



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Ferndale

For the period January 1, 2019 through December 31, 2019

Published November 9, 2020

Report No. 1027266





**Office of the Washington State Auditor
Pat McCarthy**

November 9, 2020

Mayor and City Council
City of Ferndale
Ferndale, Washington

Report on Financial Statements

Please find attached our report on the City of Ferndale's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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

**City of Ferndale
January 1, 2019 through December 31, 2019**

Mayor and City Council
City of Ferndale
Ferndale, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Ferndale, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 6, 2020.

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

As discussed in Note 7 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City.

As discussed in Note 8 to the financial statements, in 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions as required by the BARS manual.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

November 6, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Ferndale January 1, 2019 through December 31, 2019

Mayor and City Council
City of Ferndale
Ferndale, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Ferndale, for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Ferndale, and its changes in cash and investments, for the year ended December 31, 2019, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Ferndale, as of December 31, 2019, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Matters of Emphasis

As discussed in Note 7 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Our opinion is not modified with respect to this matter.

As discussed in Note 8 to the financial statements, in 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions as required by the BARS manual. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2020 on our consideration of the City’s internal control over financial reporting and

on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 6, 2020

FINANCIAL SECTION

City of Ferndale January 1, 2019 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019

City of Ferndale
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street	102 Park Mitigation
Beginning Cash and Investments					
30810	Reserved	3,563,787	-	-	302,016
30880	Unreserved	10,036,525	4,500,822	6	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	10,320,955	8,493,549	-	-
320	Licenses and Permits	1,008,918	1,000,278	-	-
330	Intergovernmental Revenues	3,117,156	289,885	861,469	-
340	Charges for Goods and Services	13,956,668	1,315,652	22,200	303,371
350	Fines and Penalties	270,226	193,109	-	-
360	Miscellaneous Revenues	426,385	204,566	8,782	5,363
Total Revenues:		29,100,308	11,497,039	892,451	308,734
Expenditures					
510	General Government	2,360,671	2,093,290	-	-
520	Public Safety	4,858,694	4,858,694	-	-
530	Utilities	5,425,067	-	-	-
540	Transportation	1,772,410	285,872	1,042,387	-
550	Natural and Economic Environment	677,421	634,553	-	-
560	Social Services	84,993	84,993	-	-
570	Culture and Recreation	591,298	591,298	-	-
Total Expenditures:		15,770,554	8,548,700	1,042,387	-
Excess (Deficiency) Revenues over Expenditures:		13,329,754	2,948,339	(149,936)	308,734
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,900,437	511,497	575,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	15,187	15,187	-	-
381, 382, 395, 398	Other Resources	378,282	231,777	-	-
Total Other Increases in Fund Resources:		3,293,906	758,461	575,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,555,677	119,528	249,004	-
591-593, 599	Debt Service	2,455,363	-	-	-
597	Transfers-Out	2,900,437	1,445,366	110,000	214,646
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	2,995	2,995	-	-
581, 582	Other Uses	129,086	23,353	-	-
Total Other Decreases in Fund Resources:		9,043,558	1,591,242	359,004	214,646
Increase (Decrease) in Cash and Investments:		7,580,102	2,115,558	66,060	94,088
Ending Cash and Investments					
5081000	Reserved	5,709,664	-	-	396,104
5088000	Unreserved	15,470,762	6,616,383	66,072	-
Total Ending Cash and Investments		21,180,426	6,616,383	66,072	396,104

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, 2019

		104 Traffic Mitigation	106 Criminal Justice	107 Local Criminal Justice	113 Transportation Benefit
Beginning Cash and Investments					
30810	Reserved	232,413	935	73,180	289,938
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	274,895	571,096
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	18,799	-	-
340	Charges for Goods and Services	982,529	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,306	-	-	-
Total Revenues:		985,835	18,799	274,895	571,096
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		985,835	18,799	274,895	571,096
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	911	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		911	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	15,000	250,000	200,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	15,000	250,000	200,000
Increase (Decrease) in Cash and Investments:		986,746	3,799	24,895	371,096
Ending Cash and Investments					
5081000	Reserved	1,219,159	4,734	98,075	661,034
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		1,219,159	4,734	98,075	661,034

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, 2019

		114 Complete Streets	198 Hotel Motel	214 Street/Parks/La nd Debt Service	215 Labounty LID 2006-1 Bond
Beginning Cash and Investments					
30810	Reserved	-	67,381	11,034	119,611
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	77,010	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	300,000	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	9	13,517
Total Revenues:		300,000	77,010	9	13,517
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	42,868	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	42,868	-	-
Excess (Deficiency) Revenues over Expenditures:		300,000	34,142	9	13,517
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	123,297	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	123,297	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	90,455	-	-	-
591-593, 599	Debt Service	-	-	123,297	111,809
597	Transfers-Out	-	8,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		90,455	8,000	123,297	111,809
Increase (Decrease) in Cash and Investments:		209,545	26,142	9	(98,292)
Ending Cash and Investments					
5081000	Reserved	209,545	93,523	11,043	21,319
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		209,545	93,523	11,043	21,319

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, 2019

		216 LaBounty LID 2006-1 Bond Guarantee	217 LaBounty GO Bond Debt Service	218 2010 Limited Tax General	219 2011 Limited Tax General Oblig
Beginning Cash and Investments					
30810	Reserved	28,935	150	5,373	2,230
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	63,160	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	676	2	17	51
Total Revenues:		676	2	63,177	51
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		676	2	63,177	51
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	26,720	356,752	163,776
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	26,720	356,752	163,776
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	26,720	422,678	163,775
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	26,720	422,678	163,775
Increase (Decrease) in Cash and Investments:		676	2	(2,749)	52
Ending Cash and Investments					
5081000	Reserved	29,611	152	2,624	2,282
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		29,611	152	2,624	2,282

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, 2019

		220 2013 Library LTGO Bond	301 Real Estate Excise Tax - First 1/4 Perc	302 Real Estate Excise Tax - Second 1/4 Perc	309 Star Park Design and Construction
Beginning Cash and Investments					
30810	Reserved	1,159	335,083	692,418	43,424
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	63,381	420,512	420,512	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2	4,152	10,640	73
Total Revenues:		63,383	424,664	431,152	73
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		63,383	424,664	431,152	73
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	122,162	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		122,162	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	186,072	-	-	-
597	Transfers-Out	-	218,017	175,000	43,497
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		186,072	218,017	175,000	43,497
Increase (Decrease) in Cash and Investments:		(527)	206,647	256,152	(43,424)
Ending Cash and Investments					
5081000	Reserved	632	541,730	948,570	-
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		632	541,730	948,570	-

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, 2019

		347 Main & LaBounty and Walgreens	370 Thornton Road Construction	401 Water	402 Sewer
Beginning Cash and Investments					
30810	Reserved	908	215,318	398,206	703,663
30880	Unreserved	-	-	1,251,735	3,377,451
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	8,640	-
330	Intergovernmental Revenues	-	1,492,058	-	-
340	Charges for Goods and Services	-	-	3,495,034	5,371,308
350	Fines and Penalties	-	-	28,331	38,557
360	Miscellaneous Revenues	3	-	88,652	69,435
Total Revenues:		3	1,492,058	3,620,657	5,479,300
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	2,116,650	2,518,438
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	2,116,650	2,518,438
Excess (Deficiency) Revenues over Expenditures:		3	1,492,058	1,504,007	2,960,862
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	475,000	182,113	7,519
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	31,114	72,600
Total Other Increases in Fund Resources:		-	475,000	213,227	80,119
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	1,775,130	581,040	157,775
591-593, 599	Debt Service	-	-	598,813	723,556
597	Transfers-Out	911	80,000	22,500	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	33,133	72,600
Total Other Decreases in Fund Resources:		911	1,855,130	1,235,486	953,931
Increase (Decrease) in Cash and Investments:		(908)	111,928	481,748	2,087,050
Ending Cash and Investments					
5081000	Reserved	-	327,246	398,206	703,663
5088000	Unreserved	-	-	1,733,485	5,464,501
Total Ending Cash and Investments		-	327,246	2,131,691	6,168,164

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, 2019

		407 Storm & Flood Control	510 Computer Repair & Replacement	550 Equip. Maint. & Replacement
Beginning Cash and Investments				
30810	Reserved	40,412	-	-
30880	Unreserved	679,627	-	226,884
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	91,785	-	-
340	Charges for Goods and Services	1,613,741	247,482	605,351
350	Fines and Penalties	10,229	-	-
360	Miscellaneous Revenues	10,721	-	6,418
Total Revenues:		1,726,476	247,482	611,769
Expenditures				
510	General Government	-	207,381	60,000
520	Public Safety	-	-	-
530	Utilities	789,979	-	-
540	Transportation	-	-	444,151
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		789,979	207,381	504,151
Excess (Deficiency) Revenues over Expenditures:		936,497	40,101	107,618
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	5,690	100,000	250,000
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 382, 395, 398	Other Resources	-	-	42,791
Total Other Increases in Fund Resources:		5,690	100,000	292,791
Other Decreases in Fund Resources				
594-595	Capital Expenditures	183,624	40,101	359,020
591-593, 599	Debt Service	98,643	-	-
597	Transfers-Out	117,500	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		399,767	40,101	359,020
Increase (Decrease) in Cash and Investments:		542,420	100,000	41,389
Ending Cash and Investments				
5081000	Reserved	40,412	-	-
5088000	Unreserved	1,222,048	100,000	268,273
Total Ending Cash and Investments		1,262,460	100,000	268,273

The accompanying notes are an integral part of this statement.

City of Ferndale
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	8,295	8,295
388 & 588	Net Adjustments	(6)	(6)
310-390	Additions	244,569	244,569
510-590	Deductions	249,921	249,921
	Net Increase (Decrease) in Cash and Investments:	(5,352)	(5,352)
508	Ending Cash and Investments	2,937	2,937

The accompanying notes are an integral part of this statement.

City of Ferndale, WA
Notes to the Financial Statements
For the Twelve Months Ended December 31, 2019

Note 1 - Summary of Significant Accounting Policies

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

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

Private-Purpose Trust Funds

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 5, Deposits and Investments.

D. Capital Assets

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

E. Compensated Absences

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

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

F. Long-Term Debt

See Note 4, Debt Service Requirements.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Ferndale City Council. When expenditures that meet restrictions are incurred, the City of Ferndale intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

102 Park Mitigation	\$396,104
104 Traffic Mitigation	1,219,159
106 Criminal Justice Fund	4,734
107 Local Criminal Justice	98,075
113 Transportation Benefit District	661,034
114 Complete Streets	209,545
198 Hotel/Motel	93,523
214 Streets/Parks Debt Service	11,043
215 LaBounty LID 2006-1 Bond Redemption	21,319
216 LaBounty LID 2006-1 Bond Guarantee	29,611
217 LaBounty GO Bond Redemption	152
218 2010 GO Bond Redemption	2,624
219 2011 GO Bond Redemption	2,282
220 2013 GO Library Bond Redemption	632
301 Real Estate Excise Tax First 1/4% REET 1	541,730
302 Real Estate Excise Tax Second 1/4% REET 2	948,570
370 Thornton Road Construction	327,246
401 Water	398,206
402 Sewer	703,663
407 Storm	40,412
TOTAL	\$5,709,664

The Proprietary fund reserved cash balances in 401 Water, 402 Sewer, and 407 Storm are unspent 2014 revenue bond proceeds and the required Parity Bond Reserve amounts. All the other funds listed above are restricted by the very nature of the title of the fund.

Note 2 – Budget Compliance

A. Budgets

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

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

Certain funds listed below are eliminated for Statement C-4 consolidation purposes. For example, fund numbers 002, 003, 004, 005 and 007 are rolled up into one General Fund per Statement C-4 Financial Statements. Other fund numbers listed below (403, 404, 405, 408, and 409) are included in consolidated enterprise funds (401, 402, and 407) rollups. Also, certain transfers in and transfers out are eliminated for consolidation purposes, and therefore total expenditures listed below appropriately do not agree with the Financial Statement C-4 Total Expenditures and Other Uses plus Non-expenditures.

The appropriated and actual 2019 expenditures for the legally adopted budgets were as follows:

<u>Fund Number and Name</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
001 Current Expense (General Fund)	\$8,987,811	\$8,740,028	\$247,782
002 General Fund Contingency Reserve	0	0	0
003 Facilities Capital Reserve	0	0	0
004 LEOFF 1 Police Retiree	100,000	31,717	68,283
005 Solid Waste Tax 2010 & On	2,395,992	2,235,513	160,479
007 Pioneer Pavilion Community Center Ops	56,867	52,199	4,668
101 Streets	1,780,605	1,401,385	379,220
102 Park Mitigation	214,646	214,646	0
104 Traffic Mitigation	400,000	0	400,000
106 Criminal Justice Fund	15,000	15,000	0
107 Local Criminal Justice	250,000	250,000	0
113 Ferndale Trans. Benefit District	600,000	200,000	400,000

<u>Fund Number and Name</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
114 Complete Streets	300,000	90,455	209,545
198 Hotel/Motel	68,500	50,868	17,632
214 Streets/Parks Debt Service	123,298	123,297	1
215 LaBounty LID 2006-1 Bond Redemption	113,000	111,809	1,191
216 LaBounty LID 2006-1 Bond Guarantee	0	0	0
217 LaBounty GO Bond Redemption	26,720	26,720	0
218 2010 GO Bond Redemption	422,778	422,678	100
219 2011 GO Bond Redemption	163,775	163,775	0
220 2014 GO Library Bond Redemption	186,072	186,072	0
301 Real Estate Excise Tax First 1/4% REET 1	218,016	218,016	0
302 Real Estate Excise Tax Second 1/4% REET 2	375,000	175,000	200,000
309 Star Park Construction	43,497	43,497	0
347 Main & LaBounty Roundabout Construction	911	911	0
370 Thornton Road Overpass Construction	2,360,000	1,855,130	504,870
401 Water	5,833,440	3,248,926	2,584,514
402 Sewer	22,524,136	3,465,153	19,058,982
403 Sewer Revenue Bonds	1,141,169	1,141,069	100
404 Sewer Revenue Bonds Reserve	0	0	0
405 WWTP Debt Service	0	0	0
407 Storm & Flood Control	1,442,090	1,183,966	258,124
408 Utility Loan Service	183,962	183,963	(0)
409 CCWA Water Debt Service	95,980	95,980	0
510 Computer Repair & Maint.	258,309	247,482	10,827
550 Equipment Repair & Maint.	863,487	863,170	316
650 Court Agency	225,000	231,328	(6,328)
651 Court Activity	100,000	18,593	81,407
TOTAL EXPENDITURES	\$51,870,061	\$27,288,346	\$24,581,715

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

Note 3 – Component Units and Joint Ventures

The City of Ferndale has a joint venture interest with Whatcom Council of Governments. The following statement includes the City's share of net equity.

The Whatcom Council of Governments (WCOG) was formed on February 23, 1966 and operates under the laws of the state of Washington applicable to a regional planning agency (RCW 36.64.080). The Council is a special purpose government which provides a mutual forum to identify, discuss, study, and bring into focus regional challenges and

opportunities. The Council's current primary function is providing staff support for regional transportation planning activities in Whatcom County. The Council is governed by a board composed of elected officials representing the cities of: Bellingham, Blaine, Everson, Ferndale, Lynden, Nooksack and Sumas; Whatcom County; the Lummi Indian Nation; the Port of Bellingham; and the Lake Whatcom Water & Sewer District.

The current interlocal agreement reaffirming the formation of the Council and current bylaws are available at: <https://wcog.org/about/agreements/>

The budget, revenue and expenditure information of WCOG is contained within the Financial Statement and Federal Single Audit Reports available at: <https://wcog.org/about/audits/>

The following statement includes the City's share of net equity.

Whatcom Council of Governments

GASB Statement No. 14

Calculation of Joint Venture Equity Interest

12/31/2019

Assets

A/P Checking (Key Bank)	\$	14,055	
General Fund (Whatcom County)		3,481	
Petty Cash (Key Bank)		411	
Investment Pool (Whatcom County)		319,989	
Postage Meter prepaid postage		1,200	
Building Lease Security Deposit		2,500	
Accounts Receivable		192,243	
Furniture & Equipment (FMV)		20,000	
Total Assets			\$ 553,879

Liabilities

Accounts Payable	\$	123,123	
Accrued Vacation Leave		44,115	
Payroll Liabilities		3,984	
Sales/Use Tax Payable		9	
Copier Lease (remaining term)	6/30/2020	29,390	
Phone System (Lease remaining term)	2/28/2021	6,289	
Building Lease (remaining term)	8/23/2022	6,178	
Total Liabilities			213,088

Net Equity			<u>\$ 340,791</u>
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Current Year Voting Member Entities	Current Year Dues	% of Current Year Dues	Share of Net Equity
Bellingham	\$ 54,074	34.09%	\$ 116,176
Blaine	3,247	2.05%	6,986
Everson	1,668	1.05%	3,578
Ferndale	8,334	5.25%	17,892
Lynden	8,652	5.45%	18,573
Nooksack	917	0.58%	1,977
Sumas	971	0.61%	2,079
Whatcom County (unincorporated)	53,634	33.81%	115,221
Lummi Nation	3,137	1.98%	6,748
Port of Bellingham	23,992	15.13%	51,562
Total Dues Received	\$ 158,626	100.00%	\$ 340,792

Note 4 – Debt Service Requirements

A. Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Ferndale and summarizes the City's debt transactions for year ended December 31, 2019.

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

Year(s)	General Obligation Bonds Principal	General Obligation Bonds Interest	General Obligation Bonds Total D/S
2020	\$624,505	\$292,870	\$917,375
2021	648,996	262,929	911,925
2022	683,738	230,712	914,450
2023	703,755	198,450	902,205
2024	525,000	163,969	688,969
2025-2029	2,155,000	444,207	2,599,207
2030-2034	340,000	21,362	361,362
TOTALS	\$5,680,994	\$1,614,499	\$7,295,493

	Revenue	Revenue	Revenue
	Debt	Debt	Debt
Year(s)	Principal	Interest	Total D/S
2020	\$715,491	\$456,752	\$1,172,243
2021	740,491	433,047	1,173,538
2022	765,491	408,491	1,173,982
2023	785,491	382,648	1,168,139
2024	815,491	356,095	1,171,586
2025-2029	4,577,453	1,264,989	5,842,442
2030-2034	3,457,453	304,953	3,762,406
2035-2039	60,980	916	61,896
TOTALS	\$11,918,341	\$3,607,891	\$15,526,232

	Other	Other	Other
	Debt	Debt	Debt
Year(s)	Principal	Interest	Total D/S
2020	\$173,601	\$33,774	\$207,375
2021	176,766	28,562	205,328
2022	166,916	23,548	190,464
2023	169,680	18,747	188,427
2024	184,444	13,737	198,181
2025-2029	443,750	12,800	456,550
2030-2034	92,172	461	92,633
TOTALS	\$1,407,329	\$131,629	\$1,538,958

	All	All	All
	Debt	Debt	Debt
Year(s)	Principal	Interest	Total D/S
2020	\$1,513,597	\$783,396	\$2,296,993
2021	1,566,253	724,538	2,290,791
2022	1,616,145	662,751	2,278,896
2023	1,658,926	599,845	2,258,771
2024	1,524,935	533,801	2,058,736
2025-2029	7,176,203	1,721,996	8,898,199
2030-2034	3,889,625	326,776	4,216,401
2035-2039	60,980	916	61,896
TOTALS	\$19,006,664	\$5,354,019	\$24,360,683

Note 5 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2019 are as follows.

<u>Type of Deposit or Investment</u>	<u>City of Ferndale's Own Investments</u>
Bank deposits	\$11,655,471
L.G.I.P.	\$9,527,895
TOTAL	\$21,183,366

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

A. Investments in the State Local Government Investment Pool (LGIP)

The City of Ferndale is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. LGIP does not impose any restrictions on participant withdrawal.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

B. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The city deposits and certificates of deposit are mostly covered by the federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the city or its agent in the government's name.

Note 6 - Interfund Loans

The City of Ferndale did not have any interfund loan activity in 2019.

Note 7 – Other Disclosures

A. Subsequent Events

In May 2020, the City of Ferndale, City Council approved an ordinance to move forward with obtaining a \$6.4 million loan for the upgrade of the City's water treatment plant and a wellhouse. In 2019, the City

contracted with a consulting firm (FCS Group) to do a rate study and connection fee study. The overall objective of the study was to establish a financial plan to determine revenue requirements for capital projects and future operations and maintenance needs, and to maintain equitable rates. The debt service payments will be paid from the water utility fund.

In May 2020, the City of Ferndale, City Council approved an ordinance to move forward with refunding of a 2011 Water and Sewer Revenue Bond.

In May 2020, the City of Ferndale, City Council approved an ordinance to move forward with refunding of a 2010 Limited Tax General Obligation Bond.

In May 2020, the City of Ferndale, City Council approved an ordinance to move forward with obtaining a Water and Sewer Revenue Bond Anticipation Note in the amount of \$5 million. The City is upgrading the wastewater treatment plant and has procured a loan from Department of Ecology (DOE) for approximately \$34 million. This \$5 million short-term note will be used for interim funding, as a line of credit, for monthly expenditures prior to the monthly proceeds from the DOE loan.

In May 2020, the City of Ferndale, City Council approved an ordinance to move forward with obtaining a Limited Tax General Obligation Grant Anticipation Note in the amount of \$4 million. The City is constructing a Thornton Street overpass and has procured a grant from the Connecting Washington Program for approximately \$19 million. This \$4 million short-term note will be used for interim funding, as a line of credit, for monthly expenditures prior to the monthly proceeds from the grant program.

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges, and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The City has continued all services with many employees working remotely. The City has closed its facilities to the public but continuing to serve the public via phone and email. The City's first quarter revenues followed the pattern of 2019 first quarter. The City does expect that the recent pandemic will have a negative impact on future receipts in the general fund, primarily as a result in losses of sales and use tax revenues, and solid waste tax revenue. However, the City is not able to predict the extent or duration of these fiscal impacts.

Currently, the City has more than \$1 million of banked capacity, and property taxes could be increased by that amount without voter approval. The City, at this time, does not intend to implement a property tax increase.

B. Contingencies and Litigations

City of Ferndale has a pending matter involving a traffic accident between a Ferndale police officer and another motorist, which resulted in injuries to the motorist. At this time, a tort claim has been filed against the City; however, no lawsuit has been filed. Should a lawsuit be filed, an evaluation of the likelihood of an unfavorable outcome, and an estimate of an amount or range of possible loss, cannot be expressed with sufficient certainty at this time. However, there does not appear to be coverage or reservation of rights limitations that would make this an uncovered loss. Further, damages, if awarded in a lawsuit, are unlikely to exceed the City's insurance.

C. Other

The City of Ferndale's City Administrator for 14 years, Greg Young, resigned from the City. The City's Planning and Community Development Director was hired as the new City Administrator.

D. Construction Commitment

The City has active construction projects as of December 31, 2019. The projects include:

1. Thornton Street Overpass
2. Wastewater Treatment Plant upgrade
3. Wellhouse
4. Water Treatment Plant upgrade

At year-end the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Thornton Street Overpass	\$ 5,245,238	\$ 16,421,762
Wastewater Treatment Plant	\$ 1,567,398	\$ 32,113,969
Wellhouse	\$ 581,189	\$ 1,061,311
Water Treatment Plant	\$ 265,909.05	\$ 3,429,091

Of the committed balance of \$16,421,762, for the Thornton Street Overpass, the City has received a grant for the full amount from the Connecting Washington Program.

Of the committed balance of \$32,113,969, for the Wastewater Treatment Plant, the City has received a loan for the full amount from Department of Ecology.

Of the committed balance of \$1,061,311, for the Wellhouse, the City is procuring a loan for the full amount in 2020. See Note 7 item A.

Of the committed balance of \$3,429,091, for the Water Treatment Plant, the City is procuring a loan for the full amount in 2020. See Note 7 item A.

Note 8 – Other Post-Employment Benefits

A. LEOFF I Retiree Medical Plan

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26.080. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2019, the plan had three members, all retirees. As of December 31, 2019 the City's total OPEB liability was \$1,489,927, as calculated using the alternative measurement method. For the year ended December 31, 2019,

the City paid \$31,717 in benefits.

Note 9 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Ferndale's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans including Public Employees' Retirement System (PERS 1 and PERS 2/3), Public Safety Employees' Retirement System (PSERS), and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2019 (the measurement date of the plans), the City of Ferndale's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$185,037	0.025806%	\$992,332
PERS 2/3	\$266,581	0.032640%	\$317,045
PSERS 2	\$5,158	0.016002%	(\$2,081)
LEOFF 1		0.004645%	(\$91,814)
LEOFF 2	\$102,798	0.055756%	(\$1,291,695)

LEOFF Plan 1

The City of Ferndale also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City of Ferndale also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Defined Contribution Pension Plans

The City of Ferndale participates in a Deferred Compensation Program (DCP) administered by the Washington State Department of Retirement Systems (DRS). DCP is an IRC Section 457 plan.

The DCP is an employer-sponsored, cost sharing, tax deferred retirement plan. The cost-sharing contribution rates, for employees and employers, are determined by contractual agreements per employee. In 2019 the City of Ferndale contributed \$96,093 to the DCP.

Note 10 - Property Tax

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

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

The City of Ferndale's regular levy for the year 2019 was \$.76865 per \$1,000 on an assessed valuation of \$1,589,867,326 for a total regular levy of \$1,222,055.

In 2019 the City levied also \$.04070 per \$1000 for City of Ferndale's library for a total additional levy of \$63,910.

Note 11 - Risk Management

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 163 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general,

automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregate and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

The City of Ferndale self-insures for unemployment compensation. Reserves are adequate to cover any potential expenditures.

Note 12 – Health & Welfare

The City of Ferndale is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2019, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims

without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

**City of Ferndale
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.81	PWTF LOAN-STORM	9/1/2024	39,471	-	7,895	31,576
263.91	Whatcom Co. Public Util. Impr. Fund Parks Loan	8/30/2027	587,491	-	61,460	526,031
263.96	Water Booster Pump Station	6/1/2028	620,000	-	55,000	565,000
263.96	Land Purchase	12/1/2028	435,000	-	40,000	395,000
263.96	Heavy Equipment	12/1/2028	297,214	-	31,125	266,089
263.96	Minor Equipment	6/1/2026	35,785	-	11,351	24,434
251.11	LaBounty Road Bond	6/1/2023	119,289	-	21,999	97,290
251.11	Facilities BAB Bonds 2010	12/1/2030	3,350,000	-	230,000	3,120,000
251.11	Facilities LTGO BQ Bonds 2011	12/1/2025	970,000	-	125,000	845,000
263.81	PWTF LOAN-STORM	6/1/2032	430,139	-	30,724	399,415
251.11	Facilities LTGO BQ Bonds 2013A	9/24/2023	283,188	-	54,667	228,521
251.11	Facilities LTGO BQ Bonds 2013B	9/24/2023	539,978	-	104,546	435,432
Total General Obligation Debt/Liabilities:			7,707,555	-	773,767	6,933,788
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	12/31/2019	452,590	415,491	363,102	504,979
264.30	Pension Liabilities	12/31/2019	1,577,288	-	267,910	1,309,378
264.40	OPEB Liabilities	12/31/2019	1,425,429	64,498	-	1,489,927
263.84	DWSRF CCWA	10/1/2036	285,933	-	93,121	192,812
252.11	Water & Sewer Bonds 2011	11/1/2031	4,595,000	-	275,000	4,320,000
252.11	Sewer & Storm Bonds 2014	11/1/2033	7,475,000	-	395,000	7,080,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			15,811,240	479,989	1,394,133	14,897,096
Assessment Debt/Liabilities (with commitments)						
253.11	LaBounty Road LID Bonds	12/1/2025	206,815	-	100,000	106,815
Total Assessment Debt/Liabilities (with commitments):			206,815	-	100,000	106,815
Total Liabilities:			23,725,610	479,989	2,267,900	21,937,699

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov