale**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2014**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligations</b>						
263.81	PWTF Storm Loan	9/1/2024	78,945	-	7,894	71,051
263.91	KeyBank LTGO Bond - Street Lights	7/29/2015	58,448	-	37,418	21,030
263.91	Whatcom County Public Util. Impr. Fund Parks Loan	8/30/2027	881,431	-	57,051	824,380
263.96	LOCAL Program Water Booster Pump Station	6/1/2028	940,000	-	45,000	895,000
263.81	PWTF Loan Sewer Comp. Planning	2/1/2015	33,000	-	33,000	-
263.96	LOCAL Program Bond - Land Purchase	12/1/2028	585,000	-	30,000	555,000
251.11	LaBounty Road Re-Fi	6/1/2023	231,380	-	22,766	208,614
251.11	Facilities BAB Bonds 2010	12/1/2030	4,410,000	-	200,000	4,210,000
251.11	Vactor Truck BAB Bonds 2010	12/1/2015	125,000	-	60,000	65,000
251.11	facilities LTGO BQ Bonds 2011	12/1/2025	1,540,000	-	110,000	1,430,000
263.81	PWTF Loan - Storm	6/1/2032	490,882	92,877	30,724	553,035
251.11	Library Facilities LTGO BQ Bonds 2013A	9/24/2023	550,000	-	53,279	496,721
251.11	Library Facilities LTGO BQ Bonds 2013B	9/24/2023	1,050,000	-	101,714	948,286
259.11	Compensated Absences	12/31/2014	332,347	313,081	316,481	328,947
<b>Total General Obligations:</b>			<b>11,306,433</b>	<b>405,958</b>	<b>1,105,327</b>	<b>10,607,064</b>
<b>Revenue Obligations</b>						
263.82	PWTF Loan - Sewer	7/1/2018	826,530	-	165,305	661,225
263.82	SRF Loan - Sewer	8/1/2019	733,233	-	109,304	623,929
252.11	Revenue Bonds Sewer Refunded	1/1/2016	2,295,000	-	710,000	1,585,000
252.11	Revenue Bonds Water & Sewer 2011	1/1/2031	5,850,000	-	240,000	5,610,000
252.11	Revenue Bonds Sewer & storm 2014	1/1/2033	-	8,965,000	-	8,965,000
<b>Total Revenue Obligations:</b>			<b>9,704,763</b>	<b>8,965,000</b>	<b>1,224,609</b>	<b>17,445,154</b>
<b>Assessment Obligations</b>						
253.11	LaBounty Road LID Bonds	1/2/2025	327,787	-	25,587	302,200
<b>Total Assessment Obligations:</b>			<b>327,787</b>	<b>-</b>	<b>25,587</b>	<b>302,200</b>
<b>Total Liabilities:</b>			<b>21,338,983</b>	<b>9,370,958</b>	<b>2,355,523</b>	<b>28,354,418</b>

**City of Ferndale**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2014**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program Cluster</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>	
Federal Highway Administration (fhwa), Department Of Transportation (via W/A State DOT)	Highway Planning and Construction	20.205	LA-7759	13,428	-	13,428	Notes 1,2
Federal Highway Administration (fhwa), Department Of Transportation (via W/A State DOT)	Highway Planning and Construction	20.205	LA-7772	1,694,666	-	1,694,666	Notes 1,2
<b>Total Highway Planning and Construction Cluster:</b>				<b>1,708,094</b>	-	<b>1,708,094</b>	
<b>Other Programs</b>							
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	N/A	-	458	458	
Department Of Homeland Security (via Whatcom Co. Sheriffs Office)	Homeland Security Grant Program	97.067	WC 201207022	101,440	-	101,440	Notes 1,2
<b>Total Federal Awards Expended:</b>				<b>1,809,534</b>	<b>458</b>	<b>1,809,992</b>	

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

City of Ferndale  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2014**

**NOTE 1 - BASIS OF ACCOUNTING**

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

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

**NOTE 2 - PROGRAM COSTS**

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

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

### Contact information for the State Auditor's Office

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