

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

City of Blaine
Whatcom County

Audit Period
January 1, 2009 through December 31, 2009

Report No. 1004205

Issue Date
September 20, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 20, 2010

Mayor and City Council
City of Blaine
Blaine, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Blaine'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

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

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Federal Summary

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

The results of our audit of the City of Blaine 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 |

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 Blaine
Whatcom County
January 1, 2009 through December 31, 2009

Mayor and City Council
City of Blaine
Blaine, Washington

We have audited the financial statements of the City of Blaine, Whatcom County, Washington, as of and for the year ended December 31, 2009, and have issued our report thereon dated September 13, 2010. During the year ended December 31, 2008, the City changed its basis of accounting for its proprietary funds from generally accepted accounting principles to another comprehensive basis of accounting.

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", with a stylized, flowing script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 13, 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 Blaine
Whatcom County
January 1, 2009 through December 31, 2009

Mayor and City Council
City of Blaine
Blaine, Washington

COMPLIANCE

We have audited the compliance of the City of Blaine, 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", with a stylized flourish at the end.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 13, 2010

Independent Auditor's Report on Financial Statements

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

Mayor and City Council
City of Blaine
Blaine, Washington

We have audited the accompanying financial statements of the City of Blaine, 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 Blaine, for the year ended December 31, 2009, on the basis of accounting described in Note 1.

During the year ended December 31, 2008, the City changed its basis of accounting for its proprietary funds from generally accepted accounting principles to another comprehensive basis of accounting.

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", with a stylized, flowing script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 13, 2010

Financial Section

**City of Blaine
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 – 2009
Notes to the Schedule of Expenditures of Federal Awards – 2009

For the Year Ended December 31, 2009

| BARS CODE | | | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|--------------|---|---------------|--------------------------|--------------------------|----------------------------------|
| | | | 001 General | 101 Street Fund | 102 Traffic Impact Reserve |
| | | | Total For all Funds | 101 Street Fund | 102 Traffic Impact Reserve |
| | | | Total Amount | Actual Amount | Actual Amount |
| | Beginning Net Cash & Investments | 23,527,071 | 571,486 | 59,972 | 24,136 |
| | Prior Period Adjustments (338.80 and 588.80) | - | - | - | - |
| | Revenues and Other Sources | | | | |
| 310 | Taxes | 3,867,247 | 2,520,950 | 229,262 | - |
| 320 | Licenses and Permits | 211,649 | 211,599 | 50 | - |
| 330 | Intergovernmental | 5,830,409 | 139,601 | 101,485 | - |
| 340 | Charges for Services | 9,671,027 | 150,308 | 725 | 13,001 |
| 350 | Fines and Penalties | 217,231 | 177,334 | | - |
| 360 | Miscellaneous | 718,319 | 26,796 | 4,196 | 1,613 |
| 370 | Capital Contributions | 98,280 | - | - | - |
| 390 | Other Financing Sources | 6,940,452 | 2,829,618 | 232,034 | 100,000 |
| | Total Revenues and Other Financing Sources | 27,554,613 | 6,056,206 | 567,752 | 114,614 |
| | Total Resources | 51,081,685 | 6,627,691 | 627,724 | 138,750 |
| | Operating Expenditures | | | | |
| 510 | General Government | 1,825,222 | 1,825,222 | - | - |
| 520 | Security of Persons & Property | 1,794,221 | 1,750,875 | - | - |
| 530 | Physical Environment | 5,430,854 | 15,974 | - | - |
| 540 | Transportation | 2,378,709 | - | 277,747 | - |
| 550 | Economic Environment | 616,491 | 616,491 | - | - |
| 560 | Mental and Public Health | 1,893 | 1,893 | - | - |
| 570 | Culture and Recreation | 283,768 | 89,509 | - | - |
| | Total Operating Expenditures | 12,331,158 | 4,299,964 | 277,747 | - |
| 591-593 | Debt Service | 2,719,410 | - | - | - |
| 594-596 | Capitalized Expenditures | 19,520,750 | 41,227 | 17,436 | - |
| | Total Expenditures | 34,571,318 | 4,341,191 | 295,183 | - |
| 597-599 | Other Financing Uses | 6,644,545 | 1,831,380 | 162,471 | 40,530 |
| | Total Expenditures and Other Financing Uses | 41,215,863 | 6,172,571 | 457,654 | 40,530 |
| | Excess (Deficit) of Resources over Uses | 9,865,822 | 455,121 | 170,071 | 98,220 |
| 380 | Non-Revenues (Except 384 and 388.80) | 12,058,978 | 175 | - | - |
| 580 | Nonexpenditures (Except 584 and 588.80) | 73,920 | 35,593 | - | - |
| | Ending Net Cash and Investments | \$ 21,850,881 | \$ 419,702 | \$ 170,071 | \$ 98,220 |

The Accompanying Notes Are An Integral Part of This Statement

For the Year Ended December 31, 2009

| BARS CODE | | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|--------------|--|-------------------------------|--------------------------|--------------------------|---|
| | | 103 Park Impact Reserve | 104 Park | 105 Cemetery | 106 Parking Cumulative Reserve |
| | | Actual Amount | Actual Amount | Actual Amount | Actual Amount |
| | Beginning Net Cash & Investments | 70,315 | 7,031 | 8,609 | 6,893 |
| | Prior Period Adjustments (338.80 and 588.80) | - | - | - | - |
| | Revenues and Other Sources | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental | - | - | - | - |
| 340 | Charges for Services | 14,000 | - | 5,600 | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous | 1,698 | 1,884 | 195 | 151 |
| 370 | Capital Contributions | - | - | - | - |
| 390 | Other Financing Sources | - | 79,359 | 14,000 | - |
| | Total Revenues and Other Financing Sources | 15,698 | 81,242 | 19,795 | 151 |
| | Total Resources | 86,012 | 88,274 | 28,405 | 7,044 |
| | Operating Expenditures | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Security of Persons & Property | - | - | - | - |
| 530 | Physical Environment | - | - | 15,077 | - |
| 540 | Transportation | - | - | - | - |
| 550 | Economic Environment | - | - | - | - |
| 560 | Mental and Public Health | - | - | - | - |
| 570 | Culture and Recreation | - | 68,693 | - | - |
| | Total Operating Expenditures | - | 68,693 | 15,077 | - |
| 591-593 | Debt Service | - | - | - | - |
| 594-596 | Capitalized Expenditures | - | - | - | - |
| | Total Expenditures | - | 68,693 | 15,077 | - |
| 597-599 | Other Financing Uses | - | 19,046 | 5,026 | - |
| | Total Expenditures and Other Financing Uses | - | 87,739 | 20,103 | - |
| | Excess (Deficit) of Resources over Uses | 86,012 | 535 | 8,301 | 7,044 |
| 380 | Non-Revenues (Except 384 and 388.80) | - | - | - | - |
| 580 | Nonexpenditures (Except 584 and 588.80) | - | - | - | - |
| | Ending Net Cash and Investments | \$ 86,012 | \$ 535 | \$ 8,301 | \$ 7,044 |

The Accompanying Notes Are An Integral Part of This Statement

For the Year Ended December 31, 2009

| BARS CODE | | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|--------------|--|--------------------------------|-----------------------------|--------------------------|--------------------------|
| | | 107 General Fund Reserve | 108 Equipment Reserve | 110 Hotel/Motel | 111 Hotel/Motel |
| | | Actual Amount | Actual Amount | Actual Amount | Actual Amount |
| | Beginning Net Cash & Investments | 176,089 | 851,930 | 120,042 | 109,174 |
| | Prior Period Adjustments (338.80 and 588.80) | - | - | - | - |
| | Revenues and Other Sources | | | | |
| 310 | Taxes | - | - | 199,105 | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental | - | - | - | - |
| 340 | Charges for Services | - | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous | 3,860 | 19,027 | 2,354 | 2,426 |
| 370 | Capital Contributions | - | - | - | - |
| 390 | Other Financing Sources | - | 76,700 | - | - |
| | Total Revenues and Other Financing Sources | 3,860 | 95,727 | 201,459 | 2,426 |
| | Total Resources | 179,949 | 947,658 | 321,500 | 111,600 |
| | Operating Expenditures | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Security of Persons & Property | - | - | - | - |
| 530 | Physical Environment | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Economic Environment | - | - | - | - |
| 560 | Mental and Public Health | - | - | - | - |
| 570 | Culture and Recreation | - | - | 125,566 | - |
| | Total Operating Expenditures | - | - | 125,566 | - |
| 591-593 | Debt Service | - | - | - | - |
| 594-596 | Capitalized Expenditures | - | - | 5,929 | - |
| | Total Expenditures | - | - | 131,495 | - |
| 597-599 | Other Financing Uses | - | 31,197 | 123,252 | - |
| | Total Expenditures and Other Financing Uses | - | 31,197 | 254,747 | - |
| | Excess (Deficit) of Resources over Uses | 179,949 | 916,461 | 66,753 | 111,600 |
| 380 | Non-Revenues (Except 384 and 388.80) | - | - | - | - |
| 580 | Nonexpenditures (Except 584 and 588.80) | 34,563 | - | - | - |
| | Ending Net Cash and Investments | \$ 145,386 | \$ 916,461 | \$ 66,753 | \$ 111,600 |

The Accompanying Notes Are An Integral Part of This Statement

For the Year Ended December 31, 2009

| BARS CODE | | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|--------------|---|---|------------------------------------|---|--------------------------|
| | | 112 Community Svc/Drug Education | 113 Criminal Justice Funding | 114 Law Enforcement Asset Sharing | 115 Canine Program |
| | | Actual Amount | Actual Amount | Actual Amount | Actual Amount |
| | Beginning Net Cash & Investments | 3,434 | 10,091 | 8,669 | 521 |
| | Prior Period Adjustments (338.80 and 588.80) | - | - | - | - |
| | Revenues and Other Sources | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental | - | 12,049 | - | - |
| 340 | Charges for Services | - | - | - | - |
| 350 | Fines and Penalties | 2,696 | - | - | - |
| 360 | Miscellaneous | 439 | 247 | 189 | 12,017 |
| 370 | Capital Contributions | - | - | - | - |
| 390 | Other Financing Sources | - | - | - | - |
| | Total Revenues and Other Financing Sources | 3,135 | 12,296 | 189 | 12,017 |
| | Total Resources | 6,569 | 22,387 | 8,857 | 12,538 |
| | Operating Expenditures | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Security of Persons & Property | 1,728 | 8,118 | 615 | 155 |
| 530 | Physical Environment | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Economic Environment | - | - | - | - |
| 560 | Mental and Public Health | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| | Total Operating Expenditures | 1,728 | 8,118 | 615 | 155 |
| 591-593 | Debt Service | - | - | - | - |
| 594-596 | Capitalized Expenditures | - | - | - | - |
| | Total Expenditures | 1,728 | 8,118 | 615 | 155 |
| 597-599 | Other Financing Uses | - | - | - | - |
| | Total Expenditures and Other Financing Uses | 1,728 | 8,118 | 615 | 155 |
| | Excess (Deficit) of Resources over Uses | 4,841 | 14,268 | 8,242 | 12,383 |
| 380 | Non-Revenues (Except 384 and 388.80) | - | - | - | - |
| 580 | Nonexpenditures (Except 584 and 588.80) | - | - | 53 | - |
| | Ending Net Cash and Investments | \$ 4,841 | \$ 14,268 | \$ 8,190 | \$ 12,383 |

The Accompanying Notes Are An Integral Part of This Statement

For the Year Ended December 31, 2009

| BARS CODE | | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|--------------|---|-------------------------------|-------------------------------|--|-----------------------------------|
| | | 116 Police & COPS Grant | 118 Street Levy Sinking | 201 1998 LTGO Bonds-Peace Portal St | 202 Whatcom County EDI Loan |
| | | Actual Amount | Actual Amount | Actual Amount | Actual Amount |
| | Beginning Net Cash & Investments | 1,700 | 146,364 | 20,416 | 71,243 |
| | Prior Period Adjustments (338.80 and 588.80) | - | - | - | - |
| | Revenues and Other Sources | | | | |
| 310 | Taxes | - | 35,159 | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental | 132,306 | - | - | - |
| 340 | Charges for Services | - | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous | 168 | 1,174 | 352 | 1,459 |
| 370 | Capital Contributions | - | - | - | - |
| 390 | Other Financing Sources | - | - | 43,045 | 50,868 |
| | Total Revenues and Other Financing Sources | 132,474 | 36,332 | 43,397 | 52,327 |
| | Total Resources | 134,174 | 182,696 | 63,812 | 123,571 |
| | Operating Expenditures | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Security of Persons & Property | 32,729 | - | - | - |
| 530 | Physical Environment | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Economic Environment | - | - | - | - |
| 560 | Mental and Public Health | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| | Total Operating Expenditures | 32,729 | - | - | - |
| 591-593 | Debt Service | - | - | 44,739 | 50,868 |
| 594-596 | Capitalized Expenditures | 41,627 | - | - | - |
| | Total Expenditures | 74,356 | - | 44,739 | 50,868 |
| 597-599 | Other Financing Uses | 94,381 | 146,364 | - | - |
| | Total Expenditures and Other Financing Uses | 168,737 | 146,364 | 44,739 | 50,868 |
| | Excess (Deficit) of Resources over Uses | (34,563) | 36,332 | 19,074 | 72,703 |
| 380 | Non-Revenues (Except 384 and 388.80) | 34,563 | - | - | - |
| 580 | Nonexpenditures (Except 584 and 588.80) | - | - | - | - |
| | Ending Net Cash and Investments | \$ 0 | \$ 36,332 | \$ 19,074 | \$ 72,703 |

The Accompanying Notes Are An Integral Part of This Statement

For the Year Ended December 31, 2009

| BARS CODE | | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|--------------|---|---|---------------------------------------|--------------------------|--------------------------|
| | | 204 2002 UTGO Bond - Fire Station | 207 LTGO 2007 & Refunding 1994A | 228 LID #28 | 230 LID Guaranty |
| | | Actual Amount | Actual Amount | Actual Amount | Actual Amount |
| | Beginning Net Cash & Investments | 36,443 | 19,549 | - | 1,534,344 |
| | Prior Period Adjustments (338.80 and 588.80) | - | - | - | - |
| | Revenues and Other Sources | | | | |
| 310 | Taxes | 129,647 | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental | - | - | - | - |
| 340 | Charges for Services | - | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous | 960 | 3,323 | 1,626 | 22,533 |
| 370 | Capital Contributions | - | - | - | - |
| 390 | Other Financing Sources | | 611,169 | - | 1,626 |
| | Total Revenues and Other Financing Sources | 130,606 | 614,492 | 1,626 | 24,159 |
| | Total Resources | 167,049 | 634,041 | 1,626 | 1,558,503 |
| | Operating Expenditures | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Security of Persons & Property | - | - | - | - |
| 530 | Physical Environment | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Economic Environment | - | - | - | - |
| 560 | Mental and Public Health | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| | Total Operating Expenditures | - | - | - | - |
| 591-593 | Debt Service | 132,894 | 544,355 | - | - |
| 594-596 | Capitalized Expenditures | - | - | - | - |
| | Total Expenditures | 132,894 | 544,355 | - | - |
| 597-599 | Other Financing Uses | - | - | 1,626 | 1,540,000 |
| | Total Expenditures and Other Financing Uses | 132,894 | 544,355 | 1,626 | 1,540,000 |
| | Excess (Deficit) of Resources over Uses | 34,156 | 89,686 | - | 18,503 |
| 380 | Non-Revenues (Except 384 and 388.80) | - | - | - | - |
| 580 | Nonexpenditures (Except 584 and 588.80) | - | - | - | - |
| | Ending Net Cash and Investments | \$ 34,156 | \$ 89,686 | \$ - | \$ 18,503 |

The Accompanying Notes Are An Integral Part of This Statement

For the Year Ended December 31, 2009

| BARS CODE | | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|---|---|--------------------------------|---|----------------------------------|---------------------------------------|
| | | 236 CERB Loan-Odell Road | 300 Municipal Capital Improvement | 304 Peace Portal Boardwalk | 307 General Governmental CIP |
| | | Actual Amount | Actual Amount | Actual Amount | Actual Amount |
| Beginning Net Cash & Investments | | 42,582 | 682,096 | 9,766 | 253,144 |
| Prior Period Adjustments (338.80 and 588.80) | | - | - | - | - |
| Revenues and Other Sources | | | | | |
| 310 | Taxes | - | 84,213 | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental | - | - | - | - |
| 340 | Charges for Services | - | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous | 663 | 7,786 | 188 | 5,004 |
| 370 | Capital Contributions | - | - | - | - |
| 390 | Other Financing Sources | 33,758 | 76,166 | - | - |
| Total Revenues and Other Financing Sources | | 34,421 | 168,164 | 188 | 5,004 |
| Total Resources | | 77,003 | 850,260 | 9,953 | 258,148 |
| Operating Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Security of Persons & Property | - | - | - | - |
| 530 | Physical Environment | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Economic Environment | - | - | - | - |
| 560 | Mental and Public Heath | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Operating Expenditures | | - | - | - | - |
| 591-593 | Debt Service | 33,457 | - | - | - |
| 594-596 | Capitalized Expenditures | - | 692,500 | - | 40,724 |
| | Total Expenditures | 33,457 | 692,500 | - | 40,724 |
| 597-599 | Other Financing Uses | - | 95,388 | - | - |
| Total Expenditures and Other Financing Uses | | 33,457 | 787,888 | - | 40,724 |
| Excess (Deficit) of Resources over Uses | | 43,546 | 62,372 | 9,953 | 217,425 |
| 380 | Non-Revenues (Except 384 and 388.80) | - | - | - | - |
| 580 | Nonexpenditures (Except 584 and 588.80) | - | - | - | - |
| Ending Net Cash and Investments | | \$ 43,546 | \$ 62,372 | \$ 9,953 | \$ 217,425 |

The Accompanying Notes Are An Integral Part of This Statement

For the Year Ended December 31, 2009

| BARS CODE | | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|--------------|---|---|--------------------------|--------------------------|--------------------------|
| | | 308 Capital Facilities- Growth Management | 314 Park CIP | 320 East Blaine CIP | 332 Street Overlays |
| | | Actual Amount | Actual Amount | Actual Amount | Actual Amount |
| | Beginning Net Cash & Investments | 670,656 | 112,475 | 36,522 | 166,294 |
| | Prior Period Adjustments (338.80 and 588.80) | - | - | - | - |
| | Revenues and Other Sources | | | | |
| 310 | Taxes | 84,213 | - | - | 89,532 |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental | - | - | - | 70,648 |
| 340 | Charges for Services | - | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous | 15,015 | 2,326 | 800 | 2,464 |
| 370 | Capital Contributions | - | - | - | - |
| 390 | Other Financing Sources | - | - | - | 146,364 |
| | Total Revenues and Other Financing Sources | 99,227 | 2,326 | 800 | 309,008 |
| | Total Resources | 769,884 | 114,801 | 37,322 | 475,302 |
| | Operating Expenditures | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Security of Persons & Property | - | - | - | - |
| 530 | Physical Environment | - | - | - | - |
| 540 | Transportation | - | - | - | 248,080 |
| 550 | Economic Environment | - | - | - | - |
| 560 | Mental and Public Health | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| | Total Operating Expenditures | - | - | - | 248,080 |
| 591-593 | Debt Service | - | - | - | - |
| 594-596 | Capitalized Expenditures | - | 15,140 | - | - |
| | Total Expenditures | - | 15,140 | - | 248,080 |
| 597-599 | Other Financing Uses | 43,045 | - | - | 100,000 |
| | Total Expenditures and Other Financing Uses | 43,045 | 15,140 | - | 348,080 |
| | Excess (Deficit) of Resources over Uses | 726,839 | 99,661 | 37,322 | 127,222 |
| 380 | Non-Revenues (Except 384 and 388.80) | - | - | - | - |
| 580 | Nonexpenditures (Except 584 and 588.80) | - | - | - | - |
| | Ending Net Cash and Investments | \$ 726,839 | \$ 99,661 | \$ 37,322 | \$ 127,222 |

The Accompanying Notes Are An Integral Part of This Statement

For the Year Ended December 31, 2009

| BARS CODE | | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|--|---|-------------------------------|--------------------------|--------------------------|--------------------------|
| | | 333 Residential Streets | 340 I-5 Access Study | 401 Electric | 410 Water |
| | | Actual Amount | Actual Amount | Actual Amount | Actual Amount |
| Beginning Net Cash & Investments | | 4,332,965 | 36,319 | 5,667,943 | 4,955,672 |
| Prior Period Adjustments (338.80 and 588.80) | | - | - | - | - |
| Revenues and Other Sources | | | | | |
| 310 | Taxes | 495,167 | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental | 196,490 | 3,072 | - | 31,771 |
| 340 | Charges for Services | - | - | 4,968,521 | 1,509,641 |
| 350 | Fines and Penalties | - | - | 13,521 | 12,091 |
| 360 | Miscellaneous | 76,392 | 782 | 214,153 | 136,046 |
| 370 | Capital Contributions | - | - | - | 31,440 |
| 390 | Other Financing Sources | - | - | 32,047 | - |
| Total Revenues and Other Financing Sources | | 768,049 | 3,854 | 5,228,242 | 1,720,989 |
| Total Resources | | 5,101,013 | 40,173 | 10,896,185 | 6,676,660 |
| Operating Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Security of Persons & Property | - | - | - | - |
| 530 | Physical Environment | - | - | 3,353,874 | 517,801 |
| 540 | Transportation | - | - | - | - |
| 550 | Economic Environment | - | - | - | - |
| 560 | Mental and Public Heath | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Operating Expenditures | | - | - | 3,353,874 | 517,801 |
| 591-593 | Debt Service | - | - | 523,031 | 169,739 |
| 594-596 | Capitalized Expenditures | 1,517,695 | 3,390 | 202,028 | 1,368,490 |
| | Total Expenditures | 1,517,695 | 3,390 | 4,078,933 | 2,056,029 |
| 597-599 | Other Financing Uses | 626,174 | - | 707,490 | 385,211 |
| Total Expenditures and Other Financing Uses | | 2,143,869 | 3,390 | 4,786,423 | 2,441,240 |
| Excess (Deficit) of Resources over Uses | | 2,957,144 | 36,783 | 6,109,762 | 4,235,421 |
| 380 | Non-Revenues (Except 384 and 388.80) | - | - | - | 312 |
| 580 | Nonexpenditures (Except 584 and 588.80) | - | - | 592 | - |
| Ending Net Cash and Investments | | \$ 2,957,144 | \$ 36,783 | \$ 6,109,171 | \$ 4,235,732 |

The Accompanying Notes Are An Integral Part of This Statement

For the Year Ended December 31, 2009

| BARS CODE | | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|--|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 420 Wastewater | 425 Storm Water | 430 Airport | 501 Equipment |
| | | Actual Amount | Actual Amount | Actual Amount | Actual Amount |
| Beginning Net Cash & Investments | | \$ 2,244,613 | \$ 284,043 | \$ - | \$ 13,543 |
| Prior Period Adjustments (338.80 and 588.80) | | - | - | - | - |
| Revenues and Other Sources | | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental | 5,037,163 | 105,824 | - | - |
| 340 | Charges for Services | 2,721,798 | 283,304 | 819 | - |
| 350 | Fines and Penalties | 9,600 | 1,989 | - | - |
| 360 | Miscellaneous | 117,077 | 5,021 | 22,934 | 303 |
| 370 | Capital Contributions | 45,632 | 21,208 | - | - |
| 390 | Other Financing Sources | 960 | 59,525 | 1,898,213 | 55,000 |
| Total Revenues and Other Financing Sources | | 7,932,230 | 476,871 | 1,921,966 | 55,303 |
| Total Resources | | 10,176,842 | 760,915 | 1,921,966 | 68,846 |
| Operating Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Security of Persons & Property | - | - | - | - |
| 530 | Physical Environment | 759,765 | 103,767 | - | - |
| 540 | Transportation | - | - | 1,811,950 | 40,932 |
| 550 | Economic Environment | - | - | - | - |
| 560 | Mental and Public Heath | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Operating Expenditures | | 759,765 | 103,767 | 1,811,950 | 40,932 |
| 591-593 | Debt Service | 1,125,537 | 69,527 | 25,264 | - |
| 594-596 | Capitalized Expenditures | 15,279,721 | 282,530 | - | - |
| | Total Expenditures | 17,165,023 | 455,823 | 1,837,214 | 40,932 |
| 597-599 | Other Financing Uses | 482,578 | 97,895 | 84,481 | 13,439 |
| Total Expenditures and Other Financing Uses | | 17,647,601 | 553,718 | 1,921,695 | 54,371 |
| Excess (Deficit) of Resources over Uses | | (7,470,759) | 207,196 | 271 | 14,475 |
| 380 | Non-Revenues (Except 384 and 388.80) | 12,021,115 | - | - | - |
| 580 | Nonexpenditures (Except 584 and 588.80) | - | - | - | - |
| Ending Net Cash and Investments | | \$ 4,550,357 | \$ 207,196 | \$ 271 | \$ 14,475 |

The Accompanying Notes Are An Integral Part of This Statement

CITY OF BLAINE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

| BARS CODE | | Fund Number and Title | Fund Number and Title |
|---|--|---------------------------------------|--------------------------|
| | | 503 Public Works Administration | 505 Advance Travel |
| | | Actual Amount | Actual Amount |
| Beginning Net Cash & Investments | | \$ 157,987 | \$ 2,000 |
| Prior Period Adjustments (338.80 and 588.80 | | - | |
| Revenues and Other Sources | | | |
| 310 | Taxes | - | - |
| 320 | Licenses and Permits | - | - |
| 330 | Intergovernmental | - | - |
| 340 | Charges for Services | 3,310 | - |
| 350 | Fines and Penalties | - | - |
| 360 | Miscellaneous | 2,682 | - |
| 370 | Capital Contributions | - | - |
| 390 | Other Financing Sources | 600,000 | - |
| Total Revenues and Other Financing Sources | | 605,992 | - |
| Total Resources | | 763,979 | 2,000 |
| Operating Expenditures | | | |
| 510 | General Government | - | - |
| 520 | Security of Persons & Property | - | - |
| 530 | Physical Environment | 664,597 | - |
| 540 | Transportation | - | - |
| 550 | Economic Environment | - | - |
| 560 | Mental and Public Heath | - | - |
| 570 | Culture and Recreation | - | - |
| Total Operating Expenditures | | 664,597 | - |
| 591-593 | Debt Service | - | - |
| 594-596 | Capitalized Expenditures | 12,315 | - |
| | Total Expenditures | 676,913 | - |
| 597-599 | Other Financing Uses | 13,571 | - |
| Total Expenditures and Other Financing Uses | | 690,484 | - |
| Excess (Deficit) of Resources over Uses | | 73,495 | 2,000 |
| 380 | Non-Revenues (Except 384 and 388.80) | - | 2,813 |
| 580 | Nonexpenditures (Except 584 and 588.80 | - | 3,119 |
| Ending Net Cash and Investments | | \$ 73,495 | \$ 1,694 |

The Accompanying Notes Are An Integral Part of This Statement

CITY OF BLAINE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2009

| | Total For All Funds | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|---------------------------------------|---------------------|--------------------------|------------------------|----------------------------|-----------------------------|
| | Total Amount | 601 Unemployment Reserve | 602 Cemetery Endowment | 621 Comm Utility Donations | 622 LEOFF I Medical Reserve |
| Beginning Net Cash and Investments | \$ 233,411 | \$ 295 | \$ 58,480 | \$ 335 | \$ 50,732 |
| Prior Period Adjustments | - | - | - | - | - |
| Revenues and Other Financing Sources | 545,389 | 33 | 2,492 | 530 | 29,954 |
| Total Resources | 778,800 | 327 | 60,972 | 865 | 80,686 |
| Expenditures and Other Financing Uses | 94,077 | - | - | - | 42,077 |
| Excess (Deficit of Revenues Over Uses | 684,722 | 327 | 60,972 | 865 | 38,609 |
| Nonrevenues (Except 384) | 40,238 | - | - | 2,746 | - |
| Nonexpenditures (Except 584) | 570,961 | - | - | 3,296 | - |
| Ending Net Cash and Investments | \$ 154,000 | \$ 327 | \$ 60,972 | \$ 315 | \$ 38,609 |

| | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|---------------------------------------|--------------------------------|-----------------------|-------------------------|-----------------------------|------------------------|
| | 623 Wetland Mitigation Reserve | 631 WIN Team Agency | 635 Small Cities Caucus | 641 State Building Code Fee | 650 Unclaimed Property |
| Beginning Net Cash and Investments | \$ 872 | \$ 59,693 | \$ 7,233 | \$ 63 | \$ 4,213 |
| Prior Period Adjustments | - | - | - | - | - |
| Revenues and Other Financing Sources | 19 | 476 | 158 | - | 144 |
| Total Resources | 891 | 60,169 | 7,392 | 63 | 4,357 |
| Expenditures and Other Financing Uses | - | 52,000 | - | - | - |
| Excess (Deficit of Revenues Over Uses | 891 | 8,169 | 7,392 | 63 | 4,357 |
| Nonrevenues (Except 384) | - | - | - | 278 | - |
| Nonexpenditures (Except 584) | - | - | - | 252 | - |
| Ending Net Cash and Investments | \$ 891 | \$ 8,169 | \$ 7,392 | \$ 90 | \$ 4,357 |

| | Fund Number and Title | Fund Number and Title | Fund Number and Title |
|---------------------------------------|-----------------------|-------------------------------|-----------------------|
| | 653 Agency | 655 Pooled Int & Bank Charges | 661 Municipal Court |
| Beginning Net Cash and Investments | \$ 8,280 | \$ 3,165 | \$ 40,050 |
| Prior Period Adjustments | - | - | - |
| Revenues and Other Financing Sources | 24,916 | - | 486,667 |
| Total Resources | 33,196 | 3,165 | 526,717 |
| Expenditures and Other Financing Uses | - | - | - |
| Excess (Deficit of Revenues Over Uses | 33,196 | 3,165 | 526,717 |
| Nonrevenues (Except 384) | 37,214 | - | - |
| Nonexpenditures (Except 584) | 42,945 | - | 524,468 |
| Ending Net Cash and Investments | \$ 27,464 | \$ 3,165 | \$ 2,249 |

The Accompanying Notes Are An Integral Part of This Statement

CITY OF BLAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City of Blaine was incorporated in 1890 and operates under the laws of the State of Washington applicable to a non-charter code City with a council-manager form of government. The City is a general purpose government and provides general administration, public safety, planning and zoning, permits and inspections, streets, parks, cemetery, tourist information, and public works administration. In addition, the City of Blaine owns and operates an electrical service, water system, wastewater system, and storm drainage system.

The City of Blaine uses double-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP). In 2009, the City switched utility funds reporting from GAAP full accrual to cash basis.

a. Fund Accounting (Basis of Presentation)

The accounts of the City of Blaine 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 double-entry accounts that comprise its cash, investments, revenues, and expenditures, as appropriate. The City of Blaine 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:

GOVERNMENTAL FUNDS TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. The City reports the following enterprise funds: Electric, Water, Wastewater, and Stormwater Funds.

Internal Service Funds

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

FIDUCIARY FUNDS TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

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

b. Basis of Accounting and Presentation

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

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

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

c. Budgets

The City adopts annual appropriated budgets for the general, special revenue funds, enterprise funds, and internal service funds. These budgets are appropriated at the fund level. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

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

| Fund/Department | Final Appropriated Amounts | Actual Expenditures | Variance |
|----------------------------------|-----------------------------------|----------------------------|-----------------|
| General Fund: | | | |
| General Governmental Services | 1,803,955 | 1,825,222 | (21,267) |
| Public Safety Department | 1,793,473 | 1,792,102 | 1,371 |
| Economic Environment Department | 643,111 | 616,491 | 26,620 |
| Other Expenditures | 154,687 | 142,969 | 11,718 |
| Transfers | 1,846,521 | 1,831,380 | 15,141 |
| Total General Fund | 6,241,747 | 6,208,164 | 33,583 |
| | | | |
| Street Fund | 608,594 | 457,654 | 150,940 |
| Traffic Impact Reserve | 116,780 | 40,530 | 76,250 |
| Park Fund | 87,764 | 87,739 | 25 |
| Cemetery Fund | 23,162 | 20,103 | 3,059 |
| General Fund Reserve | 40,000 | 34,563 | 5,437 |
| Equipment Reserve | 71,460 | 31,197 | 40,263 |
| Hotel/Motel Fund | 339,852 | 254,747 | 85,105 |
| Community Service/Drug Education | 4,500 | 1,728 | 2,772 |
| Criminal Justice Funding | 16,000 | 8,118 | 7,882 |
| Law Enforcement Asset Sharing | 10,727 | 667 | 10,060 |

| Fund/Department | Final Appropriated Amounts | Actual Expenditures | Variance |
|-----------------------------|----------------------------|---------------------|-----------|
| Canine Program | 678 | 155 | 523 |
| Police and Cops Grant Fund | 163,507 | 168,737 | (5,230) |
| Street Levy Sinking Fund | 146,364 | 146,364 | 0 |
| LID Guaranty Fund | 1,540,000 | 1,540,000 | 0 |
| Electric Fund | 7,985,235 | 4,787,015 | 3,198,220 |
| Water Fund | 4,816,487 | 2,441,240 | 2,375,247 |
| Wastewater Fund | 24,584,897 | 17,647,601 | 6,937,296 |
| Stormwater Fund | 889,039 | 553,718 | 335,321 |
| Airport Fund | 6,405,393 | 1,921,695 | 4,483,698 |
| Equipment Fund | 61,928 | 54,371 | 7,557 |
| Public Works Administration | 736,622 | 690,484 | 46,138 |
| LEOFF 1 Medical Reserve | 49,000 | 42,077 | 6,923 |
| WIN Team Agency Fund | 65,000 | 52,000 | 13,000 |

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

On December 31, 2008, the City closed its municipal airport. Upon the closure, the City was responsible for repaying a Washington State Department of Transportation aviation grant and buying out airport leasehold agreements with two airport tenants. The City Council approved the transfer of excess LID Guaranty funds, as per RCW 35.54.095, to the General Fund and from the General Fund to the Airport Fund to meet these obligations. The amount of the transfer was \$1,500,000.

d. Cash and Cash Equivalents

The City's policy is to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statement of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

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

f. Investments See Note No. 3.

g. Capital Assets

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

h. Compensated Absences

Vacation pay, which may be accumulated up to a maximum of 280 hours, is payable upon separation or retirement. Sick leave may be accumulated up to 1500 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

i. Long-Term Debt See Note 6.

j. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of proceeds of long-term debt, disposition of capital assets, transfers-in, and transfers out.

k. Risk Management

The City of Blaine is a member of the Cities Insurance Association of Washington. 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 pool was formed on September 1, 1988, when 34 cities 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 August 31, 2009, the CIAW had 86 regular members and 170 associate members.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Employment Practices and Management Liability is on a "claims made basis." All other coverages are on an "occurrence basis." The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, law enforcement liability, automobile liability, employment practices liability, boiler and machinery, bonds of various types, and management liability.

The pool acquires liability insurance through St. Paul Fire & Marine Insurance Company (Travelers) that is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool also purchases a Stop Loss Policy in the amount of \$5,500,000 to cap the total claims paid by the pool in any one year.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Each new regular member now pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member remains responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, Inc., which has been contracted to perform pool administration, claims adjustment and administration, and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the years ended August 31, 2008 and 2009 were \$1,321,289 and \$1,389,379 respectively.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates, Inc., to perform day-to-day administration of the pool. This pool has no employees. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

The City is a member of the Washington State Department of Employment Security's (WSDDES) insurance plan and the Washington State Department of Labor and Industries' (WSDL&I) insurance plan. Quarterly reports and payments are made to WSDDES and WSDL&I.

1. Reserved Fund Balance

1. Of the total fund balance of \$6,109,171 in the Electric Fund, \$1,405,015 is restricted to construction, \$246,000 is restricted to Sterling Bank C.D.s as security for various utility customer R.E.D. Loans, \$24,668 is restricted to use for Community Utility Assistance, \$421,000 is restricted as guaranty for 2004 Electric Refunding Bonds, \$46,870 is restricted for customer deposits, and \$54,037 is restricted to Energy Conservation expenditures.
2. Of the total fund balance of \$4,235,732 in the Water Fund, \$53,000 is restricted as guaranty for 2003 Water/Sewer Refunding Bonds, and \$26,628 is restricted for customer deposits.
3. Of the total fund balance of \$4,550,357 in the Waste Water Fund, \$2,797,405 is committed to construction for the Lighthouse Point Waste Water Treatment Plant, and \$53,000 is restricted as guaranty for 2003 Water/Sewer Refunding Bonds.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- a. There have been no material violations of finance-related legal contractual provisions.
- b. There were no significant lawsuits or claims filed against and by the city as of December 31, 2009.
- c. During 2009, the City's Police and COPS Grant Fund received an unanticipated Homeland Security Grant. A budget adjustment was done for additional expenditures related to the grants. However, at the end of the 2009, actual expenditures exceeded the adjusted budget by \$5,230. All expenditures in this fund are reimbursed by grants.

NOTE 3 – DEPOSITS AND INVESTMENTS

The City's investments are either insured, registered or held by the City's agent in the City's name. Investments are presented at cost. Investments by type at December 31, 2009 are as follows:

| Type of Investment | City's own Investments | Investments held by the City as an agent for other local governments, individuals, or private organizations | Total |
|----------------------------|------------------------|---|---------------|
| LGIP | \$ 5,283,260 | \$ 21,128 | \$ 5,304,388 |
| U.S. Government Securities | 8,914,352 | 35,648 | 8,950,000 |
| Certificates of Deposit | 7,715,147 | 30,853 | 7,746,000 |
| Total | \$ 21,912,759 | \$ 87,629 | \$ 22,000,388 |

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. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The City's regular levy for the year 2009 was \$1.01672 per \$1000 on an assessed valuation of \$913,217,853 for a total regular levy of \$928,491.

In 2009, the City levied also \$0.15 per \$1,000 for 2002 GO Fire Station Bond for a total additional levy of \$136,106.

NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2009:

| Borrowing Fund | Lending Fund | Balance 1/1/09 | New Loans | Repayments | Balance 12/31/09 |
|-----------------------|----------------------|-----------------------|------------------|-------------------|-------------------------|
| Airport | General Fund Reserve | \$ 558,296 | - | - | \$ 558,296 |
| Police COPS and Grant | General Fund Reserve | - | \$ 34,563 | - | 34,563 |
| | Totals | \$ 558,296 | \$ 34,563 | - | \$ 592,860 |

NOTE 6 - LONG-TERM DEBT AND LIABILITIES

The accompanying Schedule of Long-Term Debt (Schedule 9) provides a listing of the outstanding debt of the City and summarizes the City's debt transactions for 2009. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

| | General Obligation Bonds | Revenue Bonds | Other Debt | Total Debt |
|-----------|---------------------------------|----------------------|-------------------|-------------------|
| 2009 | \$ 929,188 | \$ 861,749 | \$ 967,659 | \$ 2,758,596 |
| 2010 | 950,011 | 865,949 | 1,509,303 | 3,325,263 |
| 2011 | 973,801 | 668,060 | 1,476,462 | 3,118,323 |
| 2012 | 990,376 | 675,325 | 1,469,038 | 3,134,738 |
| 2013 | 1,005,071 | 660,925 | 1,461,613 | 3,127,609 |
| 2014 | 974,083 | 542,185 | 1,454,189 | 2,970,457 |
| 2015-2019 | 3,013,603 | 2,126,233 | 6,939,006 | 12,078,841 |
| 2020-2024 | 323,888 | - | 6,302,079 | 6,625,967 |
| 2025-2029 | - | - | 3,765,967 | 3,765,967 |
| 2030-2034 | | | 31,451 | 31,451 |
| Totals | \$ 9,160,019 | \$ 6,400,425 | \$ 25,376,768 | \$ 40,937,212 |

NOTE 7 – PENSION PLANS

Substantially all the City's full-time and qualifying part-time employees participate in Public Employee Retirement System (PERS 1, 2, or 3) or the Law Enforcement Officer and Fire Fighter Retirement System (LEOFF 1 or 2) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are base upon gross wages covered by plan benefits.

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

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

NOTE 8 – OTHER DISCLOSURES

The City has entered into an interim financing agreement with US Bank in anticipation of a \$6,500,000 USDA Revolving Loan. The loan is part of the overall financing for design and construction of the Lighthouse Park Waste Water Treatment Plant. No draws against this loan were made during 2009.

CITY OF BLAINE
SCHEDULE OF LONG-TERM DEBT
For the Year Ended December 31, 2009

G.O. DEBT

Schedule 09
Page 1 of 3

| | | (1) | | (2) | | (3) | | (4) | | | |
|---------|-----------------|----------------------|------------------------|------------------|----------------|-----------------------------------|-------------------------------|---------------------------------|--------------------------|-----------------------|--|
| | | | | | | | | | | | |
| ID. No. | Description | Purpose | Date of Original Issue | Date of Maturity | Interest Rates | Beginning Outstanding Debt 1/1/09 | Amount Issued in Current Year | Amount Redeemed in Current Year | BARS Code For Redemption | Redeeming Fund Number | Ending Outstanding Debt 12/31/09 (1)+(2)-(3) |
| 251.11 | LTGO Bond 1998 | Peace Portal St (RD) | 6-15-98 | 6-1-13 | 4.50% | 200,000 | | 35,000 | 591.41.71 | 201 | 165,000 |
| 251.12 | UTGO 2002 | Fire Station #3 | 4-1-02 | 12-1-21 | 4.81% | 1,345,000 | | 65,000 | 591.22.71 | 204 | 1,280,000 |
| 263.81 | C.E.R.B. O'Dell | O'dell Road | 1-20-00 | 1-20-19 | 1.00% | 331,553 | | 30,141 | 591.41.78 | 236 | 301,412 |
| 251.11 | LTGO Bond 2003 | Airport Land | 12-1-03 | 12-1-18 | 4.65% | 185,670 | | 15,004 | 582.46.72 | 430 | 170,666 |
| 263.80 | Whatcom Co EDI | Boardwalk | 3-30-06 | 3-30-26 | 1.5% | 797,230 | | 38,910 | 591.79.78 | 202 | 758,320 |
| 251.11 | LTGO Bond 2007 | Street Construction | 12-20-07 | 12-1-17 | 4.0-5.5% | 4,060,000 | | 320,000 | 591.95.71 | 207 | 3,740,000 |
| 251.11 | LTGO Bond 2007 | Stormwater Const | 12-20-07 | 12-1-17 | 4.0-5.5% | 445,000 | | 40,000 | 582.38.74 | 425 | 405,000 |
| 251.15 | LTGO Bond 2007 | 94 Annex Refunding | 12-20-07 | 12-1-17 | 4.0-5.5% | 257,184 | | 34,116 | 591.89.71 | 207 | 223,068 |
| 251.15 | LTGO Bond 2007 | 96 WW Refunding | 12-20-07 | 12-1-17 | 4.0-5.5% | 722,816 | | 95,884 | 582.89.71 | 420 | 626,932 |
| | | | | | | 8,344,453 | 0 | 674,056 | | | 7,670,397 |

CITY OF BLAINE
SCHEDULE OF LONG-TERM DEBT
For the Year Ended December 31, 2009

| | | (1) | | | (2) | | | (3) | | | (4) | |
|---------|---------------------|------------------------|------------------|----------------|-----------------------------------|-------------------------------|-----------------------|-----------------------|---------------------------------|--------------------------|-----------------------|--|
| ID. No. | Description | Date of Original Issue | Date of Maturity | Interest Rates | Beginning Outstanding Debt 1/1/09 | 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 12/31/09 (1)+(2)-(3) |
| 252.90. | W/S Refund 2003 | 4-1-03 | 12-1-15 | 3.3%-5.1% | 530,000 | | | | 150,000 | 582.34.72 | 410 | 380,000 |
| | | | | | 530,000 | | | | 150,000 | 582.35.72 | 420 | 380,000 |
| 252.11 | Electric 1999 | 12-6-99 | 12-1-19 | 5.4%-5.5% | 210,000 | | | | 210,000 | 582.33.72 | 401 | 0 |
| 252.16 | Electric Refund 200 | 4-27-04 | 12-1-19 | 2.3%-4.25% | 4,000,000 | | | | 145,000 | 582.33.72 | 401 | 3,855,000 |
| 263.82 | PW/TFL 90014 | 8-31-90 | 7-1-10 | 1.0% | 132,644 | | | | 66,322 | 582.10.78 | 420 | 66,322 |
| 263.82 | PW/TFL 97001 | 5-20-97 | 7-1-17 | 3.0% | 200,530 | | | | 22,281 | 582.35.78 | 420 | 178,249 |
| 263.82 | PW/TFL 97002 | 5-20-97 | 7-1-17 | 1.0% | 742,715 | | | | 82,524 | 582.35.78 | 420 | 660,191 |
| 263.82 | PW/TFL 97016 | 5-20-97 | 7-1-17 | 1.0% | 56,320 | | | | 6,258 | 582.35.78 | 420 | 50,062 |
| 263.82 | PW/TFL 04133 | 2-22-05 | 7-1-24 | 0.50% | 853,801 | | | | 53,363 | 582.35.78 | 420 | 800,439 |
| 263.82 | PW/TFL 04216 | 1-30-04 | 7-1-10 | 0.00% | 42,667 | | | | 21,333 | 582.35.78 | 420 | 21,333 |
| 263.82 | PW/TFL 05005(1) | 4-10-05 | 7-1-24 | 0.50% | 2,520,106 | | | | 148,242 | 582.35.78 | 420 | 2,371,864 |
| | | | | | 155,488 | | | | 9,146 | 582.38.78 | 425 | 146,341 |
| 263.82 | PW/TFL 06116 | 8-14-06 | 7-1-26 | 0.50% | 947,368 | | | | 52,632 | 582.35.78 | 420 | 894,737 |
| 263.82 | PW/TFL 07003 | 6-19-08 | 7-1-27 | 0.50% | 3,150,000 | 3,500,000 | 382.80 | 420 | 350,000 | 582.38.78 | 420 | 6,300,000 |
| 263.82 | PW/TFL 08003 | 10-15-08 | 7-1-28 | 0.50% | 2,000,000 | 7,500,000 | 382.80 | 420 | | 582.35.78 | 420 | 9,500,000 |
| 263.82 | DOE Revolving Lo | 7-1-09 | 3-31-30 | 1.80% | | 1,020,730 | 382.80 | 420 | | 582.35.78 | 420 | 1,020,730 |
| | | | | | | | | | | | | |
| | | | | | 16,071,639 | 12,020,730 | | | 1,467,100 | | | 26,625,269 |

MCAG No. 0780

CITY OF BLAINE
SCHEDULE OF LONG-TERM DEBT
For the Year Ended December 31, 2009

Refunded Debt Schedule 09
Page 3 of 3

| | | (1) | | (2) | (3) | (4) | | |
|---------|---------------|---------|------------------------------|---------------------|--|------------------------------------|------------------------------------|---|
| ID. No. | Description | Purpose | Date of Original Issue | Date of Maturity | Beginning Outstanding Debt 1/1/09 | Amount Refunded Current Year | Amount Redeemed Current Year | Ending Outstanding Debt 12/31/09 (1)+(2)-(3) |
| 252.11 | Electric 1999 | 594.33 | 12-6-99 | 12-1-19 | 2,885,000 | | 2,885,000 | 0 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | 2,885,000 | 0 | 2,885,000 | 0 |

CITY OF BLAINE WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009

| 1 Federal Agency Name/Pass-Through Agency Name | 2 Federal Program Name | 3 CFDA Number | 4 Other Identification Number | 5 Expenditures | | | 6 Foot - note Ref. |
|---|--|---------------------|--|------------------------------|-----------------------|-------------------|-----------------------------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | |
| US Department of Justice | Community Oriented Policing Services | 16.710 | 2004CKWX0281 | | \$ 113,225 | \$ 113,225 | 3 |
| US Department of Justice/Pass- Through Washington Association of Sheriffs and Police Chiefs | Traffic Safety Grants | 20.600 | 120-6200-00 (Equipment) | \$ 982 | | \$ 982 | |
| US Department of Justice/Pass- Through Washington State Department of Commerce | Eward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories | 16.803 | F09-34721-106 | \$9,999 | | \$ 9,999 | |
| US Department of Homeland Security/Pass-Through Whatcom County Sheriff's Office DEM | State Homeland Security Program | 97.067 | Stonegarden 2008-SG-T8-0016 | 85,244 | | 85,244 | 4 |
| US Department of Homeland Security/Pass-Through Whatcom County Sheriff's Office | Law Enforcement Terrorism Prevention Program | 97.074 | 2007-GE-T7-0017 | 10,933 | | 10,933 | 5 |
| US Department of Transportation/Pass-Through from WA State DOT | ARRA-Highway Planning and Construction | 20.205 | LA 6915 ARRA-P368(001) | 336,770 | | 336,770 | 6 |
| <u>TOTAL FEDERAL AWARDS EXPENDED</u> | | | | \$ 443,928 | \$ 113,225 | \$ 557,152 | |

The Accompanying Notes to The Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule

CITY OF BLAINE, WASHINGTON
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2009

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Blaine's financial statements. The City of Blaine uses the cash basis of accounting. In 2009, the City switched utility funds reporting from GAAP full accrual to cash basis.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 -COPS TECHNOLOGY GRANT

The amounts shown are expenditures in 2009. Receipts of grant reimbursements amounted to \$125,358 in 2009 of which \$12,134 was for 2008 expenditures.
The amount of expenditures includes \$94,381 in pass through expenditures as follows
City of Lynden - \$69,114
City of Sumas - \$25,267

NOTE 4 - STATE HOMELAND SECURITY-STONEGARDEN

The amounts shown are expenditures in 2009. Receipts of grant reimbursements of \$16,760 were received in 2009, and \$68,484 were received in 2010.

NOTE 5 - STATE HOMELAND SECURITY-LAW ENFORCEMENT TERRORISM PREVENTION PROGRAM

The amounts shown are expenditures in 2009. Receipts of grant reimbursements of \$5,966 were received in 2009, and \$4,967 were received in 2010.

NOTE 6 - 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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