

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

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**City of Ferndale**  
**Whatcom County**

Audit Period  
January 1, 2011 through December 31, 2011

Report No. 1008362

Issue Date  
September 24, 2012



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

September 24, 2012

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, 2011 through December 31, 2011**

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 That Could Have a Direct and Material Effect on Each Major Program and on 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, 2011 through December 31, 2011

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	Highway Planning and Construction

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

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

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

**City of Ferndale  
Whatcom County  
January 1, 2011 through December 31, 2011**

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, 2011, and have issued our report thereon dated September 14, 2012.

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.

## ***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

September 14, 2012

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and  
on Internal Control over Compliance in  
Accordance with OMB Circular A-133**

City of Ferndale  
Whatcom County  
January 1, 2011 through December 31, 2011

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 could have a direct and material effect on its major federal program for the year ended December 31, 2011. 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 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.



## **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 in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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.



**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 14, 2012

# **Independent Auditor's Report on Financial Statements**

**City of Ferndale  
Whatcom County  
January 1, 2011 through December 31, 2011**

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, 2011. 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, 2011, 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 Schedules of Liabilities are also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The report is intended for the information and use of the governing body and management of the City. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

September 14, 2012

# **Financial Section**

**City of Ferndale  
Whatcom County  
January 1, 2011 through December 31, 2011**

## ***FINANCIAL STATEMENTS***

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

## ***SUPPLEMENTARY INFORMATION***

Schedule of Liabilities – 2011  
Schedule of Expenditures of Federal Awards and Notes – 2011

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

For the Year Ended December 31, 2011

BARS CODE		Total For All funds	
		(Excludes Agency Funds-See Statement C-5)	
			Total Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved		\$1,164,443
308.80	Unreserved		\$7,217,370
388.80	Prior Period Adjustments		\$0
<b>Revenues and Other Sources</b>			
310	Taxes		\$6,572,296
320	Licenses and Permits		\$518,109
330	Intergovernmental		\$2,777,579
340	Charges for Goods and Services		\$6,748,095
350	Fines and Forfeits		\$175,373
360	Miscellaneous		\$1,100,760
370	Capital Contributions		\$0
390	Other Financing Sources		\$4,414,852
<b>Total Revenues and Other Sources</b>			\$22,307,064
<b>Total Resources</b>			\$30,688,877
Operating Expenditures:			
510	General Government		\$2,025,946
520	Public Safety		\$4,498,659
530	Physical Environment		\$2,818,841
540	Transportation		\$1,626,113
550	Economic Environment		\$671,695
560	Mental and Physical Health		\$2,706
570	Culture and Recreation		\$425,835
<b>Total Operating Expenditures</b>			\$12,069,795
591-593	Debt Service		\$1,363,757
594-595	Capital Outlay		\$10,422,457
<b>Total Expenditures</b>			\$23,856,009
596-599	Other Financing Uses		\$2,723,760
<b>Total Expenditures and Other Uses</b>			\$26,579,769
<b>Excess (Deficit) of Resources Over Uses</b>			\$4,109,108
380	Nonrevenues (Except 384 and 388.80)		\$7,580,603
580	Nonexpenditures (Except 584 and 588.80)		\$2,259,173
<b>Ending Cash and Investments:</b>			
508.10	Reserved		\$1,139,370
508.80	Unreserved		\$8,291,168

*The Accompanying Notes Are An Integral Part Of This Statement.*

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

For the Year Ended December 31, 2011

BARS CODE		General Fund	
		(Incl. Fund Numbers 001,002,003,004,005,Eliminations)	
			Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved		\$224,894
308.80	Unreserved		\$1,160,498
388.80	Prior Period Adjustments		\$0
<b>Revenues and Other Sources</b>			
310	Taxes		\$6,024,037
320	Licenses and Permits		\$518,109
330	Intergovernmental		\$410,085
340	Charges for Goods and Services		\$739,503
350	Fines and Forfeits		\$175,373
360	Miscellaneous		\$274,028
370	Capital Contributions		\$0
390	Other Financing Sources		\$293,183
<b>Total Revenues and Other Sources</b>			\$8,434,318
<b>Total Resources</b>			\$9,819,710
Operating Expenditures:			
510	General Government		\$1,645,401
520	Public Safety		\$4,379,294
530	Physical Environment		\$284,900
540	Transportation		\$0
550	Economic Environment		\$671,695
560	Mental and Physical Health		\$2,706
570	Culture and Recreation		\$366,002
<b>Total Operating Expenditures</b>			7,349,998
591-593	Debt Service		\$0
594-595	Capital Outlay		\$111,866
<b>Total Expenditures</b>			7,461,864
596-599	Other Financing Uses		\$1,045,636
<b>Total Expenditures and Other Uses</b>			\$8,507,500
<b>Excess (Deficit) of Resources Over Uses</b>			1,312,210
380	Nonrevenues (Except 384 and 388.80)		\$382,603
580	Nonexpenditures (Except 584 and 588.80)		\$303,756
<b>Ending Cash and Investments:</b>			
508.10	Reserved		\$42,235
508.80	Unreserved		\$1,348,822

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF FERNDALE

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE	Fund Number and Name		Fund Number and Name	
	101 Street		102 Park Mitigation	
	Actual Amount		Actual Amount	
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$0	\$0	
308.80	Unreserved	\$72,161	\$46,247	
388.80	Prior Period Adjustments	\$0	\$0	
<b>Revenues and Other Sources</b>				
310	Taxes	0	0	
320	Licenses and Permits	0	0	
330	Intergovernmental	268,793	0	
340	Charges for Goods and Services	7,300	85,924	
350	Fines and Forfeits	0	0	
360	Miscellaneous	7,771	28	
370	Capital Contributions	0	0	
390	Other Financing Sources	596,898	0	
<b>Total Revenues and Other Sources</b>		880,762	85,952	
<b>Total Resources</b>		952,923	132,199	
<b>Operating Expenditures:</b>				
510	General Government	0	0	
520	Public Safety	0	0	
530	Physical Environment	0	0	
540	Transportation	834,423	0	
550	Economic Environment	0	0	
560	Mental and Physical Health	0	0	
570	Culture and Recreation	0	0	
<b>Total Operating Expenditures</b>		834,423	0	
591-593	Debt Service	9	0	
594-595	Capital Outlay	289,677	0	
<b>Total Expenditures</b>		1,124,109	0	
596-599	Other Financing Uses	0	98,041	
<b>Total Expenditures and Other Uses</b>		1,124,109	98,041	
<b>Excess (Deficit) of Resources Over Uses</b>		(171,186)	34,158	
380	Nonrevenues (Except 384 and 388.80)	203,000	0	
580	Nonexpenditures (Except 584 and 588.80)	0	0	
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$0	\$0	
508.80	Unreserved	\$31,814	\$34,158	
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>				

MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 4 of 18
BARS CODE		Fund Number and Name	Fund Number and Name
		103 Paths and Trails	104 Traffic Mitigation
		Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved	\$0	\$0
308.80	Unreserved	\$2,129	\$150,094
388.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	0	0
320	Licenses and Permits	0	0
330	Intergovernmental	0	0
340	Charges for Goods and Services	0	248,898
350	Fines and Forfeits	0	0
360	Miscellaneous	0	74
370	Capital Contributions	0	0
390	Other Financing Sources	0	0
	<b>Total Revenues and Other Sources</b>	0	248,972
	<b>Total Resources</b>	2,129	399,066
Operating Expenditures:			
510	General Government	0	0
520	Public Safety	0	0
530	Physical Environment	0	0
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	0	0
	<b>Total Operating Expenditures</b>	0	0
591-593	Debt Service	0	0
594-595	Capital Outlay	0	0
	<b>Total Expenditures</b>	0	0
596-599	Other Financing Uses	2,129	373,125
	<b>Total Expenditures and Other Uses</b>	2,129	373,125
	<b>Excess (Deficit) of Resources Over Uses</b>	0	25,941
380	Nonrevenues (Except 384 and 388.80)	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0
<b>Ending Cash and Investments:</b>			
508.10	Reserved	\$0	\$0
508.80	Unreserved	\$0	\$25,941
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			



MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 5 of 18
BARS CODE		Fund Number and Name	Fund Number and Name
		106 Criminal Justice	107 Local Criminal Justice
		Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved	\$0	\$0
308.80	Unreserved	\$4,213	\$1,236
388.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	0	164,144
320	Licenses and Permits	0	0
330	Intergovernmental	279,000	0
340	Charges for Goods and Services	0	0
350	Fines and Forfeits	0	0
360	Miscellaneous	84	9
370	Capital Contributions	0	0
390	Other Financing Sources	0	0
	<b>Total Revenues and Other Sources</b>	279,084	164,153
	<b>Total Resources</b>	283,297	165,389
Operating Expenditures:			
510	General Government	0	0
520	Public Safety	119,365	0
530	Physical Environment	0	0
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	0	0
	<b>Total Operating Expenditures</b>	119,365	0
591-593	Debt Service	91	0
594-595	Capital Outlay	10,129	0
	<b>Total Expenditures</b>	129,585	0
596-599	Other Financing Uses	73,291	163,463
	<b>Total Expenditures and Other Uses</b>	202,876	163,463
	<b>Excess (Deficit) of Resources Over Uses</b>	80,421	1,926
380	Nonrevenues (Except 384 and 388.80)	0	0
580	Nonexpenditures (Except 584 and 588.80)	80,000	0
<b>Ending Cash and Investments:</b>			
508.10	Reserved	\$0	\$0
508.80	Unreserved	\$421	\$1,926
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			

MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 6 of 18
BARS CODE		Fund Number and Name	
		111 Real Estate Excise Tax - 1st 1/4 Percent	112 Real Estate Excise Tax - 2nd 1/4 Percent
		Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved	\$0	\$0
308.80	Unreserved	\$218,919	\$43,139
388.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	157,394	157,394
320	Licenses and Permits	0	0
330	Intergovernmental	0	0
340	Charges for Goods and Services	0	0
350	Fines and Forfeits	0	0
360	Miscellaneous	388	25
370	Capital Contributions	0	0
390	Other Financing Sources	200,000	12,000
<b>Total Revenues and Other Sources</b>		357,782	169,419
<b>Total Resources</b>		576,701	212,558
Operating Expenditures:			
510	General Government	0	0
520	Public Safety	0	0
530	Physical Environment	0	0
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	0	0
<b>Total Operating Expenditures</b>		0	0
591-593	Debt Service	0	0
594-595	Capital Outlay	0	0
<b>Total Expenditures</b>		0	0
596-599	Other Financing Uses	450,696	203,457
<b>Total Expenditures and Other Uses</b>		450,696	203,457
<b>Excess (Deficit) of Resources Over Uses</b>		126,005	9,101
380	Nonrevenues (Except 384 and 388.80)	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0
<b>Ending Cash and Investments:</b>			
508.10	Reserved	\$0	\$0
508.80	Unreserved	\$126,005	\$9,101
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			

MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 7 of 18
BARS CODE		Fund Number and Name	Fund Number and Name
		198 Hotel Motel	213 1998 City Hall LTGO Bond Redemption
		Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved	\$0	\$0
308.80	Unreserved	\$17,706	\$6,710
388.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	69,081	0
320	Licenses and Permits	0	0
330	Intergovernmental	0	0
340	Charges for Goods and Services	0	0
350	Fines and Forfeits	0	0
360	Miscellaneous	41	114
370	Capital Contributions	0	0
390	Other Financing Sources	0	62,973
<b>Total Revenues and Other Sources</b>		69,122	63,087
<b>Total Resources</b>		86,828	69,797
Operating Expenditures:			
510	General Government	0	0
520	Public Safety	0	0
530	Physical Environment	0	0
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	59,833	0
<b>Total Operating Expenditures</b>		59,833	0
591-593	Debt Service	0	69,201
594-595	Capital Outlay	0	0
<b>Total Expenditures</b>		59,833	69,201
596-599	Other Financing Uses	8,800	0
<b>Total Expenditures and Other Uses</b>		68,633	69,201
<b>Excess (Deficit) of Resources Over Uses</b>		18,195	596
380	Nonrevenues (Except 384 and 388.80)	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0
<b>Ending Cash and Investments:</b>			
508.10	Reserved	\$0	\$0
508.80	Unreserved	\$18,195	\$596
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			

MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 8 of 18
BARS CODE	Fund Number and Name		Fund Number and Name
	214 Street/Parks/Land Debt Service		215 LaBounty LID 2006-1 Bond Redemption
	Actual Amount		Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved	\$0	\$0
308.80	Unreserved	\$1,618	\$11,125
388.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	0	0
320	Licenses and Permits	0	0
330	Intergovernmental	0	0
340	Charges for Goods and Services	0	0
350	Fines and Forfeits	0	0
360	Miscellaneous	325	46,718
370	Capital Contributions	0	0
390	Other Financing Sources	358,428	3,000
	<b>Total Revenues and Other Sources</b>	<b>358,753</b>	<b>49,718</b>
	<b>Total Resources</b>	<b>360,371</b>	<b>60,843</b>
Operating Expenditures:			
510	General Government	0	0
520	Public Safety	0	0
530	Physical Environment	0	0
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	0	0
	<b>Total Operating Expenditures</b>	<b>0</b>	<b>0</b>
591-593	Debt Service	358,428	49,087
594-595	Capital Outlay	0	0
	<b>Total Expenditures</b>	<b>358,428</b>	<b>49,087</b>
596-599	Other Financing Uses	0	9,000
	<b>Total Expenditures and Other Uses</b>	<b>358,428</b>	<b>58,087</b>
	<b>Excess (Deficit) of Resources Over Uses</b>	<b>1,943</b>	<b>2,756</b>
380	Nonrevenues (Except 384 and 388.80)	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0
<b>Ending Cash and Investments:</b>			
508.10	Reserved	\$0	\$0
508.80	Unreserved	\$1,943	\$2,756
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			

MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 9 of 18
BARS CODE	Fund Number and Name		Fund Number and Name
	216 LaBounty LID 2006-1 Bond Guarantee		217 LaBounty LTGO Bond Redemption
	Actual Amount		Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved	\$43,014	\$0
308.80	Unreserved	\$0	\$53
388.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	0	0
320	Licenses and Permits	0	0
330	Intergovernmental	0	0
340	Charges for Goods and Services	0	0
350	Fines and Forfeits	0	0
360	Miscellaneous	87	40
370	Capital Contributions	0	0
390	Other Financing Sources	0	30,053
	<b>Total Revenues and Other Sources</b>	87	30,093
	<b>Total Resources</b>	43,101	30,146
Operating Expenditures:			
510	General Government	0	0
520	Public Safety	0	0
530	Physical Environment	0	0
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	0	0
	<b>Total Operating Expenditures</b>	0	0
591-593	Debt Service	0	30,052
594-595	Capital Outlay	0	0
	<b>Total Expenditures</b>	0	30,052
596-599	Other Financing Uses	3,000	0
	<b>Total Expenditures and Other Uses</b>	3,000	30,052
	<b>Excess (Deficit) of Resources Over Uses</b>	40,101	94
380	Nonrevenues (Except 384 and 388.80)	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0
<b>Ending Cash and Investments:</b>			
508.10	Reserved	\$40,101	\$0
508.80	Unreserved	\$0	\$94
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			

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

For the Year Ended December 31, 2011

BARS CODE		Fund Number and Name	
		218 2010 G.O. Bond Redemption Fund (Incl. Fund Number 218, Eliminations)	
		Actual Amount	
<b>Beginning Cash and Investments:</b>			
308.10	Reserved		\$0
308.80	Unreserved		\$769
388.80	Prior Period Adjustments		\$0
<b>Revenues and Other Sources</b>			
310	Taxes		0
320	Licenses and Permits		0
330	Intergovernmental		\$88,264
340	Charges for Goods and Services		0
350	Fines and Forfeits		0
360	Miscellaneous		500
370	Capital Contributions		0
390	Other Financing Sources		354,965
<b>Total Revenues and Other Sources</b>			443,729
<b>Total Resources</b>			444,498
Operating Expenditures:			
510	General Government		0
520	Public Safety		0
530	Physical Environment		0
540	Transportation		0
550	Economic Environment		0
560	Mental and Physical Health		0
570	Culture and Recreation		0
<b>Total Operating Expenditures</b>			0
591-593	Debt Service		442,897
594-595	Capital Outlay		0
<b>Total Expenditures</b>			442,897
596-599	Other Financing Uses		0
<b>Total Expenditures and Other Uses</b>			442,897
<b>Excess (Deficit) of Resources Over Uses</b>			1,601
380	Nonrevenues (Except 384 and 388.80)		0
580	Nonexpenditures (Except 584 and 588.80)		0
<b>Ending Cash and Investments:</b>			
508.10	Reserved		\$0
508.80	Unreserved		\$1,601

*The Accompanying Notes Are An Integral Part Of This Statement.*

MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 11 of 18
BARS CODE	Fund Number and Name		Fund Number and Name
	219 2011 LTGO Bond Redemption		305 Pioneer Park Pavilion Construction
	Actual Amount		Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved	\$0	\$0
308.80	Unreserved	\$0	\$240,871
388.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	0	0
320	Licenses and Permits	0	0
330	Intergovernmental	0	0
340	Charges for Goods and Services	0	0
350	Fines and Forfeits	0	0
360	Miscellaneous	24	89
370	Capital Contributions	0	0
390	Other Financing Sources	28,907	43,722
	<b>Total Revenues and Other Sources</b>	28,931	43,811
	<b>Total Resources</b>	28,931	284,682
Operating Expenditures:			
510	General Government	0	0
520	Public Safety	0	0
530	Physical Environment	0	0
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	0	0
	<b>Total Operating Expenditures</b>	0	0
591-593	Debt Service	0	0
594-595	Capital Outlay	0	284,682
	<b>Total Expenditures</b>	0	284,682
596-599	Other Financing Uses	0	0
	<b>Total Expenditures and Other Uses</b>	0	284,682
	<b>Excess (Deficit) of Resources Over Uses</b>	28,931	0
380	Nonrevenues (Except 384 and 388.80)	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0
<b>Ending Cash and Investments:</b>			
508.10	Reserved	\$0	\$0
508.80	Unreserved	\$28,931	\$0
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			

MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 12 of 18
BARS CODE	Fund Number and Name		Fund Number and Name
	306 Second Ave. Construction		307 New Library Construction
	Actual Amount		Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved	\$0	\$0
308.80	Unreserved	\$182,137	\$116,160
388.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	0	246
320	Licenses and Permits	0	0
330	Intergovernmental	0	0
340	Charges for Goods and Services	0	0
350	Fines and Forfeits	0	0
360	Miscellaneous	210	157,525
370	Capital Contributions	0	0
390	Other Financing Sources	0	69,000
<b>Total Revenues and Other Sources</b>		210	226,771
<b>Total Resources</b>		182,347	342,931
Operating Expenditures:			
510	General Government	0	304,870
520	Public Safety	0	0
530	Physical Environment	0	0
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	0	0
<b>Total Operating Expenditures</b>		0	304,870
591-593	Debt Service	0	0
594-595	Capital Outlay	164,196	0
<b>Total Expenditures</b>		164,196	304,870
596-599	Other Financing Uses	12,000	0
<b>Total Expenditures and Other Uses</b>		176,196	304,870
<b>Excess (Deficit) of Resources Over Uses</b>		6,151	38,061
380	Nonrevenues (Except 384 and 388.80)	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0
<b>Ending Cash and Investments:</b>			
508.10	Reserved	\$0	\$0
508.80	Unreserved	\$6,151	\$38,061
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			



MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 13 of 18
BARS CODE	Fund Number and Name		Fund Number and Name
	308 Main St. 3rd to Church Construction		346 Church Road Construction
	Actual Amount		Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved	\$0	\$0
308.80	Unreserved	\$3,016	\$574,367
388.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	0	0
320	Licenses and Permits	0	0
330	Intergovernmental	1,584,588	0
340	Charges for Goods and Services	0	0
350	Fines and Forfeits	0	0
360	Miscellaneous	238	1,065
370	Capital Contributions	0	0
390	Other Financing Sources	612,813	0
	<b>Total Revenues and Other Sources</b>	<b>2,197,639</b>	<b>1,065</b>
	<b>Total Resources</b>	<b>2,200,655</b>	<b>575,432</b>
Operating Expenditures:			
510	General Government	0	0
520	Public Safety	0	0
530	Physical Environment	0	0
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	0	0
	<b>Total Operating Expenditures</b>	<b>0</b>	<b>0</b>
591-593	Debt Service	962	0
594-595	Capital Outlay	1,269,082	85,753
	<b>Total Expenditures</b>	<b>1,270,044</b>	<b>85,753</b>
596-599	Other Financing Uses	0	0
	<b>Total Expenditures and Other Uses</b>	<b>1,270,044</b>	<b>85,753</b>
	<b>Excess (Deficit) of Resources Over Uses</b>	<b>930,611</b>	<b>489,679</b>
380	Nonrevenues (Except 384 and 388.80)	150,000	0
580	Nonexpenditures (Except 584 and 588.80)	790,000	0
<b>Ending Cash and Investments:</b>			
508.10	Reserved	\$0	\$0
508.80	Unreserved	\$290,611	\$489,679
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			

MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 14 of 18
BARS CODE	Fund Number and Name		
	375 New Police Station Construction		Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved		\$0
308.80	Unreserved		\$3,262,304
388.80	Prior Period Adjustments		\$0
<b>Revenues and Other Sources</b>			
310	Taxes		0
320	Licenses and Permits		0
330	Intergovernmental		0
340	Charges for Goods and Services		0
350	Fines and Forfeits		0
360	Miscellaneous		12,408
370	Capital Contributions		0
390	Other Financing Sources		1,600,000
<b>Total Revenues and Other Sources</b>			1,612,408
<b>Total Resources</b>			4,874,712
Operating Expenditures:			
510	General Government		0
520	Public Safety		0
530	Physical Environment		0
540	Transportation		0
550	Economic Environment		0
560	Mental and Physical Health		0
570	Culture and Recreation		0
<b>Total Operating Expenditures</b>			0
591-593	Debt Service		28,587
594-595	Capital Outlay		2,249,042
<b>Total Expenditures</b>			2,277,629
596-599	Other Financing Uses		0
<b>Total Expenditures and Other Uses</b>			2,277,629
<b>Excess (Deficit) of Resources Over Uses</b>			2,597,083
380	Nonrevenues (Except 384 and 388.80)		0
580	Nonexpenditures (Except 584 and 588.80)		0
<b>Ending Cash and Investments:</b>			
508.10	Reserved		\$0
508.80	Unreserved		\$2,597,083
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			

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

For the Year Ended December 31, 2011

BARS CODE		Water Fund	
		<b>Enterprise (Proprietary) Utility Fund</b>	
		(Incl. Fund Numbers 401, Partial 218/408, Eliminations)	
		<b>Actual Amount</b>	
<b>Beginning Cash and Investments:</b>			
308.10	Reserved		\$0
308.80	Unreserved		\$557,474
388.80	Prior Period Adjustments		\$0
<b>Revenues and Other Sources</b>			
310	Taxes		0
320	Licenses and Permits		0
330	Intergovernmental		0
340	Charges for Goods and Services		2,286,417
350	Fines and Forfeits		0
360	Miscellaneous		26,313
370	Capital Contributions		0
390	Other Financing Sources		0
<b>Total Revenues and Other Sources</b>			2,312,730
<b>Total Resources</b>			2,870,204
Operating Expenditures:			
510	General Government		0
520	Public Safety		0
530	Physical Environment		1,365,746
540	Transportation		0
550	Economic Environment		0
560	Mental and Physical Health		0
570	Culture and Recreation		0
<b>Total Operating Expenditures</b>			1,365,746
591-593	Debt Service		115,060
594-595	Capital Outlay		5,001,495
<b>Total Expenditures</b>			6,482,301
596-599	Other Financing Uses		30,194
<b>Total Expenditures and Other Uses</b>			6,512,495
<b>Excess (Deficit) of Resources Over Uses</b>			<b>(3,642,291)</b>
380	Nonrevenues (Except 384 and 388.80)		5,495,000
580	Nonexpenditures (Except 584 and 588.80)		216,646
<b>Ending Cash and Investments:</b>			
508.10	Reserved		\$161,034
508.80	Unreserved		\$1,475,029

*The Accompanying Notes Are An Integral Part Of This Statement.*

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

For the Year Ended December 31, 2011

BARS CODE		Sewer Fund	
		Enterprise (Proprietary) Utility Fund	
		(Incl. Fund Numbers 402, 403, 404, Partial 218/408, Eliminations)	
			Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved		\$896,535
308.80	Unreserved		\$375,584
388.80	Prior Period Adjustments		\$0
<b>Revenues and Other Sources</b>			
310	Taxes		0
320	Licenses and Permits		0
330	Intergovernmental		0
340	Charges for Goods and Services		2,735,748
350	Fines and Forfeits		0
360	Miscellaneous		44,159
370	Capital Contributions		0
390	Other Financing Sources		75,000
<b>Total Revenues and Other Sources</b>			2,854,907
<b>Total Resources</b>			4,127,026
Operating Expenditures:			
510	General Government		0
520	Public Safety		0
530	Physical Environment		1,168,195
540	Transportation		0
550	Economic Environment		0
560	Mental and Physical Health		0
570	Culture and Recreation		0
<b>Total Operating Expenditures</b>			1,168,195
591-593	Debt Service		243,517
594-595	Capital Outlay		575,191
<b>Total Expenditures</b>			1,986,903
596-599	Other Financing Uses		205,928
<b>Total Expenditures and Other Uses</b>			2,192,831
<b>Excess (Deficit) of Resources Over Uses</b>			1,934,195
380	Nonrevenues (Except 384 and 388.80)		1,250,000
580	Nonexpenditures (Except 584 and 588.80)		860,876
<b>Ending Cash and Investments:</b>			
508.10	Reserved		\$896,000
508.80	Unreserved		\$1,427,319

The Accompanying Notes Are An Integral Part Of This Statement.

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

For the Year Ended December 31, 2011

BARS CODE		Storm Fund	
		<b>Enterprise (Proprietary) Utility Fund</b>	
		(Incl. Fund Numbers 407, 412, Partial 218/408, Eliminations)	
		<b>Actual Amount</b>	
<b>Beginning Cash and Investments:</b>			
308.10	Reserved		\$0
308.80	Unreserved		\$93,771
388.80	Prior Period Adjustments		\$0
<b>Revenues and Other Sources</b>			
310	Taxes		0
320	Licenses and Permits		0
330	Intergovernmental		146,849
340	Charges for Goods and Services		644,305
350	Fines and Forfeits		0
360	Miscellaneous		186
370	Capital Contributions		0
390	Other Financing Sources		0
<b>Total Revenues and Other Sources</b>			791,340
<b>Total Resources</b>			885,111
Operating Expenditures:			
510	General Government		0
520	Public Safety		0
530	Physical Environment		0
540	Transportation		379,270
550	Economic Environment		0
560	Mental and Physical Health		0
570	Culture and Recreation		0
<b>Total Operating Expenditures</b>			379,270
591-593	Debt Service		25,866
594-595	Capital Outlay		282,132
<b>Total Expenditures</b>			687,268
596-599	Other Financing Uses		0
<b>Total Expenditures and Other Uses</b>			687,268
<b>Excess (Deficit) of Resources Over Uses</b>			197,843
380	Nonrevenues (Except 384 and 388.80)		100,000
580	Nonexpenditures (Except 584 and 588.80)		7,895
<b>Ending Cash and Investments:</b>			
508.10	Reserved		\$0
508.80	Unreserved		\$289,948

*The Accompanying Notes Are An Integral Part Of This Statement.*

MCAG NO. 0786		STATEMENT C-4	
CITY OF FERNDALE			
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS			
For the Year Ended December 31, 2011			
			Page 18 of 18
BARS CODE		Fund Number and Name	
		510 Computer Repair and Replacement	550 Equipment Repair and Replacement
		Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>			
308.10	Reserved	\$0	\$0
308.80	Unreserved	\$57,069	\$18,000
388.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	0	0
320	Licenses and Permits	0	0
330	Intergovernmental	0	0
340	Charges for Goods and Services	0	0
350	Fines and Forfeits	0	0
360	Miscellaneous	119,174	409,137
370	Capital Contributions	0	0
390	Other Financing Sources	7,500	66,410
<b>Total Revenues and Other Sources</b>		126,674	475,547
<b>Total Resources</b>		183,743	493,547
Operating Expenditures:			
510	General Government	75,675	0
520	Public Safety	0	0
530	Physical Environment	0	0
540	Transportation	0	412,420
550	Economic Environment	0	0
560	Mental and Physical Health	0	0
570	Culture and Recreation	0	0
<b>Total Operating Expenditures</b>		75,675	412,420
591-593	Debt Service	0	0
594-595	Capital Outlay	35,929	63,283
<b>Total Expenditures</b>		111,604	475,703
596-599	Other Financing Uses	45,000	0
<b>Total Expenditures and Other Uses</b>		156,604	475,703
<b>Excess (Deficit) of Resources Over Uses</b>		27,139	17,844
380	Nonrevenues (Except 384 and 388.80)	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0
<b>Ending Cash and Investments:</b>			
508.10	Reserved	\$0	\$0
508.80	Unreserved	\$27,139	\$17,844
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			

<b>CITY OF FERNDALE</b>
<b>FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS</b>

<b>For the Year Ended December 31, 2011</b>
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<b>BARS CODE</b>		<b>Fund Number and Name</b>	
		650 Court Agency	
		<b>Actual Amount</b>	
	Beginning Cash and Investments	\$40,997	
	Prior Period Adjustments	\$0	
	Revenues and Other Financing Sources	192,384	
	Total Resources	233,381	
	Expenditures and Other Financing Uses	181,964	
	Excess (Deficit) of Resources Over Uses	51,417	
	Nonrevenues (Except 384)		
	Nonexpenditures (Except 584)		
	Ending Cash and Investments:	\$51,417	
<i>The Accompanying Notes Are An Integral Part Of This Statement.</i>			

CITY OF FERNDALE, WASHINGTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011

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 20<sup>th</sup> 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. Annual appropriated budgets are adopted at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations lapse at the fiscal year end.

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

The appropriated and actual expenditures for the legally adopted 2011 budgets were as follows:

		<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>\$ Variance</u>
<u>Current Expense/001</u>				
Council				
Salary/Benefits/Payroll Taxes		\$49,011	\$45,109	\$3,902
Non-Labor		870	296	574
	Council	\$49,881	\$45,405	\$4,476
Court				
Salary/Benefits/Payroll Taxes		\$130,785	\$127,052	\$3,733
Non-Labor		139,350	153,639	(14,289)
	Court	\$270,135	\$280,691	(\$10,556)
Administration				
Salary/Benefits/Payroll Taxes		\$202,905	\$188,889	\$14,016
Non-Labor		7,800	3,136	4,664
	Administration	\$210,705	\$192,025	\$18,680
Clerk/Treasurer				
Salary/Benefits/Payroll Taxes		\$337,261	\$352,672	(\$15,411)
Non-Labor		23,300	26,106	(2,806)
	Clerk/Treasurer	\$360,561	\$378,778	(\$18,217)
	Legal Services	\$80,000	\$85,133	(\$5,133)
General Government				
Non-Labor - General		\$299,352	\$308,687	(\$9,335)
Non-Labor - Insurance		285,488	286,588	(1,100)
Non-Labor - Unemployment Payments		33,192	33,192	0
Non-Labor - AWC Insurance RMSA Payment		35,000	35,000	0
Capital		93,000	90,641	2,359
	General Government	\$746,032	\$754,108	(\$8,076)
Law Enforcement				
Salary/Benefits/Payroll Taxes - Exc O.T. & Legal Setl		\$2,117,890	\$1,988,760	\$129,130
Overtime - General		32,000	88,519	(56,519)
Overtime - Stonegarden Grant		0	2,361	(2,361)
Overtime - Traffic Safety		0	7,592	(7,592)
Overtime - Special Events		8,300	11,364	(3,064)
Salary/FICA/Medicare - Legal Settlement		21,530	21,530	-
Facility:				
Rent		\$23,410	\$23,320	\$90
Other		9,590	9,150	440
Total Facility		\$33,000	\$32,470	\$530
Computer/Equip. Rent Non-Labor		132,000	132,000	-
Other Non-Labor		279,463	294,907	(15,444)
Capital		0	0	-
	Law Enforcement	\$2,624,183	\$2,579,503	\$44,680
	Fire Control	\$1,099,004	\$1,099,004	\$0
Detention				

Salary/Benefits/Payroll Taxes		\$90,568	\$90,118	\$450
Jail Contract Non-Labor		295,000	283,984	11,016
Jail Credits Non-Labor		(70,272)	(79,048)	8,776
Other Non-Labor		4,265	2,041	2,224
	Detention	\$319,561	\$297,095	\$22,466
Building Inspection				
Salary/Benefits/Payroll Taxes		\$234,099	\$228,394	\$5,705
Computer/Equip.Rent Non-Labor		15,600	15,600	0
Other Non-Labor		10,700	7,652	3,048
Capital		0	0	-
	Building Inspection	\$260,399	\$251,646	\$8,753
	Emergency	\$98,000	\$103,045	(\$5,045)
	Clean Air	\$3,878	\$3,878	\$0
Engineering				
Salary/Benefits/Payroll Taxes		\$191,977	\$154,491	\$37,486
Non-Labor		28,500	36,277	(7,777)
	Engineering	\$220,477	\$190,768	\$29,709
General Bldg. Maint.				
Salary/Benefits/Payroll Taxes		\$51,100	\$40,749	\$10,351
Non-Labor		38,800	49,506	(10,706)
Capital			1,430	(1,430)
	General Bldg. Maint.	\$89,900	\$91,685	(\$1,785)
Parks				
Salary/Benefits/Payroll Taxes		\$262,857	\$260,493	\$2,364
Equip.Rent Non-Labor		43,200	43,200	0
Other Non-Labor		62,600	62,309	291
Capital		2,129	19,795	(17,666)
	Parks	\$370,786	\$385,797	(\$15,011)
	Mental/Physical Health	\$3,000	\$2,706	\$294
Community Development Dept. 019				
Salary/Benefits/Payroll Taxes		\$361,797	\$346,547	\$15,250
Computer Rent Non-Labor		28,800	28,800	0
Other Non-Labor		56,300	40,627	15,673
Capital		0	0	-
	Community Development Dept. 019	\$446,897	\$415,974	\$30,923
Community Development 2020 Dept. 020				
Salary/Benefits/Payroll Taxes		\$0	\$0	\$0
Other Non-Labor		270,516	255,721	14,795
	Community Development 2020 Dept. 020	\$270,516	\$255,721	\$14,795
	Transfers/Interfund Loans	\$112,196	\$112,196	\$0
Current Expense Fund No. 001 - Total Expenses		\$7,636,111	\$7,525,158	\$110,953

<u>Gen. Fund Contingency Reserve/002</u>		\$230,000	\$230,000	\$0
<u>Facilities Capital Reserve/003</u>		\$93,000	\$93,000	\$0
<u>LEOFF 1 Reserve/004</u>		\$253,537	\$252,000	\$1,537
<u>Solid Waste Tax/005</u>		\$1,223,268	\$1,207,668	\$15,600
<u>Street/101</u>				
Administration				
Salary/Benefits/Payroll Taxes		\$69,103	\$76,128	(\$7,025)
Central Services, Computer/Equip. Rent Non-Labor		183,302	183,302	-
Other Non-Labor		34,650	28,348	6,302
	Administration	\$287,055	\$287,778	(\$723)
Sidewalks				
Salary/Benefits/Payroll Taxes		\$26,253	\$29,850	(\$3,597)
Non-Labor		3,000	806	2,194
	Sidewalks	\$29,253	\$30,656	(\$1,403)
Roadway				
Salary/Benefits/Payroll Taxes		\$206,359	\$202,315	\$4,044
Other Non-Labor		44,000	37,861	6,139
	Roadway	\$250,359	\$240,176	\$10,183
	Street Lights	\$155,000	\$152,410	\$2,590
Traffic Control				
Salary/Benefits/Payroll Taxes		\$44,740	\$51,473	(\$6,733)
Non-Labor		50,000	33,824	16,176
Capital		0	0	-
	Traffic Control	\$94,740	\$85,297	\$9,443
Snow & Ice				
Salary/Benefits/Payroll Taxes		\$16,037	\$11,875	\$4,162
Non-Labor		7,200	4,041	3,159
	Snow & Ice	\$23,237	\$15,916	\$7,321
Street Cleaning				
Salary/Benefits/Payroll Taxes		\$19,099	\$22,199	(\$3,100)
Non-Labor		500	0	500
	Street Cleaning	\$19,599	\$22,199	(\$2,600)
	Capital Projects	\$265,000	\$289,677	(\$24,677)
Street Fund No. 101 - Total Expenses		\$1,124,243	\$1,124,109	\$134
<u>Park Mitigation/102</u>		\$98,041	\$98,041	\$0
<u>Traffic Mitigation/104</u>		\$373,125	\$373,125	\$0
<u>Criminal Justice/106</u>		\$283,365	\$282,876	\$489
<u>Local Criminal Justice/107</u>		\$163,463	\$163,463	\$0
<u>Real Estate Excise Tax REET 1/111</u>		\$456,695	\$450,696	\$5,999

<u>Real Estate Excise Tax REET 2/112</u>	\$203,458	\$203,457	\$1	
<u>Hotel Motel Tax/198</u>	\$70,000	\$68,633	\$1,367	
<u>1998 LTGO Bonds (City Hall)/213</u>	\$69,202	\$69,201	\$1	
<u>Street/Parks/Land Debt Service/214</u>	\$358,429	\$358,429	\$0	
<u>LaBounty LID 2006-1 Bond Debt Service/215</u>	\$58,895	\$58,087	\$808	
<u>LaBounty LID 2006-1 Bond Guarantee/216</u>	\$3,000	\$3,000	\$0	
<u>LaBounty GO Bond Debt Service/217</u>	\$30,052	\$30,052	\$0	
<u>2010 GO Bond Debt Service/218</u>	\$507,835	\$507,835	\$0	
<u>2011 GO Bond Debt Service/219</u>	\$0	\$0	\$0	
<u>Second Ave. Constr./306</u>	\$182,475	\$176,196	\$6,279	
<u>New Library Constr./307</u>	\$333,620	\$304,870	\$28,750	
<u>Main St. - 3rd to Church Constr./308</u>	\$2,087,901	\$2,060,044	\$27,857	
<u>Church Road Construction/346</u>	\$483,228	\$85,753	\$397,475	
<u>Public Safety Bldg Constr/375</u>	\$4,798,826	\$2,277,629	\$2,521,197	
<u>Water/401</u>				
Administration				
Salary/Benefits/Payroll Taxes	\$159,340	\$146,720	\$12,620	
Cent. Svcs, B&O Tax, Computer/Equip.Rent Non-Labor	263,264	286,733	(23,469)	
Other Non-Labor	48,900	30,521	18,379	
	Administration	\$471,504	\$463,974	\$7,530
Maintenance				
Salary/Benefits/Payroll Taxes	\$205,523	\$210,101	(\$4,578)	
Non-Labor	36,900	44,060	(7,160)	
	Maintenance	\$242,423	\$254,161	(\$11,738)
Operations				
Salary/Benefits/Payroll Taxes	\$141,674	\$146,328	(\$4,654)	
Water Purchases from PUD Non-Labor	265,000	272,966	(7,966)	
Chemical Purchases from PUD Non-Labor	70,000	48,369	21,631	
PSE Electricity Non-Labor	85,000	103,714	(18,714)	
Other Non-Labor	84,750	71,685	13,065	

	Operations	\$646,424	\$643,062	\$3,362
	Capital	\$6,144,871	\$5,001,496	\$1,143,375
	Transfers/Loans/Misc	\$522,934	\$522,934	\$0
Total Expenses		\$8,028,156	\$6,885,627	\$1,142,529
<u>Sewer/402</u>				
Administration				
Salary/Benefits/Payroll Taxes		\$118,325	\$108,184	\$10,141
Cent. Svcs, B&O Tax, Computer/Equip.Rent Non-Labor		225,444	242,362	(16,918)
Other Non-Labor		13,169	22,940	(9,771)
	Administration	\$356,938	\$373,486	(\$16,548)
Maintenance				
Salary/Benefits/Payroll Taxes		\$142,711	\$148,499	(\$5,788)
Non-Labor		103,676	46,836	56,840
	Maintenance	\$246,387	\$195,335	\$51,052
Operations				
Salary/Benefits/Payroll Taxes		\$141,670	\$139,569	\$2,101
PSE Electricity Non-Labor		135,000	187,728	(52,728)
Sludge Removal Non-Labor		161,700	142,560	19,140
Other Non-Labor		134,675	129,517	5,158
	Operations	\$573,045	\$599,374	(\$26,329)
	Capital	\$1,329,558	\$575,192	\$754,366
	Transfers/Debt Service/Loans/Misc	\$1,306,421	\$1,207,420	\$99,001
Total Expenses		\$3,812,349	\$2,950,807	\$861,542
<u>95/96/05 Bond Reserve/404</u>				
		\$9,969	\$8,556	\$1,413
<u>Storm &amp; Flood Control/407</u>				
Salary/Benefits/Payroll Taxes				
		\$220,756	\$216,238	\$4,518
Cent. Svcs, B&O Tax, Computer/Equip.Rent Non-Labor		97,742	97,712	30
Non-Labor - Other		64,385	65,321	(936)
Capital		213,695	209,354	4,341
Transfers/Debt Service/Loans		33,646	33,646	-
Total Expenses		\$630,224	\$622,271	\$7,953
<u>Utility Loan Service/408</u>				
		\$420,849	\$420,849	\$0
<u>Storm Regional Pond/Debt Service/412</u>				
		\$75,300	\$72,892	\$2,408
<u>Computer Repair/Replace/510</u>				
		\$162,269	\$156,604	\$5,665

<u>Equipment Maint./Replace/550</u>			
Salary/Benefits/Payroll Taxes	\$104,955	\$102,728	\$2,227
Central Services Non-Labor	29,611	29,611	0
Insurance Non-Labor	60,000	60,000	0
Op Supplies / Parts Non-Labor	60,000	61,109	(1,109)
Gas/Oil Non-Labor	120,000	120,296	(296)
Contract R&M Non-Labor	15,000	15,169	(169)
Other Non-Labor	26,025	23,507	2,518
Capital	66,000	63,283	2,717
Total Expenses:	\$481,591	\$475,703	\$5,888
 <u>Court Agency/650</u>	 \$200,000	 \$192,384	 \$7,616

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

m. Reserved Fund Balance

The balance of reserved cash, as at December 31, 2011, is \$1,139,370. The amounts by fund per the financial statements schedules C-4 are as follows:

General Fund \$42,235  
LaBounty LID 2006-1 Bond Guarantee Fund \$40,101  
Water Enterprise Fund \$161,034  
Sewer Enterprise Fund \$896,000

All but the General Fund amounts are required per State Loan documents and Enterprise Funds Revenue Parity Bonds.

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, 2011, including market value, are as follows:

Local Government Investment Pool (WA State): \$5,896,333 (Market Value is the same)

FNMA Bonds CUSIP 31398A3L4: \$501,328 (Market Value is \$505,640)

FNMA Bonds CUSIP 3136FPEX1: \$496,698 (Market Value is \$495,752)

Total \$6,894,359 (Market Value is \$6,897,725)

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 2011 was \$1.981580 per \$1,000 on an assessed valuation of \$1,049,104,195 for a total regular levy of \$2,078,884.



NOTE-5-INTERFUND LOANS AND ADVANCES

The following table displays Interfund Loan activity during 2011:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2011</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2011</u>
Main St. 3rd to Church Constr. 308	Water  401	\$250,000	\$0	\$250,000	\$0
Main St. 3rd to Church Constr. 308	Sewer  402	\$250,000	\$0	\$250,000	\$0
Main St. 3rd to Church Constr. 308	Current Expense 001	\$250,000	\$0	\$250,000	\$0
Main St. 3rd to Church Constr. 308	Facilities Cap. Reserve 003	\$40,000	\$0	\$40,000	\$0
Criminal Justice 106	Current Expense 001	\$80,000	\$0	\$80,000	\$0
Street  101	LEOFFI Police Retiree 004	\$0	\$203,000	\$0	\$203,000
Main St. 3rd to Church Constr. 308	Water  401	\$0	\$150,000	\$0	\$150,000
Regional Storm Pond Constr. 412	Current Expense 001	\$0	\$100,000	\$0	\$100,000
	<b>TOTALS</b>	<b>\$870,000</b>	<b>\$453,000</b>	<b>\$870,000</b>	<b>\$453,000</b>

NOTE-6-LONG TERM DEBT

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the City of Ferndale and summarizes the City of Ferndale's debt transactions for 2011. Debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

Year(s)	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt Service
2011	\$788,110	\$1,065,506	\$327,484	\$2,181,100
2012	883,116	1,551,945	323,874	2,758,935
2013	887,071	1,570,094	323,257	2,780,422
2014	868,918	1,590,466	131,966	2,591,350
2015	853,123	1,613,613	130,053	2,596,789
2016-2020	3,305,567	2,863,684	2,510,375	8,679,626
2021-2025	3,307,633	1,416,587	1,810,655	6,534,875
2026-2030	2,308,224	2,362,475	140,420	4,811,119
2031-2035	0	470,813	0	470,813
Total Debt Service	\$13,201,762	\$14,505,183	\$5,698,084	\$33,405,029

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>	Percent <u>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, 2011, 86 municipalities/entities participate in the RMSA Pool.

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

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

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

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

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

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

NOTE-9-CASH BALANCES AS AT DEC. 31, 2011

The Year-End 2011 cash balances include General/Court Petty Cash/Change Funds and Court Checking Account General Ledger balance as follows:

General Fund: \$950 Petty Cash/Change Funds

Court Agency Fund: \$51,417 Court Checking Account Funds

The above amounts are not included in Schedule 11.

NOTE-10-OPEB – LEOFF1 Retiree Other-Than-Pension Post-Employment Benefits

The City of Ferndale has a commitment to pay for post employment benefits for three (3) retired Police Officer employees who belong to the Washington State Department of Retirement Systems LEOFF1 program. These benefits include unlimited medical, limited dental, and unlimited nursing care (including in-home assistance, assisted living, and full certified nursing facility care). The three retired employees received benefits during the year and \$49,000 was paid out for those benefits in 2011. The LEOFF1 Police Retiree Fund No. 004 had a cash balance at 12/31/11 of \$42,423. A 2011 interfund loan in the amount of \$203,000 was repaid in February of 2012, bringing the cash balance at 2/29/12 to \$286,729.

CITY OF FERDALE

X G.O. Debt

Revenue Debt  
Assessment Debt

LIABILITIES

For the Year Ended December 31, 2011

ID. No./Description	Date of Original Issue	Maturity/ Pmt. Due Date	Beginning Balance 1/1/2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2011
251.11 '98 LTGO BONDS-CITY HALL	2/1/1998	12/1/2013 Pr 12/1 Int 6/1 & 12/1	\$185,000	\$0	\$60,000	582._____ 591.80.72.00 599._____ 582.38.78.01 591._____ 599._____ 582._____ 591.70.00.04 599._____ 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._____ 582._____ 591.80.71.01 599._____ 582._____ 591.21.71.01 599._____ 582._____ 591.21.71.01 599._____ 582._____ 591.21.71.01 599._____	\$125,000
263.81 PWTF LOAN-STORM	11/8/2004	9/1/2024 P&I 7/1	\$102,630	\$0	\$7,895		\$94,735
263.91 KeyBank LTGO BOND-STREET LIGHTS	7/29/2005	7/29/2015 P&I Monthly by the 15th	\$161,444	\$0	\$32,914		\$128,530
263.91 Whatcom Co. Public Util. Impr. Fund Loan	8/30/2007	8/30/2027 P&I 9/26	\$1,047,573	\$0	\$54,558		\$993,015
263.96 LOCAL Program Water Booster Pump Sta. BOND	6/6/2008	6/1/2028 Pr 6/1 Int 6/1 & 12/1	\$1,075,000	\$0	\$45,000		\$1,030,000
263.81 PWTF LOAN Church Road Pre-Constr.	7/11/2008	7/1/2013 P&I 7/1	\$562,500	\$0	\$187,500		\$375,000
263.81 PWTF LOAN Sewer Comp. Plan	7/11/2008	7/1/2015 Pr 7/1 No Interest	\$12,000	\$75,000	\$3,000		\$84,000
263.96 LOCAL Program Bond-Land Purchase	1/21/2009	12/1/2028 Pr 12/1 Int 6/1 & 12/1	\$660,000	\$0	\$25,000		\$635,000
251.11 LABOUNTY ROAD BOND	6/30/2009	12/1/2023 P&I 6/1 & 12/1	\$288,706	\$0	\$16,477		\$272,229
251.11 FACILITIES BAB BONDS 2010	6/7/2010	12/1/2030 Pr 12/1 Int 6/1 & 12/1	\$5,000,000	\$0	\$195,000		\$4,805,000
251.11 VACTOR TRUCK BAB BONDS 2010	6/7/2010	12/1/2015 Pr 12/1 Int 6/1 & 12/1	\$305,000	\$0	\$60,000		\$245,000
251.11 FACILITIES LTGO BQ BONDS 2011	7/13/2011	12/1/2025 Pr 12/1 Int 6/1 & 12/1	\$0	\$1,625,000	\$0		\$1,625,000
<b>TOTAL LONG-TERM DEBT</b>			<b>\$9,399,853</b>	<b>\$1,700,000</b>	<b>\$687,344</b>		<b>\$10,412,509</b>
259.11 Compensated Absences	N/A	N/A	\$180,276	\$211,160	\$206,498	Governmental Funds Fund Numbers 001/101/550	\$184,938

CITY OF FERNDALE  
 \_\_\_ G.O. Debt  
 Revenue Debt  
 \_\_\_ Assessment Debt

**LIABILITIES**

For the Year Ended December 31, 2011

ID. No./Description	Date of Original Issue	Maturity/ Pmt. Due Date	Beginning Balance 1/1/2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2011
263.82 PWTF LOAN SEWER	4/8/1998	7/1/2018 P&I 7/1	\$1,322,445	\$0	\$165,305	582.35.78.01 591._____ 599._____ 582.35.78.02 591._____ 599._____ 582.89.72.01 591._____ 599._____	\$1,157,140
263.82 SRF LOAN SEWER	1/1/2000	8/1/2019 P&I 2/1 & 8/1	\$1,033,999	\$0	\$95,925		\$938,074
252.11 REV BONDS SEWER REFUNDED	6/16/2005	11/1/2016 Pr 11/1 Int 5/1 & 11/1	\$4,150,000	\$0	\$575,000		\$3,575,000
252.11 REV BONDS WATER & SEWER	7/13/2011	11/1/2031 Pr 11/1 Int 5/1 & 11/1	\$0	\$6,245,000	\$0		\$6,245,000
<b>TOTAL</b>			<b>\$6,506,444</b>	<b>\$6,245,000</b>	<b>\$836,230</b>		<b>\$11,915,214</b>
ID. No.	Date of Original Issue	Date of Maturity	Beginning Balance 1/1/2011	Additions	Reductions	Type of Fund	Ending Balance 12/31/2011
259.12 Compensated Absences	N/A	N/A	\$46,497	\$59,917	\$40,730	Proprietary Funds Fund Numbers 401/402/407	\$65,684

CITY OF FERNDALE  
 G.O. Debt  
 Revenue Debt  
 **Assessment Debt**

**LIABILITIES**

For the Year Ended December 31, 2011

ID. No./Description	Date of Original Issue	Maturity/ Pmt. Due Date	Beginning Balance 1/1/2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2011
253.11 LABOUNTY ROAD LID BONDS	6/30/2009	12/1/2025 P&I 12/1	\$421,992		\$24,991	582. . . . . 591.00.73.01 599. . . . .	\$397,001



MCAG NO. 0786		CITY OF FERNDALE				Schedule 16	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS							
For The Year Ended December 31, 2011							
Federal Agency Name/ Pass-through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass- Through Awards	From Direct Awards	Total	Foot- Note Ref.
Department of Justice	Bulletproof Vest Partnership Program	16.607	N/A		\$21,117	\$21,117	
US DOT/ WA State DOT	Highway Planning & Construction	20.205	LA07216	\$669,334		\$669,334	
US DOT/ WA State DOT	Highway Planning & Construction	20.205	LA07557	\$203,000		\$203,000	
US DOE/ WA State Dept. of Commerce	ARRA Energy Efficiency and Conservation Block Grant Program	81.128	F11-52112-008	\$13,146		\$13,146	3
Dept. of Homeland Security / Whatcom Co. Sheriff's Office	Homeland Security Grant Program	97.067	201007004	\$302		\$302	
Dept. of Homeland Security / Whatcom Co. Sheriff's Office	Homeland Security Grant Program	97.067	201111003	\$2,947		\$2,947	
Dept. of Homeland Security / Whatcom Co. Sheriff's Office	State Homeland Security Grant Program	97.073	201106012	\$9,362		\$9,362	
Dept. of Homeland Security & FEMA/ WA State Military Department	Interoperable Emergency Communications	97.001	E11-069	\$121,912		\$121,912	
Dept. of Homeland Security/ WA State Military Department	Disaster Assistance Projects	97.088	N/A	\$827		\$827	
<b>Total Federal Awards Expended</b>				<b>\$1,020,830</b>	<b>\$21,117</b>	<b>\$1,041,947</b>	
<i>The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.</i>							
<b>NOTE 1-BASIS OF ACCOUNTING</b>							
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.							
<b>NOTE 2-PROGRAM COSTS</b>							
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.							
<b>NOTE 3</b>							
AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009.							
EXPENDITURES FOR THIS PROGRAM WERE FUNDED BY ARRA.							



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

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

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

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

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

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

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

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Larisa Benson**  
**Jim Brittain, CPA**  
**Jan Jutte, CPA, CGFM**  
**Ivan Dansereau**  
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