

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

City of Ferndale
Whatcom County

Audit Period
January 1, 2009 through December 31, 2009

Report No. 1004044

Issue Date
August 16, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

August 16, 2010

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,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Table of Contents

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

Federal Summary	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i>	3
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	5
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	9

Federal Summary

City of Ferndale
Whatcom County
January 1, 2009 through December 31, 2009

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 unqualified 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 unqualified 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	ARRA-Highway Planning and Construction (Recovery Act)

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

The City did not qualify as a low-risk auditee under OMB Circular A-133.

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

City of Ferndale
Whatcom County
January 1, 2009 through December 31, 2009

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, 2009, and have issued our report thereon dated June 30, 2010.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of management, 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

June 30, 2010

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, 2009 through December 31, 2009**

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, 2009. 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; 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, 2009.

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 the 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, 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

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

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 a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 30, 2010

Independent Auditor's Report on Financial Statements

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

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, 2009. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our 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, 2009, on the basis of accounting described in Note 1.

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 30, 2010

Financial Section

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

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2009
Notes to Financial Statements – 2009

SUPPLEMENTAL INFORMATION

Schedule of Long-Term Debt – 2009
Schedule of Expenditures of Federal Awards and Notes – 2009

CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		General Fund	
		Budget	Actual
	Beginning Net Cash and Investments	\$1,101,966	\$1,101,966
	Revenues and Other Sources		
310	Taxes	\$5,359,749	\$5,104,583
320	Licenses and Permits	\$535,600	\$474,342
330	Intergovernmental	\$185,400	\$254,074
340	Charges for Goods and Services	\$1,086,559	\$762,938
350	Fines and Forfeits	\$98,150	\$122,220
360	Miscellaneous	\$78,437	\$82,023
370	Capital Contributions	\$0	\$0
390	Other Financing Sources	\$479,892	\$481,806
	Total Revenues and Other Sources	7,823,787	7,281,986
	Total Resources	8,925,753	8,383,952
	Operating Expenditures:		
510	General Government	\$1,421,967	\$1,411,007
520	Public Safety	\$4,132,794	\$4,081,788
530	Physical Environment	\$452,275	\$406,766
540	Transportation	\$0	\$0
550	Economic Environment	\$655,954	\$551,281
560	Mental and Physical Health	\$2,704	\$2,545
570	Culture and Recreation	\$328,029	\$351,092
	Total Operating Expenditures	6,993,723	6,804,479
591-593	Debt Service	\$3,046	\$3,046
594-595	Capital Outlay	\$242,526	\$113,197
	Total Expenditures	7,239,295	6,920,722
597-599	Other Financing Uses	\$1,491,845	\$1,491,845
	Total Expenditures and Other Uses	8,731,140	8,412,567
	Excess (Deficit) of Resources Over Uses	194,613	(28,615)
380	Nonrevenues (Except 384 and 388.80)	\$1,390,000	\$1,395,284
580	Nonexpenditures (Except 584 and 588.80)	\$0	\$676
	Ending Net Cash and Investments	\$1,584,613	\$1,366,743

The Accompanying Notes Are An Integral Part Of This Statement.

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

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 101 Street		Fund Number and Name 102 Park Mitigation	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$107,886	\$107,886	\$83,917	\$83,917
	Revenues and Other Sources				
310	Taxes	450,000	417,504		
320	Licenses and Permits				
330	Intergovernmental	252,350	251,840		
340	Charges for Goods and Services	20,000	7,300	118,450	178,373
350	Fines and Forfeits				
360	Miscellaneous	38	2,507	2,055	392
370	Capital Contributions				
390	Other Financing Sources	480,740	480,740	0	0
	Total Revenues and Other Sources	1,203,128	1,159,891	120,505	178,765
	Total Resources	1,311,014	1,267,777	204,422	262,682
	Operating Expenditures:				
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation	1,018,642	907,072		
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
	Total Operating Expenditures	1,018,642	907,072	0	0
591-593	Debt Service			0	
594-595	Capital Outlay	291,200	169,312		
	Total Expenditures	1,309,842	1,076,384	0	0
597-599	Other Financing Uses	0	0	94,272	94,272
	Total Expenditures and Other Uses	1,309,842	1,076,384	94,272	94,272
	Excess (Deficit) of Resources Over Uses	1,172	191,393	110,150	168,410
380	Nonrevenues (Except 384 and 388.80)	4,000	3,666	0	0
580	Nonexpenditures (Except 584 and 588.80)		0	0	0
	Ending Net Cash and Investments	\$5,172	\$195,059	\$110,150	\$168,410

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 103 Paths and Trails		Fund Number and Name 104 Traffic Mitigation	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments		\$2,115	\$2,115	\$702,097
	Revenues and Other Sources				
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental	0	0		
340	Charges for Goods and Services			473,800	280,427
350	Fines and Forfeits				
360	Miscellaneous	60	14	14,175	7,221
370	Capital Contributions				
390	Other Financing Sources				
	Total Revenues and Other Sources	60	14	5,160	0
	Total Resources	2,175	2,129	493,135	287,648
	Operating Expenditures:			1,195,232	989,745
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	0	0		
	Total Expenditures	0	0	0	0
597-599	Other Financing Uses			953,236	953,213
	Total Expenditures and Other Uses	0	0	953,236	953,213
	Excess (Deficit) of Resources Over Uses	2,175	2,129	241,996	36,532
380	Nonrevenues (Except 384 and 388.80)			80,000	80,000
580	Nonexpenditures (Except 584 and 588.80)			0	0
	Ending Net Cash and Investments	\$2,175	\$2,129	\$321,996	\$116,532

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 105 Real Estate Excise Tax (See 111/112)		Fund Number and Name 106 Criminal Justice	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$292,476	\$292,476	\$52,367	\$52,367
	Revenues and Other Sources				
310	Taxes	0	0		
320	Licenses and Permits				
330	Intergovernmental			216,000	198,255
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	959	326	135	13,974
370	Capital Contributions				
390	Other Financing Sources	0	0	0	0
	Total Revenues and Other Sources	959	326	216,135	212,229
	Total Resources	293,435	292,802	268,502	264,596
	Operating Expenditures:				
510	General Government				
520	Public Safety				2,093
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
	Total Operating Expenditures	0	0	0	2,093
591-593	Debt Service	0	0	0	165
594-595	Capital Outlay	0	0	256,525	212,374
	Total Expenditures	0	0	256,525	214,632
597-599	Other Financing Uses	293,435	292,802		
	Total Expenditures and Other Uses	293,435	292,802	256,525	214,632
	Excess (Deficit) of Resources Over Uses	0	0	11,977	49,964
380	Nonrevenues (Except 384 and 388.80)	0	0	200,000	200,000
580	Nonexpenditures (Except 584 and 588.80)	0	0	200,000	200,000
	Ending Net Cash and Investments	\$0	\$0	\$11,977	\$49,964

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE	Fund Number and Name	Fund Number and Name		Fund Number and Name	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$200,326	\$200,326		
	Revenues and Other Sources				
310	Taxes	186,624	154,881		
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	4,053	446		
370	Capital Contributions				
390	Other Financing Sources	0	0		
	Total Revenues and Other Sources	190,677	155,327		
	Total Resources	391,003	355,653		
	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		
591-593	Debt Service				
594-595	Capital Outlay	97,198	95,908		
	Total Expenditures	97,198	95,908		
597-599	Other Financing Uses	247,080	247,080		
	Total Expenditures and Other Uses	344,278	342,988		
	Excess (Deficit) of Resources Over Uses	46,725	12,665		
380	Nonrevenues (Except 384 and 388.80)		0		
580	Nonexpenditures (Except 584 and 588.80)		0		
	Ending Net Cash and Investments	\$46,725	\$12,665		

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 109 LaBounty LID		Fund Number and Name 110 Boys & Girls Club Insurance Proceeds	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments				
	Revenues and Other Sources	\$63,394	\$63,394	\$239,123	\$239,123
310	Taxes			0	0
320	Licenses and Permits				
330	Intergovernmental	0	0		
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	330,158	330,158	0	1,701
370	Capital Contributions				
390	Other Financing Sources	896,300	896,300	0	0
	Total Revenues and Other Sources	1,226,458	1,226,458	239,123	1,701
	Total Resources	1,289,852	1,289,852	239,123	240,824
	Operating Expenditures:				
510	General Government	0	17,069		
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation			0	0
	Total Operating Expenditures	0	17,069	0	0
591-593	Debt Service	0	4,966		
594-595	Capital Outlay	49,234	27,199	0	
	Total Expenditures	49,234	49,234	0	0
597-599	Other Financing Uses	60,618	60,618	80,049	80,049
	Total Expenditures and Other Uses	109,852	109,852	80,049	80,049
	Excess (Deficit) of Resources Over Uses	1,180,000	1,180,000	159,074	160,775
380	Nonrevenues (Except 384 and 388.80)	0	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	1,180,000	1,180,000	0	0
	Ending Net Cash and Investments	\$0	\$0	\$159,074	\$160,775

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 111 Real Estate Excise Tax-REET 1		Fund Number and Name 112 Real Estate Excise Tax-REET 2	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$0	\$0	\$0	\$0
	Revenues and Other Sources				
310	Taxes	123,875	134,221	123,875	132,800
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	2,497	817	2,498	354
370	Capital Contributions				
390	Other Financing Sources	149,462	149,320	143,973	143,482
	Total Revenues and Other Sources	275,834	284,358	270,346	276,636
	Total Resources	275,834	284,358	270,346	276,636
	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	0	0	0	0
	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	68,974	68,974	243,144	243,144
	Total Expenditures and Other Uses	68,974	68,974	243,144	243,144
	Excess (Deficit) of Resources Over Uses	206,860	215,384	27,202	33,492
380	Nonrevenues (Except 384 and 388.80)				
580	Nonexpenditures (Except 584 and 588.80)				
	Ending Net Cash and Investments	\$206,860	\$215,384	\$27,202	\$33,492

The Accompanying Notes Are An Integral Part Of This Statement.

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

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 198 Hotel Motel		Fund Number and Name 213 1998 City Hall LTGO Bond Red.	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$44,080	\$44,080	\$4,290	\$4,290
	Revenues and Other Sources				
310	Taxes		54,656		
320	Licenses and Permits	51,500			
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	451	346	300	286
370	Capital Contributions				
390	Other Financing Sources	51,951	55,002	68,973	68,974
	Total Revenues and Other Sources	96,031	99,082	73,563	73,550
	Total Resources				
	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	55,138	50,529	0	0
	Total Operating Expenditures	55,138	50,529	69,276	69,276
591-593	Debt Service	0	0		
594-595	Capital Outlay	0	0		
	Total Expenditures	55,138	50,529	69,276	69,276
597-599	Other Financing Uses	18,700	18,700		
	Total Expenditures and Other Uses	73,838	69,229	69,276	69,276
	Excess (Deficit) of Resources Over Uses	22,193	29,853	4,287	4,274
380	Nonrevenues (Except 384 and 388.80)	0	0		0
580	Nonexpenditures (Except 584 and 588.80)	\$22,193	\$29,853	\$4,287	\$4,274
	Ending Net Cash and Investments				

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 214 Utility Loan Service		Fund Number and Name 215 LaBounty LID Bond Redemption	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments			\$0	\$0
	Revenues and Other Sources	\$625	\$625		
310	Taxes	0	0	0	0
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	0	632	0	81
370	Capital Contributions				
390	Other Financing Sources	175,234	175,234	0	0
	Total Revenues and Other Sources	175,234	175,866	0	81
	Total Resources	175,859	176,491	0	81
	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	175,234	175,234	0	0
594-595	Capital Outlay	0	0	0	0
	Total Expenditures	175,234	175,234	0	0
597-599	Other Financing Uses	0	0	0	0
	Total Expenditures and Other Uses	175,234	175,234	0	0
	Excess (Deficit) of Resources Over Uses	625	1,257	0	81
380	Nonrevenues (Except 384 and 388.80)	0	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0	0	0
	Ending Net Cash and Investments	\$625	\$1,257	\$0	\$81

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE	Fund Number and Name	216 LaBounty LID Bond Guarantee		Fund Number and Name	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$0	\$0		
Revenues and Other Sources					
310 Taxes		0	0		
320 Licenses and Permits					
330 Intergovernmental					
340 Charges for Goods and Services					
350 Fines and Forfeits					
360 Miscellaneous		0	54		
370 Capital Contributions					
390 Other Financing Sources		60,618	60,538		
Total Revenues and Other Sources		60,618	60,592		
Total Resources		60,618	60,592		
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		
591-593 Debt Service		0	0		
594-595 Capital Outlay		0	0		
Total Expenditures		0	0		
597-599 Other Financing Uses		0	0		
Total Expenditures and Other Uses		60,618	60,592		
Excess (Deficit) of Resources Over Uses					
380 Nonrevenues (Except 384 and 388.80)		0	0		
580 Nonexpenditures (Except 584 and 588.80)		0	0		
Ending Net Cash and Investments		\$60,618	\$60,592		

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 303 Skateboard Park Construction		Fund Number and Name 304 Centennial Riverwalk Park Construction	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments				
	Revenues and Other Sources	\$42,274	\$42,274	\$102,114	\$102,114
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental			0	0
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	1,500	195	0	588
370	Capital Contributions				
390	Other Financing Sources	0	0	49,000	49,000
	Total Revenues and Other Sources	1,500	195	49,000	49,588
	Total Resources	43,774	42,469	151,114	151,702
	Operating Expenditures:				
510	General Government			0	0
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	0	0	92,818	83,719
	Total Expenditures	0	0	92,818	83,719
597-599	Other Financing Uses	35,000	35,000	54,000	54,000
	Total Expenditures and Other Uses	35,000	35,000	146,818	137,719
	Excess (Deficit) of Resources Over Uses	8,774	7,469	4,296	13,983
380	Nonrevenues (Except 384 and 388.80)	0	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0	0	0
	Ending Net Cash and Investments	\$8,774	\$7,469	\$4,296	\$13,983

The Accompanying Notes Are An Integral Part Of This Statement.

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

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 305 Boys and Girls Club Construction		Fund Number and Name 306 Second Ave. Ext. Construction	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$0	\$0	\$218,132	\$218,132
	Revenues and Other Sources				
310	Taxes				
	Licenses and Permits				
330	Intergovernmental	0	0	1,541,000	731,345
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	0	25	500,842	493,503
370	Capital Contributions				
390	Other Financing Sources	80,049	80,049	2,070,723	1,670,723
	Total Revenues and Other Sources	80,049	80,074	4,112,565	2,895,571
	Total Resources	80,049	80,074	4,330,697	3,113,703
	Operating Expenditures:				
510	General Government			0	36,534
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation	0	180		
	Total Operating Expenditures	0	180	0	36,534
591-593	Debt Service				
594-595	Capital Outlay	79,049	78,799	4,330,697	1,608,008
	Total Expenditures	79,049	78,979	4,330,697	1,644,542
597-599	Other Financing Uses	0	0		
	Total Expenditures and Other Uses	79,049	78,979	4,330,697	1,644,542
	Excess (Deficit) of Resources Over Uses	1,000	1,095	0	1,469,161
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	\$1,000	\$1,095	\$0	\$1,469,161

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 307 New Library Construction		Fund Number and Name 308 Main St.-3rd to Church Construction	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$10,510	\$10,510	\$25,295	\$25,295
	Revenues and Other Sources				
310	Taxes	0	877		
320	Licenses and Permits				
330	Intergovernmental			125,000	76,573
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	0	80	0	865
370	Capital Contributions				
390	Other Financing Sources	0	0	235,000	235,000
	Total Revenues and Other Sources	10,510	957	360,000	312,438
	Total Resources	10,510	11,467	385,295	337,733
	Operating Expenditures:				
510	General Government	0	0		
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	0	0	1,800	907
594-595	Capital Outlay	0	0	253,392	133,184
	Total Expenditures	0	0	255,192	134,091
597-599	Other Financing Uses	0	0		
	Total Expenditures and Other Uses	0	0	255,192	134,091
	Excess (Deficit) of Resources Over Uses	10,510	11,467	130,103	203,642
380	Nonrevenues (Except 384 and 388.80)	0	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0	125,000	125,000
	Ending Net Cash and Investments	\$10,510	\$11,467	\$5,103	\$78,642

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 325 Conoco-Phillips Park Construction		Fund Number and Name 346 Church Road Construction	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$191,332	\$191,332	\$691,615	\$691,615
	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	551	712	0	5,048
370	Capital Contributions				
390	Other Financing Sources	0	0	0	0
	Total Revenues and Other Sources	551	712	0	5,048
	Total Resources	191,883	192,044	691,615	696,663
	Operating Expenditures:				
510	General Government	0	0		
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			0	
594-595	Capital Outlay	176,548	162,145	607,333	41,740
	Total Expenditures	176,548	162,145	607,333	41,740
597-599	Other Financing Uses				
	Total Expenditures and Other Uses	176,548	162,145	607,333	41,740
	Excess (Deficit) of Resources Over Uses	15,335	29,899	84,282	654,923
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	\$15,335	\$29,899	\$84,282	\$654,923

The Accompanying Notes Are An Integral Part Of This Statement.

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

For the 12 Month Period Ended December 31, 2009

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			\$7,164	\$5,143
	Revenues and Other Sources				
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental	2,414	2,413	0	0
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	17	30	17	38
370	Capital Contributions				
390	Other Financing Sources	46,800	46,778	0	0
	Total Revenues and Other Sources	49,231	49,221	17	38
	Total Resources	56,395	56,385	5,160	5,181
	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	0	0		
594-595	Capital Outlay	56,395	56,385	5,160	0
	Total Expenditures	56,395	56,385	5,160	0
597-599	Other Financing Uses	0	0	0	0
	Total Expenditures and Other Uses	56,395	56,385	5,160	0
	Excess (Deficit) of Resources Over Uses	0	0	0	5,181
380	Nonrevenues (Except 384 and 388.80)	0	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0	0	0
	Ending Net Cash and Investments	\$0	\$0	\$0	\$5,181

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 375 Public Safety Building Construction		Fund Number and Name 380 Malloy Roundabout Constr.	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$19,861	\$19,861	\$38,571	\$38,571
	Revenues and Other Sources				
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines and Forfeits				
360	Miscellaneous	0	724	0	272
370	Capital Contributions				
390	Other Financing Sources	697,948	697,948	0	0
	Total Revenues and Other Sources	697,948	698,672	0	272
	Total Resources	717,809	718,533	38,571	38,843
	Operating Expenditures:				
510	General Government				
520	Public Safety				
530	Physical Environment	0	0	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	3,085	1,009	0	0
594-595	Capital Outlay	352,000	76,729	33,466	6,497
	Total Expenditures	355,085	77,738	33,466	6,497
597-599	Other Financing Uses	0	0	0	0
	Total Expenditures and Other Uses	355,085	77,738	33,466	6,497
	Excess (Deficit) of Resources Over Uses	362,724	640,795	5,105	32,346
380	Nonrevenues (Except 384 and 388.80)	250,000	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	580,000	580,000	0	0
	Ending Net Cash and Investments	\$32,724	\$60,795	\$5,105	\$32,346

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Water Fund	
		Budget	Actual
	Beginning Net Cash and Investments	\$769,640	\$769,640
	Revenues and Other Sources		
310	Taxes		
320	Licenses and Permits		
330	Intergovernmental		
340	Charges for Goods and Services	1,847,287	2,056,409
350	Fines and Forfeits		
360	Miscellaneous	0	14,390
370	Capital Contributions		
390	Other Financing Sources	299,999	0
	Total Revenues and Other Sources	2,147,286	2,070,799
	Total Resources	2,916,926	2,840,439
	Operating Expenditures:		
510	General Government		
520	Public Safety		
530	Physical Environment	1,270,203	1,248,782
540	Transportation		
550	Economic Environment		
560	Mental and Physical Health		
570	Culture and Recreation		
	Total Operating Expenditures	1,270,203	1,248,782
591-593	Debt Service	44,417	3,214
594-595	Capital Outlay	1,378,589	618,205
	Total Expenditures	2,693,209	1,870,201
597-599	Other Financing Uses	500,000	0
	Total Expenditures and Other Uses	3,193,209	1,870,201
	Excess (Deficit) of Resources Over Uses	(276,283)	970,238
380	Nonrevenues (Except 384 and 388.80)	1,308,989	504,667
580	Nonexpenditures (Except 584 and 588.80)	490,000	200,000
	Ending Net Cash and Investments	\$542,706	\$1,276,147

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE	Sewer Fund	Enterprise (Proprietary) Utility Fund	
		Budget	Actual
Beginning Net Cash and Investments		\$1,409,151	\$1,409,151
Revenues and Other Sources			
310 Taxes			
320 Licenses and Permits			
330 Intergovernmental			
340 Charges for Goods and Services		2,064,743	2,350,848
350 Fines and Forfeits			
360 Miscellaneous		88,211	115,983
370 Capital Contributions			
390 Other Financing Sources		500,000	0
Total Revenues and Other Sources		2,652,954	2,466,831
Total Resources		4,062,105	3,875,982
Operating Expenditures:			
510 General Government			
520 Public Safety			
530 Physical Environment		990,771	911,709
540 Transportation			
550 Economic Environment			
560 Mental and Physical Health			
570 Culture and Recreation			
Total Operating Expenditures		990,771	911,709
591-593 Debt Service		283,280	283,183
594-595 Capital Outlay		690,000	471,797
Total Expenditures		1,964,051	1,666,689
597-599 Other Financing Uses		0	0
Total Expenditures and Other Uses		1,964,051	1,666,689
Excess (Deficit) of Resources Over Uses		2,098,054	2,209,293
380 Nonrevenues (Except 384 and 388.80)		4,000	10,256
580 Nonexpenditures (Except 584 and 588.80)		758,233	758,233
Ending Net Cash and Investments		\$1,343,821	\$1,461,316

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE		Storm & Flood Fund	
		Enterprise (Proprietary) Utility Fund (Incl. Fund Numbers 407, Partial 408, Eliminations)	Actual
		Budget	Actual
Beginning Net Cash and Investments		\$377,847	\$377,847
Revenues and Other Sources			
310	Taxes		
320	Licenses and Permits		
330	Intergovernmental	20,000	67,674
340	Charges for Goods and Services	410,106	346,056
350	Fines and Forfeits		
360	Miscellaneous	11,047	8,941
370	Capital Contributions		
390	Other Financing Sources	0	0
	Total Revenues and Other Sources	441,153	422,671
	Total Resources	819,000	800,518
Operating Expenditures:			
510	General Government		
520	Public Safety		
530	Physical Environment		
540	Transportation	416,365	386,764
550	Economic Environment		
560	Mental and Physical Health		
570	Culture and Recreation		
	Total Operating Expenditures	416,365	386,764
591-593	Debt Service	4,862	4,861
594-595	Capital Outlay	379,124	266,506
	Total Expenditures	800,351	658,131
597-599	Other Financing Uses	0	0
	Total Expenditures and Other Uses	800,351	658,131
	Excess (Deficit) of Resources Over Uses	18,649	142,387
380	Nonrevenues (Except 384 and 388.80)	125,000	125,000
580	Nonexpenditures (Except 584 and 588.80)	22,102	22,102
	Ending Net Cash and Investments	\$121,547	\$245,285

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the 12 Month Period Ended December 31, 2009

BARS CODE	Fund Number and Name	Fund Number and Name		Fund Number and Name
		Budget	Actual	
Beginning Net Cash and Investments				\$26,632
Revenues and Other Sources				
310 Taxes				0
320 Licenses and Permits				0
330 Intergovernmental				0
340 Charges for Goods and Services				
350 Fines and Forfeits				
360 Miscellaneous			119,104	119,362
370 Capital Contributions				
390 Other Financing Sources				
Total Revenues and Other Sources			119,104	119,362
Total Resources			145,736	145,994
Operating Expenditures:				
510 General Government			107,209	90,087
520 Public Safety				
530 Physical Environment				
540 Transportation				
550 Economic Environment				
560 Mental and Physical Health				
570 Culture and Recreation				
Total Operating Expenditures			107,209	90,087
591-593 Debt Service				
594-595 Capital Outlay			30,195	10,562
Total Expenditures			137,404	100,649
597-599 Other Financing Uses			0	0
Total Expenditures and Other Uses			137,404	100,649
Excess (Deficit) of Resources Over Uses			8,332	45,345
380 Nonrevenues (Except 384 and 388.80)			0	0
580 Nonexpenditures (Except 584 and 588.80)			0	0
Ending Net Cash and Investments			\$8,332	\$45,345

The Accompanying Notes Are An Integral Part Of This Statement.

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

For the 12 Month Period Ended December 31, 2009

BARS CODE		Fund Number and Name 550 Equipment Repair and Replacement		Fund Number and Name 650 Court Agency	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$20,448	\$20,448	\$0	\$0
	Revenues and Other Sources				
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	415,000	420,047	0	0
370	Capital Contributions				
390	Other Financing Sources				
	Total Revenues and Other Sources	415,000	420,047	0	0
	Total Resources	435,448	440,495	0	0
	Operating Expenditures:				
510	General Government	0	0		
520	Public Safety				
530	Physical Environment				
540	Transportation	415,348	411,223	0	0
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
	Total Operating Expenditures	415,348	411,223	0	0
591-593	Debt Service				
594-595	Capital Outlay	0	0	0	0
	Total Expenditures	415,348	411,223	0	0
597-599	Other Financing Uses				
	Total Expenditures and Other Uses	415,348	411,223	0	0
	Excess (Deficit) of Resources Over Uses	20,100	29,272	0	0
380	Nonrevenues (Except 384 and 388.80)	0	0	145,000	144,378
580	Nonexpenditures (Except 584 and 588.80)	0	0	145,000	144,378
	Ending Net Cash and Investments	\$20,100	\$29,272	\$0	\$46,236

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, 2009**

NOTE-1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City of Ferndale was incorporated on March 19, 1907 and operates under the laws of the state of Washington applicable to a Category 2 (Cities with population under 25,000) type of government. The City of Ferndale is a general purpose government and provides public safety, street improvements, parks, water/sewer/storm utilities, 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. The City contracts with Sanitary Service of Bellingham for garbage collection and disposal.

The City of Ferndale uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund (Fund number 001)

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

Special Revenue Funds (Funds in the 100 series)

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

Debt Service Funds (Funds in the 200 series)

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

Capital Projects Funds (Funds in the 300 series)

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

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 (Fund number 401 Water, Fund number 402 Sewer, Fund number 407 Storm & Flood, and Fund number 408 Utility Debt Service)

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 of Ferndale on a costs-reimbursement basis.

FIDUCIARY FUND TYPES:

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

Agency Funds

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

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law (see RCW 35.33.151).

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.

This state law requires the City to keep the books open through January 20th of the succeeding year for non-payroll expenditures (referred to as the "open period").

As noted above, revenues are generally truly recognized on the cash basis - January 1 through December 31 – except under certain circumstances where Federal grant revenues are received during the open period, were budgeted in the prior year, and an allowable grant expenditure was made during the open period or earlier.

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

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

Annual appropriated budgets are adopted for all funds. The financial statements include budgetary comparisons for all funds.

Annual appropriated budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations lapse at the fiscal year end.

The Mayor is authorized to transfer budgeted amounts within a Department's budget; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

d. Cash

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

e. Deposits

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

f. Investments See Note 3.

g. Derivatives and Similar Transactions

The City of Ferndale does not currently have any such transactions.

h. Capital Assets

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

i. Compensated Absences

Vacation leave may be accumulated generally up to 10 days at year-end and full vacation balances without limit are payable upon separation or retirement.

Sick leave may be accumulated up to a maximum of 1,080 hours. Generally, upon separation or retirement employees do not receive payment for unused sick leave. However, employees retiring into the state retirement system will receive 25% of the value of unused sick leave upon retirement.

j. Long-Term Debt See Note 6.

k. Other Financing Sources or Uses

Transfers Out are common entries especially in the Park Mitigation, Traffic Mitigation, Real Estate Excise Tax and Solid Waste Tax funds.

l. Risk Management See Note 8.

NOTE-2-COMPLIANCE, AND ACCOUNTABILITY

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

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

NOTE-3-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 (all are the City's own investments) at December 31, 2009, including market value, are as follows:

Local Government Investment Pool (WA State): \$5,912,113 (Market Value is the same)

FHLMC Bonds CUSIP 3128X8QH8: \$501,465 (Market Value is \$501,287)

FHLB Bonds CUSIP 3133XNTD1: \$508,639 (Market Value is \$500,469)

FHLB Bonds CUSIP 3133XTV45: \$497,413 (Market Value is \$501,719)

Total \$7,419,630 (Market Value is \$7,415,588)

NOTE-4-PROPERTY TAXES

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

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

The City of Ferndale's regular levy for the year 2009 was \$1.87221 per \$1,000 on an assessed valuation of \$1,060,113,522 for a total regular levy of \$1,984,755.

NOTE-5-INTERFUND LOANS AND ADVANCES

The following table displays Interfund Loan activity during 2009:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2009</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2009</u>
LaBounty LID 109	Traffic Mitigation 104	\$80,000	\$0	\$80,000	\$0
LaBounty LID 109	Current Expense 001	\$300,000	\$0	\$300,000	\$0
LaBounty LID 109	Gen. Fund Contingency Reserve 002	\$300,000	\$0	\$300,000	\$0
LaBounty LID 109	Facilities Capital Reserve 003	\$200,000	\$0	\$200,000	\$0
LaBounty LID 109	Water 401	\$300,000	\$0	\$300,000	\$0
Public Safety Bldg. Constr. 375	Current Expense 001	\$580,000	\$0	\$580,000	\$0
Main St. 3rd to Church Constr. 308	Storm 407	\$125,000	\$0	\$125,000	\$0
Criminal Justice 106	Water 401	\$0	\$200,000	\$200,000	\$0
TOTALS		\$1,885,000	\$200,000	\$2,085,000	\$0

NOTE-6-LONG TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City of Ferndale and summarizes the City of Ferndale’s debt transactions for 2009. Debt service requirements, including interest are as follows:

Year(s)	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2009	\$254,502	\$1,041,113	\$104,132	\$1,399,747
2010	275,494	1,063,048	337,702	1,676,244
2011	280,927	1,065,506	313,393	1,659,826
2012	275,976	1,076,540	309,271	1,661,787
2013	275,962	1,095,675	305,153	1,676,790
2014-2018	919,119	4,036,211	865,456	5,820,786
2019-2023	853,161	140,377	643,451	1,636,989
2024-2028	715,899	0	323,727	1,039,626
Total Debt Service	\$3,851,040	\$9,518,470	\$3,202,285	\$16,571,795

NOTE-7-PENSION PLANS

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

a. Public Employees’ 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.

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.

c. Public Safety Employees' Retirement System (PSERS)

The state legislature established PSERS Plan 2 in 2004, and is a cost-sharing multiple-employer system. Membership in the system includes certain public employees whose jobs contain a high degree of physical risk to their own personal safety, but are not eligible for membership in the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). Members of the Public Employees' Retirement System (PERS) Plan 2 or 3, working in PSERS positions on or before July 1, 2006, may elect to prospectively begin PSERS membership.

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. As of December 31, 2009, 86 municipalities/entities participate in the RMSA Pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$400,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Allianz, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

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

The Interlocal Governmental Agreement was revised in 2009 and each member is required to approve the new Interlocal Agreement and provide RMSA with a signed copy. The Pool is currently governed by a board of directors serving ex-officio as the AWC Board of Directors. Once 75 percent of the new Interlocal Agreements are signed, RMSA will elect a board comprised of its members.

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-REAL ESTATE EXCISE TAX (REET) FUND NUMBERS

Starting in 2009, the City created two new fund numbers. Fund number 111 is for REET 1 revenues and expenditures. Fund number 112 is for REET 2 revenues and expenditures. REET 1 is the first ¼ percent of real estate excise tax collected by the County upon real estate sales. The City may use REET 1 for capital facilities. REET 2 is the second ¼ percent real estate excise tax and may be used for road capital projects.

The old fund number 105 for 2009 shows only a transfer out representing beginning 2009 cash balance for combined REET 1 and REET 2 revenues net of expenditures.

NOTE-10-CASH BALANCES AS AT DEC. 31, 2009

The Year-End 2009 cash balances include Petty Cash/Change Funds, Credit Card Checking Account General Ledger cash balance, and Court Checking Account General Ledger cash balance as follows:

General Fund: \$750 Petty Cash/Change Funds.

Water Fund: \$1,242 Credit Card Checking Account Funds.

Court Agency Fund: \$46,236 Court Checking Account Funds.

The above amounts are not included in Schedule 11.

CITY OF FERNDALE

X G.O. Debt

___ Revenue Debt

___ Assessment Debt

SCHEDULE OF LONG-TERM DEBT

For the Year Ended December 31, 2009

ID. No.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 1/1/2009	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/2009
251.11 '98 LTGO BONDS- CITY HALL	2/1/1998	12/1/2013	\$295,000	\$0			\$55,000	582._____ 591.80.72.00 599._____ 582.38.78.01 591._____ 599._____ 582._____ 591.19.71.00 599._____ 582._____ 591.70.00.04 599._____ 582.38.78.02 591._____ 599._____ 582._____ 591.76.78.00 599._____ 582.34.71.01 591._____ 599._____ 582._____ 591.95.78.01 599._____ 582.35.78.03 591._____ 599._____ 582._____ 591.21.71.00 599._____	213	\$240,000
263.81 PWTF LOAN-STORM	11/8/2004	9/1/2024	\$118,420	\$0			\$7,895		408	\$110,525
263.96 WA STATE LOCAL PR. BOND- PHONE SYSTEM	12/16/2004	12/1/2009	\$2,974	\$0			\$2,974		001	\$0
263.91 KeyBank LTGO BOND- STREET LIGHTS	7/29/2005	7/29/2015	\$223,295	\$0			\$30,271		214	\$193,024
263.81 DOE LOAN-STORM	9/30/2005	12/31/2010	\$28,486	\$0			\$14,207		408	\$14,279
263.91 Whatcom Co. Public Util. Impr. Fund Loan	8/30/2007	8/30/2027	\$1,154,283	\$0			\$52,958		214	\$1,101,325
263.96 LOCAL Program Water Booster Pump Sta. BOND	6/6/2008	6/1/2028	\$1,155,000	\$0			\$40,000		408	\$1,115,000
263.81 PWTF LOAN Church Road Pre-Constr.	7/11/2008	7/1/2013	\$750,000	\$0			\$0		214	\$750,000
263.81 PWTF LOAN Sewer Comp. Plan	7/11/2008	7/1/2014	\$15,000	\$0			\$0		408	\$15,000
263.96 LOCAL Program Bond- Land Purchase	1/21/2009	12/1/2028	\$0	\$715,000	382._____ 391.90.00.00 393._____ 382._____ 391.10.00.01 393._____	375	\$30,000		214	\$685,000
251.11 LABOUNTY ROAD BOND	6/30/2009	12/1/2023	\$0	\$302,000		109	\$0			\$302,000
TOTAL			\$3,742,458	\$1,017,000			\$233,305			\$4,526,153

CITY OF FERNDALE

___ G.O. Debt
X Revenue Debt
___ Assessment Debt

SCHEDULE OF LONG-TERM DEBT

For the Year Ended December 31, 2009

ID. No.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 1/1/2009	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/2009
263.81 PWTF LOAN SEWER	4/8/1998	7/1/2018	\$1,653,055	\$0			\$165,305	582.35.78.01 591. 599.	408	\$1,487,750
263.81 SRF LOAN SEWER	1/1/2000	8/1/2019	\$1,213,767	\$0			\$87,928	582.35.78.02 591. 599.	408	\$1,125,839
252.15 REV BONDS SEWER REFUNDED	6/16/2005	11/1/2016	\$5,200,000	\$0			\$505,000	582.35.72.01 591. 599.	403	\$4,695,000
TOTAL			\$8,066,822	\$0			\$758,233			\$7,308,589

CITY OF FERNDALE

___ G.O. Debt
___ Revenue Debt
X Assessment Debt

SCHEDULE OF LONG-TERM DEBT

For the Year Ended December 31, 2009

ID. No.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 1/1/2009	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed In Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/2009
253.11	6/30/2009	12/1/2025	\$0	\$605,373	382. 391.30.00.00 393.	109	\$0	582. 591.00.73.01 599.	215	\$605,373
LABOUNTY ROAD LID BONDS										

MCAG NO. 0786		CITY OF FERNDALE				Schedule 16	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS							
For The Year Ended December 31, 2009							
					From Pass-Through Awards	From Direct Awards	Foot-Note Ref.
Federal Agency Name/ Pass-through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number			Total	
Department of Justice / Whatcom Co. Sheriff's Office	Edward Byrne Memorial Justice Assistance Grant	16.738	N/A		\$76,059	\$76,059	
Department of Justice / Whatcom Co. Sheriff's Office	Edward Byrne Memorial Justice Assistance Grant	16.738	WENET		\$7,631	\$7,631	
US DOT/ WA State DOT	ARRA Highway Planning & Construction	20.205	ARRA-8037(001)		\$1,143,556	\$1,143,556	3
Dept. of Homeland Security / Whatcom Co. Sheriff's Office	Homeland Security Program	97.067	200907016		\$250,834	\$250,834	
Dept. of Homeland Security / Whatcom Co. Sheriff's Office	State Homeland Security Program	97.073	200902006		\$6,426	\$6,426	
Dept. of Homeland Security / Whatcom Co. Sheriff's Office	Law Enforcement Terrorism Prevention Program	97.074	200902007		\$8,612	\$8,612	
Dept. of Homeland Security WA State Military Department	Disaster Assistance Projects - Storm Assistance	97.088	N/A		\$31,004	\$31,004	
Total Federal Awards Expended					\$1,524,122	\$0	\$1,524,122
<i>The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.</i>							
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 AMOUNT 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.							
NOTE 3							
AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009							
EXPENDITURES FOR THIS PROGRAM WERE FUNDED BY ARRA.							



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.

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
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Director for Legal Affairs
Director of Quality Assurance
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