

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

City of Ferndale
Whatcom County

Audit Period
January 1, 2004 through December 31, 2004

Report No. 69401

Issued **September 16, 2005**
Reissued **October 5, 2005**



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

October 5, 2005

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.

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Whatcom County
January 1, 2004 through December 31, 2004**

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Federal Summary

**City of Ferndale
Whatcom County
January 1, 2004 through December 31, 2004**

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.

- An unqualified opinion was issued on the City's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the City.
- We issued an unqualified opinion on the City's compliance with requirements applicable to its major federal program.
- We reported no findings, which are required to be disclosed under OMB Circular A-133.
- We noted in our Independent Auditor's Report on Financial Statements that the Schedule of Expenditures of Federal Awards was fairly presented.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.
- The City did not qualify as a low-risk auditee under OMB Circular A-133.
- 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

Schedule of Prior Federal Audit Findings

City of Ferndale Whatcom County January 1, 2004 through December 31, 2004

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the City of Ferndale. The State Auditor's Office has reviewed the status as presented by the City.

Audit Period: January 1, 2003 through December 31, 2003	Report Reference Number: 67209	Finding Reference Number: 1	CFDA Number(s): 20.205
Federal Program Name and Granting Agency: Main Street/Bridge Project		Pass-Through Agency Name: Department of Transportation	
Finding Caption: The City did not establish internal controls to ensure compliance with federal requirements and requested federal funds for ineligible activities.			
<p>Background: The City received \$1,019,049 in federal funding (CFDA 20.205) through the State Department of Transportation for its Main Street/Bridge Improvement project. As the final recipient of these funds, the City was responsible for ensuring that federal and state laws and regulations pertaining to the project were followed. The City contracted with an engineering firm for services and relied on the firm for much of the management and oversight of the project.</p> <p>During our review, we noted the City did not establish internal controls over compliance with the federal Davis-Bacon Act (payment of prevailing wages). The Act requires that the City have a process in place to ensure weekly certified payrolls are submitted by each contractor and subcontractor. Certified payrolls were collected and reviewed by the engineering firm. However, the City did not take steps to make certain these were being obtained.</p> <p>We reviewed the costs charged to this program and noted the City was reimbursed for \$12,258 in construction engineering costs incurred before the construction engineering contract was signed. The City was required to have Department authorization for the contract. Costs incurred before the contract was executed were specifically identified as ineligible for reimbursement by the Department in the letter authorizing the contract.</p>			
<p>Status of Corrective Action: (check one) 1 <input checked="" type="checkbox"/> Fully corrected. 2 <input type="checkbox"/> Partially Corrected. 3 <input type="checkbox"/> No corrective action taken. 4 <input type="checkbox"/> Finding is considered no longer valid.</p>			
<p>Corrective Action Taken:</p> <ol style="list-style-type: none"> 1. For the Davis-Bacon issue, the City has taken additional steps to confirm that our contracted project management firm has taken sufficient steps to ensure federal compliance with the Davis-Bacon Act. This includes the City retaining copies of all certified payrolls. The City also contracts with Whatcom County Public Works for "Certification Acceptance" services to ensure that federal and state rules are followed. 2. For the issue regarding the City being reimbursed for costs incurred before the construction contract was signed, the City will take steps to ensure that all future eligible costs are incurred subsequent to approval from the regulating agencies. This will include reviewing with the City Treasurer the first month's vendor invoices on new projects to ensure compliance. Also, the City has contacted the WSDOT to determine an appropriate method to resolve the \$12,258 questioned costs. The City has proposed to the WSDOT that \$4,723 be reimbursed as ineligible costs. The WSDOT's final approval is still pending. 			

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

**City of Ferndale
Whatcom County
January 1, 2004 through December 31, 2004**

Mayor and City Council
City of Ferndale
Ferndale, Washington

We have audited the financial statements of the City of Ferndale, Whatcom County, Washington, as of and for the year ended December 31, 2004, and have issued our report thereon dated August 30, 2005.

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

COMPLIANCE

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Mayor and City Council, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is

not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 30, 2005

Independent Auditor's Report on Compliance with Requirements Applicable to its Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Ferndale
Whatcom County
January 1, 2004 through December 31, 2004**

Mayor and City Council
City of Ferndale
Ferndale, Washington

COMPLIANCE

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 are applicable to its major federal program for the year ended December 31, 2004. The City's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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BRIAN SONNTAG, CGFM
STATE AUDITOR

August 30, 2005

Independent Auditor's Report on Financial Statements

City of Ferndale Whatcom County January 1, 2004 through December 31, 2004

Mayor and City Council
City of Ferndale
Ferndale, Washington

We have audited the accompanying financial statements of the City of Ferndale, Whatcom County, Washington, for the year ended December 31, 2004. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Ferndale, for the year ended December 31, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 Long-Term Debt is presented for purposes of additional analysis as required by the prescribed BARS manual. The accompanying Schedule of State and Local Financial Assistance is presented for purposes of additional analysis. These schedules are not a required part of the financial statements. Such information has

been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and the last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 30, 2005

Financial Section

**City of Ferndale
Whatcom County
January 1, 2004 through December 31, 2004**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2004
Notes to Financial Statements – 2004

SUPPLEMENTAL INFORMATION

Schedule of Long-Term Debt – 2004
Schedule of Expenditures of Federal Awards and Notes – 2004
Schedule of State and Local Financial Assistance and Notes – 2004

CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name		Fund Number and Name	
		001 Current Expense		006 Engineering Support	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$269,079	\$269,079	\$87	\$87
Revenues and Other Sources					
310	Taxes	2,571,121	2,679,839	0	0
320	Licenses and Permits	411,300	417,117	0	0
330	Intergovernmental	142,716	135,131	0	0
340	Charges for Goods and Services	569,484	728,183	30,000	2,341
350	Fines and Forfeits	108,200	99,635	0	0
360	Miscellaneous	4,000	13,089	0	102
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	43,106	57,095	41,000	41,000
Total Revenues and Other Sources		3,849,927	4,130,089	71,000	43,443
Total Resources		4,119,006	4,399,168	71,087	43,530
Operating Expenditures:					
510	General Government	989,759	1,022,230		
520	Public Safety	2,385,305	2,332,623		
530	Physical Environment	31,440	34,945	64,025	22,507
540	Transportation	0	0		
550	Economic Environment	353,177	298,693		
560	Mental and Physical Health	1,300	1,953		
570	Culture and Recreation				
Total Operating Expenditures		3,760,981	3,690,444	64,025	22,507
591-593	Debt Service	0	0	0	
594-595	Capital Outlay	1,750	20,405	0	0
Total Expenditures		3,762,731	3,710,849	64,025	22,507
597-599	Other Financing Uses	180,983	180,983		
Total Expenditures and Other Uses		3,943,714	3,891,832	64,025	22,507
Excess (Deficit) of Resources Over Uses		175,292	507,336	7,062	21,023
380	Nonrevenues (Except 384 and 388.80)	0	12,039	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	1,171	0	0
Ending Net Cash and Investments		\$175,292	\$518,204	\$7,062	\$21,023

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 101 Street		Fund Number and Name 103 Paths and Trails	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$28,244	\$28,244	\$5,472	\$5,472
Revenues and Other Sources					
310	Taxes	260,600	260,600		
320	Licenses and Permits				
330	Intergovernmental	209,772	188,537	1,925	
340	Charges for Goods and Services	5,000	6,697		
350	Fines and Forfeits				
360	Miscellaneous	100,750	100,195		26
370	Capital Contributions				
390	Other Financing Sources	185,983	185,983		
Total Revenues and Other Sources		762,105	742,012	1,925	26
Total Resources		790,349	770,256	7,397	5,498
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation	528,126	511,658		
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		528,126	511,658	0	0
591-593	Debt Service				
594-595	Capital Outlay	25,000	2,465		
Total Expenditures		553,126	514,123	0	0
597-599	Other Financing Uses	225,200	225,200		
Total Expenditures and Other Uses		778,326	739,323	0	0
Excess (Deficit) of Resources Over Uses		12,023	30,933	7,397	5,498
380	Nonrevenues (Except 384 and 388.80)		0	0	0
580	Nonexpenditures (Except 584 and 588.80)		0	0	0
Ending Net Cash and Investments		\$12,023	\$30,933	\$7,397	\$5,498

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 150 Parks		Fund Number and Name 198 Transient Lodging Tax	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$62,995	\$62,995	\$18,083	\$18,083
Revenues and Other Sources					
310	Taxes	121,235	75,000	40,000	51,070
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	1,000	2,577		102
370	Capital Contributions				
390	Other Financing Sources	4,500	3,500		
Total Revenues and Other Sources		126,735	81,077	40,000	51,172
Total Resources		189,730	144,072	58,083	69,255
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation	123,288	101,889	31,000	31,000
Total Operating Expenditures		123,288	101,889	31,000	31,000
591-593	Debt Service				
594-595	Capital Outlay	29,200	30,593		
Total Expenditures		152,488	132,482	31,000	31,000
597-599	Other Financing Uses				
Total Expenditures and Other Uses		152,488	132,482	31,000	31,000
Excess (Deficit) of Resources Over Uses		37,242	11,590	27,083	38,255
380	Nonrevenues (Except 384 and 388.80)		100		0
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		\$37,242	\$11,690	\$27,083	\$38,255

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 203 69/74 Bond Redemption		Fund Number and Name 205 69/74 Bond Reserve	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$196,414	\$196,414	\$588,934	\$588,934
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	303,030	373,719	7,500	8,054
370	Capital Contributions				
390	Other Financing Sources	530,000	530,000		
Total Revenues and Other Sources		833,030	903,719	7,500	8,054
Total Resources		1,029,444	1,100,133	596,434	596,988
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	0	0
591-593	Debt Service	737,540	731,987		
594-595	Capital Outlay				
Total Expenditures		737,540	731,987	0	0
597-599	Other Financing Uses				
Total Expenditures and Other Uses		737,540	731,987	0	0
Excess (Deficit) of Resources Over Uses		291,904	368,146	596,434	596,988
380	Nonrevenues (Except 384 and 388.80)		0		0
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		\$291,904	\$368,146	\$596,434	\$596,988

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 211 '93 LTGO Bonds		Fund Number and Name 212 1998 Refunding (Library)	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$5,291	\$5,291	\$544	\$544
Revenues and Other Sources					
310	Taxes			123,930	125,845
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	100	28		605
370	Capital Contributions				
390	Other Financing Sources	210,398	210,398		
Total Revenues and Other Sources		210,498	210,426	123,930	126,450
Total Resources		215,789	215,717	124,474	126,994
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	0	0
591-593	Debt Service	210,398	210,397	123,930	123,930
594-595	Capital Outlay				
Total Expenditures		210,398	210,397	123,930	123,930
597-599	Other Financing Uses				
Total Expenditures and Other Uses		210,398	210,397	123,930	123,930
Excess (Deficit) of Resources Over Uses		5,391	5,320	544	3,064
380	Nonrevenues (Except 384 and 388.80)		0		0
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		\$5,391	\$5,320	\$544	\$3,064

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 213 1998 City Hall LTGO		Fund Number and Name 245 WWTP Loan Service	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$1,297	\$1,297	\$95,723	\$95,723
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous			50	516
370	Capital Contributions				
390	Other Financing Sources	63,920	64,040	425,552	425,552
Total Revenues and Other Sources		63,920	64,040	425,602	426,068
Total Resources		65,217	65,337	521,325	521,791
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	0	0
591-593	Debt Service	63,920	63,920	330,479	330,478
594-595	Capital Outlay				
Total Expenditures		63,920	63,920	330,479	330,478
597-599	Other Financing Uses				
Total Expenditures and Other Uses		63,920	63,920	330,479	330,478
Excess (Deficit) of Resources Over Uses		1,297	1,417	190,846	191,313
380	Nonrevenues (Except 384 and 388.80)		0		0
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		\$1,297	\$1,417	\$190,846	\$191,313

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 302 Shop Construction		Fund Number and Name 320 Park Mitigation	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$193,900	\$193,900	\$40,154	\$40,154
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services			35,000	110,364
350	Fines and Forfeits				
360	Miscellaneous	100	1,487	100	548
370	Capital Contributions				
390	Other Financing Sources				
Total Revenues and Other Sources		100	1,487	35,100	110,912
Total Resources		194,000	195,387	75,254	151,066
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	0	0
591-593	Debt Service				
594-595	Capital Outlay	30,000	28,850		
Total Expenditures		30,000	28,850	0	0
597-599	Other Financing Uses	100,000	0	33,000	33,000
Total Expenditures and Other Uses		130,000	28,850	33,000	33,000
Excess (Deficit) of Resources Over Uses		64,000	166,537	42,254	118,066
380	Nonrevenues (Except 384 and 388.80)		0	0	0
580	Nonexpenditures (Except 584 and 588.80)		0	0	0
Ending Net Cash and Investments		\$64,000	\$166,537	\$42,254	\$118,066

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 325 Bergsma Park Improvement		Fund Number and Name 330 Traffic Mitigation	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		(\$13,825)	(\$13,825)	\$57,370	\$57,370
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental	861,000	377,082		
340	Charges for Goods and Services			290,000	624,637
350	Fines and Forfeits				
360	Miscellaneous	100		500	1,094
370	Capital Contributions				
390	Other Financing Sources	435,900	335,900		
Total Revenues and Other Sources		1,297,000	712,982	290,500	625,731
Total Resources		1,283,175	699,157	347,870	683,101
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment	0	0		
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	0	0
591-593	Debt Service	223,159	3,630		
594-595	Capital Outlay	1,197,000	579,076		
Total Expenditures		1,420,159	582,706	0	0
597-599	Other Financing Uses	0	0	365,239	365,239
Total Expenditures and Other Uses		1,420,159	582,706	365,239	365,239
Excess (Deficit) of Resources Over Uses		(136,984)	116,451	(17,369)	317,862
380	Nonrevenues (Except 384 and 388.80)	222,040	222,040		0
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		\$85,056	\$338,491	(\$17,369)	\$317,862

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 335 Utility Reserve		Fund Number and Name 337 Solid Waste	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$182,965	\$182,965	\$39,814	\$39,814
Revenues and Other Sources					
310	Taxes			105,000	99,460
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	1,789	1,888		1,142
370	Capital Contributions				
390	Other Financing Sources	100,000			
Total Revenues and Other Sources		101,789	1,888	105,000	100,602
Total Resources		284,754	184,853	144,814	140,416
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	0	0
591-593	Debt Service				
594-595	Capital Outlay	35,000	33,324		
Total Expenditures		35,000	33,324	0	0
597-599	Other Financing Uses				
Total Expenditures and Other Uses		35,000	33,324	0	0
Excess (Deficit) of Resources Over Uses		249,754	151,529	144,814	140,416
380	Nonrevenues (Except 384 and 388.80)		0		0
580	Nonexpenditures (Except 584 and 588.80)	100,000	100,000		0
Ending Net Cash and Investments		\$149,754	\$51,529	\$144,814	\$140,416

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 345 Main St./Bridge Construction		Fund Number and Name 350 Rural/Sunset Construction	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		(\$525,273)	(\$525,273)	(\$4,525)	(\$4,525)
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits		16,140		
330	Intergovernmental	3,004,749	3,080,259	2,276,340	2,086,481
340	Charges for Goods and Services			576,909	17,000
350	Fines and Forfeits				
360	Miscellaneous	27,978	28,533		1,673
370	Capital Contributions				
390	Other Financing Sources	774,201	774,201	135,435	135,435
Total Revenues and Other Sources		3,806,928	3,899,133	2,988,684	2,240,589
Total Resources		3,281,655	3,373,860	2,984,159	2,236,064
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	0	0
591-593	Debt Service	1,302,885	26,989		
594-595	Capital Outlay	2,808,797	3,131,641	2,983,249	1,981,849
Total Expenditures		4,111,682	3,158,630	2,983,249	1,981,849
597-599	Other Financing Uses				
Total Expenditures and Other Uses		4,111,682	3,158,630	2,983,249	1,981,849
Excess (Deficit) of Resources Over Uses		(830,027)	215,230	910	254,215
380	Nonrevenues (Except 384 and 388.80)	373,934	373,934		0
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		(\$456,093)	\$589,164	\$910	\$254,215

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 355 Douglas Road Construction		Fund Number and Name 370 Thornton Road Construction	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		(\$1,287)	(\$1,287)	\$60	\$60
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous				
370	Capital Contributions				
390	Other Financing Sources	18,000	18,000	33,000	33,000
Total Revenues and Other Sources		18,000	18,000	33,000	33,000
Total Resources		16,713	16,713	33,060	33,060
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	0	0
591-593	Debt Service				
594-595	Capital Outlay	16,000	15,570	33,000	32,179
Total Expenditures		16,000	15,570	33,000	32,179
597-599	Other Financing Uses				
Total Expenditures and Other Uses		16,000	15,570	33,000	32,179
Excess (Deficit) of Resources Over Uses		713	1,143	60	881
380	Nonrevenues (Except 384 and 388.80)		0		0
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		\$713	\$1,143	\$60	\$881

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 375 Public Safety Bldg. Construction		Fund Number and Name 380 Malloy Ave. Construction	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$92,394	\$92,394	(\$9,215)	(\$9,215)
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental			2,000,000	
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous		1,249		77
370	Capital Contributions				
390	Other Financing Sources			200,000	200,000
Total Revenues and Other Sources		0	1,249	2,200,000	200,077
Total Resources		92,394	93,643	2,190,785	190,862
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	0	0
591-593	Debt Service			3,041	34
594-595	Capital Outlay	89,095	0	2,200,000	150,660
Total Expenditures		89,095	0	2,203,041	150,694
597-599	Other Financing Uses				
Total Expenditures and Other Uses		89,095	0	2,203,041	150,694
Excess (Deficit) of Resources Over Uses		3,299	93,643	(12,256)	40,168
380	Nonrevenues (Except 384 and 388.80)		0	3,018	3,018
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		\$3,299	\$93,643	(\$9,238)	\$43,186

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 385 Real Estate Excise Tax		Fund Number and Name 401 Water	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$689,624	\$689,624	\$493,763	\$493,763
Revenues and Other Sources					(Restated)
310	Taxes	400,000	410,106		
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services			1,410,687	1,624,902
350	Fines and Forfeits				
360	Miscellaneous	2,000	709	2,016	6,248
370	Capital Contributions				
390	Other Financing Sources				
Total Revenues and Other Sources		402,000	410,815	1,412,703	1,631,150
Total Resources		1,091,624	1,100,439	1,906,466	2,124,913
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment			965,885	942,749
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	965,885	942,749
591-593	Debt Service	8,690	8,690		
594-595	Capital Outlay			50,000	20,729
Total Expenditures		8,690	8,690	1,015,885	963,478
597-599	Other Financing Uses	953,138	953,137	421,398	421,398
Total Expenditures and Other Uses		961,828	961,827	1,437,283	1,384,876
Excess (Deficit) of Resources Over Uses		129,796	138,612	469,183	740,037
380	Nonrevenues (Except 384 and 388.80)		0	97,233	28,463
580	Nonexpenditures (Except 584 and 588.80)		0	96,604	96,604
Ending Net Cash and Investments		\$129,796	\$138,612	\$469,812	\$671,896

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 402 Sewer		Fund Number and Name 405 Sludge Removal Reserve	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$314,631	\$314,631	\$4,537	\$4,537
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services	1,594,500	1,822,553		
350	Fines and Forfeits				
360	Miscellaneous	2,000	4,596		164
370	Capital Contributions				
390	Other Financing Sources			125,000	125,000
Total Revenues and Other Sources		1,596,500	1,827,149	125,000	125,164
Total Resources		1,911,131	2,141,780	129,537	129,701
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment	710,088	702,410	128,000	100,443
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		710,088	702,410	128,000	100,443
591-593	Debt Service				
594-595	Capital Outlay	25,000	20,729		
Total Expenditures		735,088	723,139	128,000	100,443
597-599	Other Financing Uses	891,552	891,552		
Total Expenditures and Other Uses		1,626,640	1,614,691	128,000	100,443
Excess (Deficit) of Resources Over Uses		284,491	527,089	1,537	29,258
380	Nonrevenues (Except 384 and 388.80)		0		0
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		\$284,491	\$527,089	\$1,537	\$29,258

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 407 Storm and Flood Control		Fund Number and Name 510 Computer Repair & Replacement	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$1,986	\$1,986	\$9,485	\$9,485
Revenues and Other Sources					
310	Taxes	93,307	48,307		
320	Licenses and Permits				
330	Intergovernmental	135,000			
340	Charges for Goods and Services	39,000	103,452		
350	Fines and Forfeits				
360	Miscellaneous	100	93		
370	Capital Contributions				
390	Other Financing Sources	100,000	150,000	58,570	58,588
Total Revenues and Other Sources		367,407	301,852	58,570	58,588
Total Resources		369,393	303,838	68,055	68,073
Operating Expenditures:					
510	General Government			31,500	37,478
520	Public Safety				
530	Physical Environment	111,353	116,565		
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		111,353	116,565	31,500	37,478
591-593	Debt Service	21,430	2,152		
594-595	Capital Outlay	167,217	167,581	36,500	30,185
Total Expenditures		300,000	286,298	68,000	67,663
597-599	Other Financing Uses	8,000	8,000		
Total Expenditures and Other Uses		308,000	294,298	68,000	67,663
Excess (Deficit) of Resources Over Uses		61,393	9,540	55	410
380	Nonrevenues (Except 384 and 388.80)	19,779	19,779		0
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		\$81,172	\$29,319	\$55	\$410

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 550 Equipment Repair & Replace.		Fund Number and Name 610 Benefit Trust	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$490,956	\$490,956	\$6,000	\$6,000
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	7,762	10,880		31
370	Capital Contributions				
390	Other Financing Sources	225,191	225,191		
Total Revenues and Other Sources		232,953	236,071	0	31
Total Resources		723,909	727,027	6,000	6,031
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation	181,595	166,688		
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		181,595	166,688	0	0
591-593	Debt Service				
594-595	Capital Outlay	100,405	99,391		
Total Expenditures		282,000	266,079	0	0
597-599	Other Financing Uses				
Total Expenditures and Other Uses		282,000	266,079	0	0
Excess (Deficit) of Resources Over Uses		441,909	460,948	6,000	6,031
380	Nonrevenues (Except 384 and 388.80)	350,000	0		0
580	Nonexpenditures (Except 584 and 588.80)	350,000	350,000		0
Ending Net Cash and Investments		\$441,909	\$110,948	\$6,000	\$6,031

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**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 630 L.I.D. Guarantee		Fund Number and Name 650 Court Agency	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$77,730	\$77,730	\$0	\$0
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental			0	0
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	500	1,050		
370	Capital Contributions				
390	Other Financing Sources				
Total Revenues and Other Sources		500	1,050	0	0
Total Resources		78,230	78,780	0	0
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	0	0
591-593	Debt Service				
594-595	Capital Outlay				
Total Expenditures		0	0	0	0
597-599	Other Financing Uses				
Total Expenditures and Other Uses		0	0	0	0
Excess (Deficit) of Resources Over Uses		78,230	78,780	0	0
380	Nonrevenues (Except 384 and 388.80)		0	95,000	83,244
580	Nonexpenditures (Except 584 and 588.80)		0	95,000	83,244
Ending Net Cash and Investments		\$78,230	\$78,780	\$0	\$0

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 672 Criminal Justice		Fund Number and Name 675 Local Criminal Justice	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$50,686	\$50,686	\$79,638	\$79,638
Revenues and Other Sources					
310	Taxes			109,000	127,727
320	Licenses and Permits				
330	Intergovernmental	26,326	17,587		
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous		669	500	1,344
370	Capital Contributions				
390	Other Financing Sources				
Total Revenues and Other Sources		26,326	18,256	109,500	129,071
Total Resources		77,012	68,942	189,138	208,709
Operating Expenditures:					
510	General Government				
520	Public Safety	5,700	4,327		
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		5,700	4,327	0	0
591-593	Debt Service				
594-595	Capital Outlay	31,075	8,811		
Total Expenditures		36,775	13,138	0	0
597-599	Other Financing Uses			35,000	35,000
Total Expenditures and Other Uses		36,775	13,138	35,000	35,000
Excess (Deficit) of Resources Over Uses		40,237	55,804	154,138	173,709
380	Nonrevenues (Except 384 and 388.80)		0		0
580	Nonexpenditures (Except 584 and 588.80)		0		0
Ending Net Cash and Investments		\$40,237	\$55,804	\$154,138	\$173,709

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2004

BARS CODE		Fund Number and Name 676 Engineering Clearing		Fund Number and Name	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$30,000	\$34,953		
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services	125,000	267,250		
350	Fines and Forfeits				
360	Miscellaneous				
370	Capital Contributions				
390	Other Financing Sources				
Total Revenues and Other Sources		125,000	267,250		
Total Resources		155,000	302,203		
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment	115,000	135,766		
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		115,000	135,766		
591-593	Debt Service				
594-595	Capital Outlay				
Total Expenditures		115,000	135,766		
597-599	Other Financing Uses				
Total Expenditures and Other Uses		115,000	135,766		
Excess (Deficit) of Resources Over Uses		40,000	166,437		
380	Nonrevenues (Except 384 and 388.80)		0		
580	Nonexpenditures (Except 584 and 588.80)		0		
Ending Net Cash and Investments		\$40,000	\$166,437		

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2003

Fund Type:	Fund Number and Name 006 ENGINEERING SUPT.			
	Budget	Actual		
Beginning Net Cash and Investments	\$2,000	\$5,103		
Revenue and Other Financing Sources	15,000	2,025		
Total Resources	17,000	7,128		
Expenditures And Other Financing Uses	14,227	7,041		
Excess (Deficit) of Resources Over Uses	2,773	87		
Nonrevenues (Except 384 and 388.80)	0	0		
Nonexpenditures (Except 584 and 588.80)	0	0		
Ending Net Cash and Investments	\$2,773	\$87		

Fund Type: SPECIAL REVENUE	Fund Number and Name 103 PATHS/TRAILS		Fund Number and Name 198 TRANSIENT LODGING	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$3,612	\$3,612	\$552	\$7,071
Revenue and Other Financing Sources	1,860	1,860	28,000	28,012
Total Resources	5,472	5,472	28,552	35,083
Expenditures And Other Financing Uses	5,000	0	20,500	17,000
Excess (Deficit) of Resources Over Uses	472	5,472	8,052	18,083
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$472	\$5,472	\$8,052	\$18,083

Fund Type: DEBT SERVICE	Fund Number and Name 203 69/74 BOND REDEMP.		Fund Number and Name 205 69/74 BOND RESERVE	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$120,015	\$114,688	\$582,248	\$581,953
Revenue and Other Financing Sources	783,286	872,041	8,000	6,981
Total Resources	903,301	986,729	590,248	588,934
Expenditures And Other Financing Uses	793,125	790,315	0	0
Excess (Deficit) of Resources Over Uses	110,176	196,414	590,248	588,934
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$110,176	\$196,414	\$590,248	\$588,934

Fund Type: DEBT SERVICE	Fund Number and Name 211 1993 LTGO BONDS		Fund Number and Name 212 1998 UTGO REFUND.	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$6,227	\$6,366	\$944	\$910
Revenue and Other Financing Sources	113,728	113,590	127,588	128,224
Total Resources	119,955	119,956	128,532	129,134
Expenditures And Other Financing Uses	114,478	114,665	128,488	128,590
Excess (Deficit) of Resources Over Uses	5,477	5,291	44	544
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$5,477	\$5,291	\$44	\$544

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2003

Fund Type: DEBT SERVICE	Fund Number and Name 213 1998 LTGO FUND (CITY HALL)		Fund Number and Name 245 WWTP LOAN SERVICE	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$0	\$0	\$7,136	\$30,683
Revenue and Other Financing Sources	68,700	67,160	399,635	397,171
Total Resources	68,700	67,160	406,771	427,854
Expenditures And Other Financing Uses	65,560	65,863	406,435	332,131
Excess (Deficit) of Resources Over Uses	3,140	1,297	336	95,723
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$3,140	\$1,297	\$336	\$95,723

Fund Type: CAPITAL PROJECTS	Fund Number and Name 320 PARK MITIGATION		Fund Number and Name 335 UTILITIES CAP. RES.	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$23,155	\$24,005	\$285,066	\$284,646
Revenue and Other Financing Sources	26,000	43,235	43,000	3,319
Total Resources	49,155	67,240	328,066	287,965
Expenditures And Other Financing Uses	28,000	27,086	105,000	105,000
Excess (Deficit) of Resources Over Uses	21,155	40,154	223,066	182,965
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$21,155	\$40,154	\$223,066	\$182,965

Fund Type: CAPITAL PROJECTS	Fund Number and Name 337 SOLID WASTE TAX		Fund Number and Name 350 RURAL SUNSET CONSTR.	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$0	\$0	\$0	\$635
Revenue and Other Financing Sources	0	39,814	2,570,100	226,051
Total Resources	0	39,814	2,570,100	226,686
Expenditures And Other Financing Uses	0	0	2,570,100	231,211
Excess (Deficit) of Resources Over Uses	0	39,814	0	(4,525)
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$0	\$39,814	\$0	(\$4,525)

Fund Type: CAPITAL PROJECTS	Fund Number and Name 355 DOUGLAS ROAD CONSTR.		Fund Number and Name 370 THORNTON RD. CONSTR.	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$0	\$69	\$0	\$72
Revenue and Other Financing Sources	0	47,484	0	53,068
Total Resources	0	47,553	0	53,140
Expenditures And Other Financing Uses	0	48,840	0	53,080
Excess (Deficit) of Resources Over Uses	0	(1,287)	0	60
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$0	(\$1,287)	\$0	\$60

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2003

Fund Type: CAPITAL PROJECTS	Fund Number and Name 375 PUBLIC SAFETY BLDG. CONSTR.		Fund Number and Name 380 MALLOY AVE. CONSTR.	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$90,600	\$92,814	\$0	\$0
Revenue and Other Financing Sources	584,400	1,086	0	182,573
Total Resources	675,000	93,900	0	182,573
Expenditures And Other Financing Uses	675,000	1,506	0	191,788
Excess (Deficit) of Resources Over Uses	0	92,394	0	(9,215)
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$0	\$92,394	\$0	(\$9,215)

Fund Type: CAPITAL PROJECTS	Fund Number and Name 385 REAL ESTATE EXCISE TAX			
	Budget	Actual		
Beginning Net Cash and Investments	\$974,755	\$985,689		
Revenue and Other Financing Sources	211,000	337,868		
Total Resources	1,185,755	1,323,557		
Expenditures And Other Financing Uses	945,936	633,933		
Excess (Deficit) of Resources Over Uses	239,819	689,624		
Nonrevenues (Except 384 and 388.80)	0	0		
Nonexpenditures (Except 584 and 588.80)	0	0		
Ending Net Cash and Investments	\$239,819	\$689,624		

Fund Type: ENTERPRISE	Fund Number and Name 405 SLUDGE REMOVAL		Fund Number and Name 407 STORM & FLOOD CONTROL	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$5,053	\$14,207	\$90,603	\$1,632
Revenue and Other Financing Sources	120,000	75,114	51,500	119,314
Total Resources	125,053	89,321	142,103	120,946
Expenditures And Other Financing Uses	90,000	84,784	126,801	118,960
Excess (Deficit) of Resources Over Uses	35,053	4,537	15,302	1,986
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$35,053	\$4,537	\$15,302	\$1,986

Fund Type: FIDUCIARY	Fund Number and Name 610 BENEFIT TRUST		Fund Number and Name 630 LID GUARANTEE	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$7,000	\$6,000	\$78,303	\$76,820
Revenue and Other Financing Sources	1,000	0	2,400	910
Total Resources	8,000	6,000	80,703	77,730
Expenditures And Other Financing Uses	0	0	0	0
Excess (Deficit) of Resources Over Uses	8,000	6,000	80,703	77,730
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$8,000	\$6,000	\$80,703	\$77,730

**CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

Rev. 8/29/05

For the Year Ended December 31, 2003

Fund Type: FIDUCIARY	Fund Number and Name 650 COURT AGENCY		Fund Number and Name 672 CRIMINAL JUSTICE	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$0	\$0	\$22,261	\$27,302
Revenue and Other Financing Sources	0	98,333	1,607	23,983
Total Resources	0	98,333	23,868	51,285
Expenditures And Other Financing Uses	0	98,333	5,344	599
Excess (Deficit) of Resources Over Uses	0	0	18,524	50,686
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$0	\$0	\$18,524	\$50,686

Fund Type: FIDUCIARY	Fund Number and Name 675 LOCAL CRIMINAL JUSTICE			
	Budget	Actual		
Beginning Net Cash and Investments	\$156,543	\$157,034		
Revenue and Other Financing Sources	101,500	119,715		
Total Resources	258,043	276,749		
Expenditures And Other Financing Uses	200,000	197,111		
Excess (Deficit) of Resources Over Uses	58,043	79,638		
Nonrevenues (Except 384 and 388.80)	0	0		
Nonexpenditures (Except 584 and 588.80)	0	0		
Ending Net Cash and Investments	\$58,043	\$79,638		

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF FERNDALE, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004**

THE FOLLOWING NOTES ARE AN INTEGRAL PART OF THE ACCOMPANYING FINANCIAL STATEMENTS.

NOTE-1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ferndale was incorporated in 1907 and operates under the laws of the State of Washington applicable to a Non-Charter Code City. The accounting policies of the City of Ferndale conform to the Budgeting, Accounting and Reporting System (BARS) prescribed by the State Auditor. The following is a summary of the more significant policies, including identification of those policies which result in material departures from generally accepted accounting principals:

A. Reporting Entity

The City of Ferndale is a general purpose form of government and provides public safety, street improvements, parks and recreation, health and social services, and general administrative services. The City of Ferndale contracts with Whatcom County Fire Protection District #7 for fire protection and with the Whatcom County Library System (to which it is also annexed) for library services. In addition, the City owns and operates a potable water supply system and sanitary sewer system. The City contracts with Sanitary Service of Bellingham for garbage collection and disposal.

B. Basis Of Presentation--Fund Accounting

The accounts of the City of Ferndale are organized on the basis of funds, each of which is considered a separate accounting entity. The City of Ferndale uses governmental and fiduciary funds and accounts for its long-term bonded debt separately. Each governmental fund and fiduciary fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The following are the fund types used by the City of Ferndale:

GOVERNMENTAL FUND TYPES:

Current Expense Fund (Fund number 001)

This fund is used to account for all financial resources and transactions of the City of Ferndale not required to be accounted for in another fund.

Special Revenue Fund (Funds in the 100 series)

These funds are used to account for the process of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Debt Service Funds (Funds in the 200 series)

These funds are used to account for accumulation of resources to pay interest and principal on general long-term debt.

Capital Projects Funds (Funds in the 300 series)

These funds are used to account for financial resources to be used for the acquisition of capital facilities other than those financed by special assessment funds.

Enterprise Funds (Funds in the 400 series)

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

Internal Service Funds (Funds in the 500 series)

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

FIDUCIARY FUND TYPES:

Trust and Agency Funds

These funds are used to account for cash and other assets received and held by the City of Ferndale acting in the capacity of trustee or custodian.

General Long-Term Debt

The City of Ferndale accounts for its long-term debt in a bond register and the results are reported in a long-term debt schedule.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Accounting records for the City of Ferndale are maintained in accordance with methods prescribed by the State Auditor under the authority of Washington State

law, Chapter 43.09 RCW. The City of Ferndale uses the revenue and expenditure classifications contained in the BARS manual prescribed by the State Auditor.

In governmental and fiduciary funds, revenues are recognized only when received in cash and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law. Purchases of fixed assets are expensed during the year acquired, but no general fixed assets account group is established. (This prescribed accounting system also permits the City of Ferndale to account for certain proprietary funds on the modified cash basis of accounting rather than on the full accrual basis, which is a departure from GAAP. For such funds, this results in no capitalization of fixed assets, no allocation of depreciation expense, inventory is expensed when purchased rather than consumed, and long-term debt is not accounted for in the proprietary fund.)

Trust funds use the same basis as governmental funds; which, for nonexpendable trust funds, is a departure from generally accepted accounting principles. Agency funds are custodial in nature, assets equal liabilities, and do not measure results of operations.

D. Budgets and Budgetary Accounting

1. Scope of Budget

Annual appropriated budgets are adopted for all funds. Budgetary accounts are integrated in fund ledgers for all budgeted funds and the financial statements include budgetary comparisons for all funds.

Annual appropriated budgets are adopted at the fund level and budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Annual appropriations lapse for all funds on the last day of the calendar year.

2. Procedures for Adopting the Original Budget

The City of Ferndale's budget procedures are mandated by Chapter 35A.33.RCW. The steps in the budget process are as follows:

a. Prior to November 1, the clerk/treasurer submits a proposed budget to the city council. This budget is based on priorities established by the council and estimates provided by city departments during the preceding months, and balanced with revenue estimates made by the clerk-treasurer.

b. The council conducts public hearings on the proposed budget in November and December.

c. The council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.

d. Within 30 days of adoption, the final budget is available to the public.

3. Amending the Budget

The chief administrative officer is authorized to direct the clerk/treasurer to transfer budgeted amounts between object classes and/or departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours of work beyond those established for the position, exclusive of normal overtime, or other conditions of employment must be approved by the city council.

When the city council determines that it is in the best interest of the city to increase or decrease the appropriations for a particular fund, it may do so by ordinance approved by a simple majority following a public hearing.

The budget amounts shown in the financial statements are the final authorized amounts revised during the year.

E. Cash and Equivalents

It is the City of Ferndale's policy to invest all temporary cash surpluses in excess of anticipated needs. At December 31, 2004, the treasurer was holding total investments of \$4,974,204, all invested with the Local Government Investment Pool. This amount is included in the total for net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on investments is allocated to the funds contributing the excess cash.

For purposes of cash flows, the City of Ferndale considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The City of Ferndale's deposits at year end were entirely covered by federal depository insurance and the State Public Deposit Protection Commission.

F. Investments

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

Investments by type at December 31, 2004 are as follows:

Local Government Investment Pool (WA State): \$4,974,204

G. Interfund Loans

Interfund loans outstanding as of 12/31/04:

<u>Lending Fund</u>	<u>Borrowing Fund</u>	<u>Amount</u>
Utility Reserve 335	Bergsma Park 325	\$100,000
Water 401	Bergsma Park 325	\$41,819
Water 401	Main St./Bridge 345	\$26,952
Equipment R&R 550	Main St./Bridge 345	\$346,982
Equipment R&R 550	Malloy Ave. Constr. 380	\$3,018
Total		\$518,771

Market-based interest income and expense is recorded monthly. Repayment is scheduled for 2005.

H. Fixed Assets

General Fixed Assets

General Fixed assets are long-lived assets of the City of Ferndale as a whole and are recorded as expenditures when purchased. No general fixed assets account group is established, which is a departure from generally accepted accounting principles.

In 2004, the City acquired a new phone system for City Hall. The capital expenditure total was \$15,370. The City financed the bulk of the phone system with a Washington State LOCAL program loan. The loan amount of \$13,988 was duly recorded as Other Financing Sources. The State paid the \$13,988 directly to the vendor.

I. Compensated Absences

No more than 80 hours of Vacation leave for FLSA non-exempt and union represented employees may be carried forward into the year following its being granted. Unused vacation leave is paid out in full upon termination.

Sick leave may be accumulated up to a maximum of 135 days. No payment is made for unused sick leave upon termination. Employees retiring into the state retirement system will receive 25% of the value of unused sick leave upon retirement.

NOTE-2-STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

NOTE-3-PROPERTY TAXES

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

	<u>PROPERTY TAX CALENDAR</u>
JANUARY 1	TAXES ARE LEVIED AND BECOME A LIEN AGAINST PROPERTIES.
FEBRUARY 14	TAX BILLS ARE MAILED.
APRIL 30	FIRST OF TWO EQUAL INSTALLMENT PAYMENTS IS DUE
OCTOBER 31	SECOND INSTALLMENT IS DUE.

Property tax revenues are recognized when cash is received by the City of Ferndale. Delinquent taxes are considered fully collectible because a lien affixes to the property when taxes are levied. 2004 and prior property taxes receivable at December 31, 2004 was \$75,008.

The City of Ferndale may levy up to \$3.10 per \$1000 of assessed valuation for general governmental services, subject to two limitations:

- a. Washington law in RCW 84.55.010 limits the growth of regular property taxes to 1 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 1 percent due to revaluation, the levy rate will be decreased.
- b. The Washington Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1000 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.

The City of Ferndale's regular levy for 2004 was \$2.30691 per \$1000 on an assessed valuation of \$534,464,462 for a total regular levy of \$1,232,961.

The City of Ferndale also in 2004 levied \$.23568 per \$1000 on an assessed valuation of \$525,844,767 to produce the sum of \$123,931 for the purpose of paying debt service on the 1998 U.T.G.O. Library Refunding Bonds.

NOTE-4-PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the

Department of Retirement Systems, under cost-sharing multiple-employer public employee retirement systems.

a. Public Employee's Retirement System (PERS)

The state legislature established PERS in 1947 under Chapter 41.40 RCW. PERS is a cost-sharing multiple-employer system. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; noncertificated employees of school districts; and employees of local government. Approximately 50 percent of PERS members are state employees.

PERS contains 3 plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2 or 3. Participants in Plan 3 had from September of 2002 until May of 2003 to opt for Plan 3. Retirement benefits are financed from employee and employer contributions and investment earnings. Plans 1 and 2 are defined benefit plans. Plan 3 is a combined defined benefit and defined contribution plan.

Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the final average salary per year of service, capped at 60 percent.

Plan 2 and 3 members may retire at the age of 65 with a minimum of 5 years of service, or at 55 with a minimum of 20 years of service, with an allowance of 2 percent per year of service of the final average salary. Plan 2 and 3 retirements prior to 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3 percent annually. There were no significant benefit changes in 2004.

Each biennium the legislature establishes Plan 1 employer contribution rates and Plan 2 and 3 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by legislative statute and do not vary from year to year. The employer and employee contribution rates for Plan 2 and 3 are developed by the Office of State Actuary to fully fund the system. All employers are required to contribute at the level established by the legislature. The methods used to determine the contribution requirements were established under state statute.

b. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF was established in 1970 by the legislature under Chapter 41.26 RCW. LEOFF is a cost-sharing multiple-employer retirement system. Membership includes all full-time, fully compensated, local law enforcement officers and fire fighters. Retirement

benefits are financed by employee and employer contributions, investment earnings and legislative appropriation. LEOFF is comprised solely of non-state employees.

The LEOFF system contains 2 plans. Participants who joined the system by September 30, 1977, are Plan I members. Those who joined thereafter are enrolled in Plan II. Retirement benefits are vested after completion of 5 years of eligible service.

Plan I participants are eligible to retire with a minimum of 5 years of service at age 50. The benefit per year of service is as follows:

<u>Term of Service</u>	<u>Percent Of Final Average</u>
20+	2.0%
10-20	1.5
5-10	1.0

The final average salary is based on salary received during the last 2 years of service. Substantial disability and death benefits are provided by the plan. Retirement benefits are indexed to the Seattle area consumer price index.

Plan II participants are eligible to retire at the age of 50 with a minimum of 20 years of service or at 58 with a minimum of 5 years of service. Retirement benefits prior to age 58 are actuarially reduced. The benefit is 2 percent of average salary per year of service. The average salary is based on the highest 5 year period. Death and disability benefits are also provided. These benefit provisions are established under the authority of legislative statute. LEOFF had no material changes in benefit provisions for 1998 and 1999.

Employer and employee contribution rates for Plan II are developed by the Office of State Actuary to fully fund the system. Plan II employers and employees are required to pay at the level established by the legislature. The methods used to determine the contribution requirements were established under the authority of legislative statute.

1. Public Employees' Retirement System (PERS)

The City of Ferndale's contribution for all Plans of covered payroll, for the year ending December 31, 2004 of \$22,536 represents its full liability under the system, except that future rates may be adjusted to meet the system needs.

<u>PLAN</u>	<u>EFFECTIVE DATE</u>	<u>EMPLOYER PERCENT</u>	<u>EMPLOYEE PERCENT</u>
PERS 1	1/1/04	1.40%	6.00%
	9/1/04	1.38%	6.00%
PERS 2	1/1/04	1.40%	1.18%
	9/1/04	1.38%	1.18%

2. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

The City of Ferndale's contribution for all Plans of covered payroll, for the year ending December 31, 2004 of \$22,616 represents its full liability under the system, except that future rates may be adjusted to meet the system needs.

<u>PLAN</u>	<u>EFFECTIVE DATE</u>	<u>EMPLOYER PERCENT</u>	<u>EMPLOYEE PERCENT</u>
LEOFF 1	1/1/04	.22%	.00%
	9/1/04	.19%	.00%
LEOFF 2	1/1/04	3.25%	5.05%
	2/1/04	3.26%	5.07%
	9/1/04	3.25%	5.09%

Historical trend information showing each system's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's comprehensive annual financial report. Please refer to said report for detailed trend information.

NOTE-5-CONTINGENCIES AND LITIGATION

The City of Ferndale participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures as disallowed under the terms of the grants. Management believes such disallowances, if any, will be immaterial.

NOTE-6-ACCUMULATED UNPAID EMPLOYEE LEAVE BENEFITS

The City does not record accumulated unused vacation leave in its governmental funds. For all governmental funds, unused vacation leave as of December 31, 2004, was 3,522 hours with a dollar value of \$82,335. Total vacation expenditures during 2004 for all governmental funds was \$122,883.

NOTE-7-LONG TERM DEBT

In July 2003, the City established a \$1,000,000 line of credit with a local bank for the Main Street/Bridge Project (grant anticipation loan). The interest rate is 65% of the prime rate (the prime rate was 5.25% at 12/31/04). The note matures and is payable no later than 18 months from the date of delivery of the note to the city. \$1,000,000 was owed as of December 31, 2004.

The accompanying Schedules of Long-Term Debt (09) provide a listing of the outstanding debt of the City of Ferndale and summarize the City's debt transactions for 2004. Future debt service requirements, including interest are as follows:

Year	G.O./L.T.G.O. Debt	Revenue Debt	Total Debt
<u>2005</u>	\$1,471,670	\$947,560	\$2,419,230
<u>2006</u>	\$476,687	\$967,972	\$1,444,659
<u>2007</u>	\$269,822	\$1,048,019	\$1,317,841
<u>2008</u>	\$152,271	\$1,039,741	\$1,192,012
<u>Thereafter</u>	\$799,267	\$9,518,470	\$10,317,737
<u>Total</u>	\$3,169,717	\$13,521,762	\$16,691,479

NOTE-8-RISK MANAGEMENT

The City of Ferndale is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and

administrative services. Currently, 64 municipalities/entities participate in the pool (as of 12/31/04).

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$300,000 for liability and \$25,000 for property and thereafter purchases excess liability insurance through NLC Mutual Insurance Company, up to \$1 million, and CV Starr, from \$1 million to \$5 million. The first \$50 million in excess property coverage is purchased through Westchester Surplus Lines Insurance Company, with an additional \$200 million purchased from Landmark American Insurance Company using the Pool's broker, Willis of Seattle, Inc. Since the AWC RMSA is a cooperative program, the members of the AWC RMSA are jointly liable.

Members contract to remain in the pool a minimum of one year and must give one-year notice before terminating participation. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement. The Pool is governed by a board of directors serving ex-officio as the AWC Board of Directors.

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

The specific financials of the AWC RMSA can be seen in the Annual Report on file with the City of Ferndale.

NOTE-9-SUBSEQUENT EVENTS

In July 2003, the City established a \$1,000,000 line of credit with a local bank for the Main Street/Bridge Project (grant anticipation loan). The interest rate is 65% of the prime rate (the prime rate was 5.25% at 12/31/04). The note matures and is payable no later than 18 months from the date of delivery of the note to the city. \$1,000,000 was owed as of December 31, 2004. \$1,001,030 was paid on January 11, 2005, including interest.

In June, 2005, the City refunded (refinanced) \$6,660,000 of Water/Sewer Revenue Bonds, keeping the same maturity schedule, with the final bond payment in 2016. The average interest rate of the 2005 bonds was 3.68%, and the interest rate of the refunded bonds was 5.70%.

In June, 2005, the City purchased land for \$350,202 intended for use in conjunction with a future public safety building.

In July, 2005, the City issued Long Term General Obligation bonds for \$317,500 at 4.25% interest with a ten year maturity. The bond proceeds were used to pay off Puget Sound Energy street light loans with an interest rate of 11% and a fifteen year maturity. A local bank purchased the bonds.

G.O. Debt
 Refunded Debt
 Debt of Special Purpose Districts

**CITY OF FERNDALE
 SCHEDULE OF LONG-TERM DEBT**

For The Year Ended December 31, 2004

	(1)	(2)	(3)	(4)
ID. No.	Beginning Outstanding Debt 01/01/2004 (Ending Outstanding Debt Balance from Prior Year)	Amount Issued in Current Year	Amount Redeemed in Current Year	Ending Outstanding Debt 12/31/2004 (1)+(2)-(3)
263.82 PWTf LOAN-STREET	\$41,378	\$0	\$8,276	\$33,102
251.15 '93 LTGO BONDS-REFUND '87	\$575,000	\$0	\$180,000	\$395,000
251.15 '98 LTGO BONDS-CITY HALL	\$525,000	\$0	\$40,000	\$485,000
252.90 '98 REFUNDING REFUND '90 GO BONDS	\$435,000	\$0	\$105,000	\$330,000
263.82 PWTf LOAN-STORM	\$0	\$150,000	\$0	\$150,000
263.91 PUGET SOUND ENERGY LOANS-STREET LIGHTS	\$268,529	\$59,002	\$4,267	\$264,262
263.91 WA STATE LOAN-PHONE SYSTEM	\$0	\$13,988	\$0	\$13,988
263.91 KeyBank Grant Ant. Note	\$1,000,000	\$0	\$0	\$1,000,000
TOTAL	\$2,844,907	\$222,990	\$337,805	\$2,730,092

CITY OF FERNDALE

G.O. Debt
 Revenue Debt
 Assessment Debt
 Refunded Debt
 Debt of Special Purpose Districts

SCHEDULE OF LONG-TERM DEBT
For The Year Ended December 31, 2004

	(1)	(2)	(3)	(4)
ID. No.	Beginning Outstanding Debt 01/01/2004 (Ending Outstanding Debt Balance from Prior Year)	Amount Issued in Current Year	Amount Redeemed in Current Year	Ending Outstanding Debt 12/31/2004 (1)+(2)-(3)
263.82 PWTF LOAN SEWER	4/8/98 \$2,479,580	7/1/18 0	582,_____ 591.70.00.00 599,_____ \$165,305	245 \$2,314,275
263.82 SRF LOAN SEWER	4/6/98 \$1,600,325	8/1/19 0	582,_____ 591.70.00.01 599,_____ \$70,733	245 \$1,529,592
252.11 '95 REV BONDS SEWER	3/15/95 \$1,310,000	4/1/10 0	582,_____ 591.80.72.07 599,_____ \$200,000	203 \$1,110,000
252.11 '96 REV BONDS SEWER	11/1/96 \$5,840,000	11/1/16 0	582,_____ 591.70.72.00 599,_____ \$130,000	203 \$5,710,000
26382 PUD # 1 LOAN WATER	7/13/92 \$80,911	7/12/07 \$4,169	0	245 \$85,080
TOTAL	\$11,310,816	\$4,169	\$566,038	\$10,748,947

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2004

Grantor/Pass Through Grantor/Program Title	CFDA Number	Other Identification Number	Current Year Expenditures
Grantor:Highway Planning and Constr./DOT Pass Through Grantor: WSDOT Program Title: Main Street/Bridge Project	20.205	BHM-8030(002) BRAC	\$2,272,089
Grantor:Highway Planning and Constr./DOT Pass Through Grantor: WSDOT Program Title: Rural Sunset Project	20.205	REV-8041 (001)	\$1,986,481
TOTAL			\$4,258,570

The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.

NOTE 1-BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is prepared on the same basis of accounting as the financial statements. The city uses the cash basis of accounting.

NOTE 2-PROGRAM COSTS

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

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE

For The Year Ended December 31, 2004

Grantor/Program Title	Identification Number	Current Year Expenditures
TRAFFIC EMPHASIS GRANT	334 03 52 00	\$5,612
BULLETPROOF VEST PROGRAM	331 16 6100	\$1,508
WASPC-TRAFFIC SAFETY	334 03 52 02	\$789
WASPC-TASERS	333 16 50 00	\$4,521
DUI EMPHASIS	334 03 50 01	\$2,834
CTED S02-63000-062 PLANNG.	334 04 21 00	\$13,500
CRIMINAL JUSTICE HIGH CRIME	336 06 10 00	\$9,311
CRIMINAL JUSTICE – POP	336 06 21 00	\$1,648
CRIMINAL JUSTICE SPECIAL PR.	336 06 26 00	\$6,628
WASPC-LOCAL BLOCK EQUIP.	334 03 52 03	\$1,553
8-2-985(004)-1 AIP MAIN ST. 345	333 03 80 01	\$808,170
IAC (YAFA) BERGSMA PARK 325	334 02 73 00	\$377,082
PRT OF BELLINGHAM-RURAL 350	367 19 00 00	\$50,000
WHATCOM COUNTY-RURAL 350	367 19 00 01	\$50,000
TOTAL		\$1,333,156

The Accompanying Notes To The Schedule Of State and Local Financial Assistance Are An Integral Part Of This Schedule.

NOTE 1-BASIS OF ACCOUNTING

The schedule of state and local financial assistance is prepared on the same basis of accounting as the financial statements. The city uses the cash basis of accounting.

NOTE 2-PROGRAM COSTS

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