



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Ferndale

For the period January 1, 2020 through December 31, 2020

Published March 17, 2022

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

March 17, 2022

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,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 11, 2022.

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 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 4.

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

Pat McCarthy, State Auditor

Olympia, WA

March 11, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Ferndale January 1, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

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, 2020, 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, 2020, 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 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the City is unknown. Management’s plans in

response to this matter are also described in Note 4. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion 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 March 11, 2022 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.



Pat McCarthy, State Auditor

Olympia, WA

March 11, 2022

FINANCIAL SECTION

City of Ferndale January 1, 2020 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
Notes to Financial Statements – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020

City of Ferndale
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

| | | Total for All Funds (Memo Only) | 001 Current Expense Fund | 101 Street | 102 Park Mitigation |
|---|--------------------------------|--|-------------------------------------|-----------------------|--------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 21,180,427 | 6,616,383 | 66,072 | 396,104 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 11,571,540 | 9,396,166 | - | - |
| 320 | Licenses and Permits | 981,992 | 973,352 | - | - |
| 330 | Intergovernmental Revenues | 6,500,119 | 816,551 | 396,499 | - |
| 340 | Charges for Goods and Services | 14,916,055 | 1,049,950 | 21,800 | 278,339 |
| 350 | Fines and Penalties | 152,428 | 134,318 | - | - |
| 360 | Miscellaneous Revenues | 308,636 | 147,797 | 5,598 | 1,500 |
| Total Revenues: | | <u>34,430,770</u> | <u>12,518,134</u> | <u>423,897</u> | <u>279,839</u> |
| Expenditures | | | | | |
| 510 | General Government | 2,824,315 | 2,590,851 | - | - |
| 520 | Public Safety | 5,172,463 | 5,172,463 | - | - |
| 530 | Utilities | 5,837,551 | - | - | - |
| 540 | Transportation | 1,639,668 | 302,286 | 937,703 | - |
| 550 | Natural/Economic Environment | 668,143 | 627,410 | - | - |
| 560 | Social Services | 111,509 | 111,509 | - | - |
| 570 | Culture and Recreation | 407,007 | 406,007 | - | - |
| Total Expenditures: | | <u>16,660,656</u> | <u>9,210,526</u> | <u>937,703</u> | <u>-</u> |
| Excess (Deficiency) Revenues over Expenditures: | | 17,770,114 | 3,307,608 | (513,806) | 279,839 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | 34,781,739 | - | - | - |
| 397 | Transfers-In | 3,286,513 | 277,000 | 994,861 | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 114,355 | 44,681 | 69,674 | - |
| Total Other Increases in Fund Resources: | | <u>38,182,607</u> | <u>321,681</u> | <u>1,064,535</u> | <u>-</u> |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 28,915,671 | 92,889 | 271,507 | - |
| 591-593, 599 | Debt Service | 13,150,648 | - | - | - |
| 597 | Transfers-Out | 3,286,515 | 1,500,758 | 54,321 | 98,616 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | 24,859 | 22,666 | - | - |
| Total Other Decreases in Fund Resources: | | <u>45,377,693</u> | <u>1,616,313</u> | <u>325,828</u> | <u>98,616</u> |
| Increase (Decrease) in Cash and Investments: | | <u>10,575,028</u> | <u>2,012,976</u> | <u>224,901</u> | <u>181,223</u> |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 6,677,038 | - | - | 577,328 |
| 50841 | Committed | 885,916 | - | - | - |
| 50851 | Assigned | 15,793,824 | - | 290,974 | - |
| 50891 | Unassigned | 8,398,673 | 8,629,349 | - | - |
| Total Ending Cash and Investments | | <u>31,755,451</u> | <u>8,629,349</u> | <u>290,974</u> | <u>577,328</u> |

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, 2020

| | | 104 Traffic Mitigation | 106 Criminal Justice | 107 Local Criminal Justice | 113 Transportation Benefit |
|---|--------------------------------|---------------------------|-------------------------|-------------------------------|----------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 1,219,159 | 4,734 | 98,075 | 661,034 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | - | 278,717 | 640,137 |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | 20,513 | - | - |
| 340 | Charges for Goods and Services | 636,366 | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 1,986 | - | - | 689 |
| Total Revenues: | | 638,352 | 20,513 | 278,717 | 640,826 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | - | - | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 638,352 | 20,513 | 278,717 | 640,826 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | - | - | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | - | - | - | - |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 4,326 | - | - | - |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | 795,000 | 17,000 | 260,000 | 81,631 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 799,326 | 17,000 | 260,000 | 81,631 |
| Increase (Decrease) in Cash and Investments: | | (160,974) | 3,513 | 18,717 | 559,195 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 1,058,185 | 8,247 | 116,792 | 1,220,230 |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | - | - | - | - |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 1,058,185 | 8,247 | 116,792 | 1,220,230 |

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, 2020

| | 114 Complete Streets | 198 Hotel Motel | 214 Street/Parks/La nd Debt Service | 215 Labounty LID 2006-1 Bond |
|--|---|------------------|---|------------------------------------|
| Beginning Cash and Investments | | | | |
| 308 | Beginning Cash and Investments | 209,545 | 93,523 | 11,043 |
| 388 / 588 | Net Adjustments | - | - | - |
| Revenues | | | | |
| 310 | Taxes | - | 54,052 | - |
| 320 | Licenses and Permits | - | - | - |
| 330 | Intergovernmental Revenues | - | - | - |
| 340 | Charges for Goods and Services | - | - | - |
| 350 | Fines and Penalties | - | - | - |
| 360 | Miscellaneous Revenues | - | - | 45,610 |
| | Total Revenues: | - | 54,052 | 2 |
| Expenditures | | | | |
| 510 | General Government | - | - | - |
| 520 | Public Safety | - | - | - |
| 530 | Utilities | - | - | - |
| 540 | Transportation | - | - | - |
| 550 | Natural/Economic Environment | - | 40,733 | - |
| 560 | Social Services | - | - | - |
| 570 | Culture and Recreation | - | 1,000 | - |
| | Total Expenditures: | - | 41,733 | - |
| | Excess (Deficiency) Revenues over Expenditures: | - | 12,319 | 2 |
| Other Increases in Fund Resources | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - |
| 397 | Transfers-In | - | 122,097 | - |
| 385 | Special or Extraordinary Items | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - |
| | Total Other Increases in Fund Resources: | - | 122,097 | - |
| Other Decreases in Fund Resources | | | | |
| 594-595 | Capital Expenditures | 199,999 | - | - |
| 591-593, 599 | Debt Service | - | 122,097 | 34,099 |
| 597 | Transfers-Out | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - |
| | Total Other Decreases in Fund Resources: | 199,999 | 122,097 | 34,099 |
| | Increase (Decrease) in Cash and Investments: | (199,999) | 12,319 | 2 |
| Ending Cash and Investments | | | | |
| 50821 | Nonspendable | - | - | - |
| 50831 | Restricted | 9,545 | 105,842 | 11,045 |
| 50841 | Committed | - | - | - |
| 50851 | Assigned | - | - | - |
| 50891 | Unassigned | - | - | - |
| | Total Ending Cash and Investments | 9,545 | 105,842 | 11,045 |
| | | | 32,830 | 32,830 |

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, 2020

| | 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 | | | | | |
| 308 | Beginning Cash and Investments | 29,611 | 153 | 2,624 | 2,282 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | 30,386 | - |
| 340 | Charges for Goods and Services | - | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 189 | 1 | 5 | 15 |
| | Total Revenues: | 189 | 1 | 30,391 | 15 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| | Total Expenditures: | - | - | - | - |
| | Excess (Deficiency) Revenues over Expenditures: | 189 | 1 | 30,391 | 15 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | 3,168,000 | - |
| 397 | Transfers-In | - | 26,720 | 354,297 | 158,800 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| | Total Other Increases in Fund Resources: | - | 26,720 | 3,522,297 | 158,800 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | - | - | - | - |
| 591-593, 599 | Debt Service | - | 26,720 | 3,785,987 | 159,100 |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| | Total Other Decreases in Fund Resources: | - | 26,720 | 3,785,987 | 159,100 |
| | Increase (Decrease) in Cash and Investments: | 189 | 1 | (233,299) | (285) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 29,800 | 153 | - | 1,996 |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | - | - | - | - |
| 50891 | Unassigned | - | - | (230,676) | - |
| | Total Ending Cash and Investments | 29,800 | 153 | (230,676) | 1,996 |

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, 2020

| | 220 2013 Library LTGO Bond | 301 Real Estate Excise Tax - First 1/4 Perc | 302 Real Estate Excise Tax - Second 1/4 Perc | 370 Thornton Road Construction |
|--|---|---|--|--------------------------------------|
| Beginning Cash and Investments | | | | |
| 308 | Beginning Cash and Investments | 632 | 541,730 | 948,570 |
| 388 / 588 | Net Adjustments | - | - | - |
| Revenues | | | | |
| 310 | Taxes | 63,573 | 570,138 | 568,757 |
| 320 | Licenses and Permits | - | - | - |
| 330 | Intergovernmental Revenues | - | - | 4,997,593 |
| 340 | Charges for Goods and Services | - | - | 24,452 |
| 350 | Fines and Penalties | - | - | - |
| 360 | Miscellaneous Revenues | 1 | 1,550 | 3,294 |
| | Total Revenues: | 63,574 | 571,688 | 572,051 |
| Expenditures | | | | |
| 510 | General Government | - | - | - |
| 520 | Public Safety | - | - | - |
| 530 | Utilities | - | - | - |
| 540 | Transportation | - | - | - |
| 550 | Natural/Economic Environment | - | - | - |
| 560 | Social Services | - | - | - |
| 570 | Culture and Recreation | - | - | - |
| | Total Expenditures: | - | - | - |
| | Excess (Deficiency) Revenues over Expenditures: | 63,574 | 571,688 | 572,051 |
| Other Increases in Fund Resources | | | | |
| 391-393, 596 | Debt Proceeds | - | - | 3,031,000 |
| 397 | Transfers-In | 122,162 | - | 842,000 |
| 385 | Special or Extraordinary Items | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - |
| | Total Other Increases in Fund Resources: | 122,162 | - | 3,873,000 |
| Other Decreases in Fund Resources | | | | |
| 594-595 | Capital Expenditures | - | - | 5,701,203 |
| 591-593, 599 | Debt Service | 186,072 | - | 3,073,469 |
| 597 | Transfers-Out | - | 216,226 | 100,000 |
| 585 | Special or Extraordinary Items | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - |
| | Total Other Decreases in Fund Resources: | 186,072 | 216,226 | 100,000 |
| | Increase (Decrease) in Cash and Investments: | (336) | 355,462 | 472,051 |
| Ending Cash and Investments | | | | |
| 50821 | Nonspendable | - | - | - |
| 50831 | Restricted | 296 | 897,191 | 1,420,620 |
| 50841 | Committed | - | - | - |
| 50851 | Assigned | - | - | 447,620 |
| 50891 | Unassigned | - | - | - |
| | Total Ending Cash and Investments | 296 | 897,191 | 1,420,620 |

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, 2020

| | | 401 Water | 402 Sewer | 407 Storm & Flood Control | 510 Computer Repair & Replacement |
|---|--------------------------------|------------------|------------------|------------------------------|---|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 2,131,691 | 6,168,164 | 1,262,460 | 100,000 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | 8,640 | - | - | - |
| 330 | Intergovernmental Revenues | 22,215 | 109,410 | 28,384 | 77,527 |
| 340 | Charges for Goods and Services | 4,336,270 | 6,200,098 | 1,590,067 | 223,424 |
| 350 | Fines and Penalties | 5,988 | 9,590 | 2,532 | - |
| 360 | Miscellaneous Revenues | 62,622 | 20,659 | 3,650 | - |
| Total Revenues: | | 4,435,735 | 6,339,757 | 1,624,633 | 300,951 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | 207,125 |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | 2,167,344 | 2,807,118 | 863,089 | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | 2,167,344 | 2,807,118 | 863,089 | 207,125 |
| Excess (Deficiency) Revenues over Expenditures: | | 2,268,391 | 3,532,639 | 761,544 | 93,826 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | 9,036,840 | 19,545,899 | - | - |
| 397 | Transfers-In | 7,106 | 7,512 | 5,685 | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | 9,043,946 | 19,553,411 | 5,685 | - |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 1,815,336 | 20,062,462 | 156,385 | 96,660 |
| 591-593, 599 | Debt Service | 4,087,591 | 1,577,954 | 97,559 | - |
| 597 | Transfers-Out | 63,516 | 54,321 | 45,126 | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | 2,193 | - | - | - |
| Total Other Decreases in Fund Resources: | | 5,968,636 | 21,694,737 | 299,070 | 96,660 |
| Increase (Decrease) in Cash and Investments: | | 5,343,701 | 1,391,313 | 468,159 | (2,834) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 442,863 | 703,663 | 40,412 | - |
| 50841 | Committed | - | 885,916 | - | - |
| 50851 | Assigned | 7,032,530 | 5,969,902 | 1,690,211 | 97,166 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 7,475,393 | 7,559,481 | 1,730,623 | 97,166 |

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, 2020

| | | 550 Equip. Maint. & Replacement |
|--|---|--|
| Beginning Cash and Investments | | |
| 308 | Beginning Cash and Investments | 268,273 |
| 388 / 588 | Net Adjustments | - |
| Revenues | | |
| 310 | Taxes | - |
| 320 | Licenses and Permits | - |
| 330 | Intergovernmental Revenues | 1,041 |
| 340 | Charges for Goods and Services | 555,289 |
| 350 | Fines and Penalties | - |
| 360 | Miscellaneous Revenues | 13,468 |
| | Total Revenues: | 569,798 |
| Expenditures | | |
| 510 | General Government | 26,339 |
| 520 | Public Safety | - |
| 530 | Utilities | - |
| 540 | Transportation | 399,679 |
| 550 | Natural/Economic Environment | - |
| 560 | Social Services | - |
| 570 | Culture and Recreation | - |
| | Total Expenditures: | 426,018 |
| | Excess (Deficiency) Revenues over Expenditures: | 143,780 |
| Other Increases in Fund Resources | | |
| 391-393, 596 | Debt Proceeds | - |
| 397 | Transfers-In | 368,273 |
| 385 | Special or Extraordinary Items | - |
| 381, 382, 389, 395, 398 | Other Resources | - |
| | Total Other Increases in Fund Resources: | 368,273 |
| Other Decreases in Fund Resources | | |
| 594-595 | Capital Expenditures | 514,904 |
| 591-593, 599 | Debt Service | - |
| 597 | Transfers-Out | - |
| 585 | Special or Extraordinary Items | - |
| 581, 582, 589 | Other Uses | - |
| | Total Other Decreases in Fund Resources: | 514,904 |
| | Increase (Decrease) in Cash and Investments: | (2,851) |
| Ending Cash and Investments | | |
| 50821 | Nonspendable | - |
| 50831 | Restricted | - |
| 50841 | Committed | - |
| 50851 | Assigned | 265,421 |
| 50891 | Unassigned | - |
| | Total Ending Cash and Investments | 265,421 |

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, 2020

| | | Total for All Funds (Memo Only) | Custodial |
|-----------|--|--|------------------|
| 308 | Beginning Cash and Investments | 2,937 | 2,937 |
| 388 & 588 | Net Adjustments | - | - |
| 310-390 | Additions | 167,204 | 167,204 |
| 510-590 | Deductions | 158,877 | 158,877 |
| | Net Increase (Decrease) in Cash and Investments: | 8,327 | 8,327 |
| 508 | Ending Cash and Investments | 11,264 | 11,264 |

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, 2020

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 presented using classifications that are similar to the ending balance classification 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 6 – Long-Term Debt

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted or committed 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 the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

| | |
|---|-----------|
| 102 Park Mitigation | \$577,328 |
| 104 Traffic Mitigation | 1,058,185 |
| 106 Criminal Justice Fund | 8,247 |
| 107 Local Criminal Justice | 116,792 |
| 113 Transportation Benefit District | 1,220,230 |
| 114 Complete Streets | 9,545 |
| 198 Hotel/Motel | 105,842 |
| 214 Streets/Parks Debt Service | 11,045 |
| 215 LaBounty LID 2006-1 Bond Redemption | 32,830 |
| 216 LaBounty LID 2006-1 Bond Guarantee | 29,800 |
| 217 LaBounty GO Bond Redemption | 153 |
| 218 2010 GO Bond Redemption | -230,676 |
| 219 2011 GO Bond Redemption | 1,996 |
| 220 2013 GO Library Bond Redemption | 296 |
| 301 Real Estate Excise Tax First 1/4% REET 1 | 897,191 |
| 302 Real Estate Excise Tax Second 1/4% REET 2 | 1,420,620 |
| 401 Water | 442,864 |
| 402 Sewer | 703,663 |
| 407 Storm | 40,412 |

651 Court Activity

| | |
|--------------|--------------------|
| | 11,264 |
| TOTAL | \$6,457,628 |

The Proprietary fund restricted cash balances in 401 Water, 402 Sewer, and 407 Storm are unspent 2014 revenue bond proceeds and the required Parity Bond Reserve amounts. The Proprietary fund committed cash balance in 402 Sewer is committed through an ordinance for debt service for a loan for the waste water treatment plant upgrade. All the other funds listed above are restricted by the very nature of the title of the fund.

Note 2 – Budget Compliance

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 2020 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) | \$10,187,707 | \$9,607,528 | \$580,179 |
| 002 General Fund Contingency Reserve | 0 | 0 | 0 |
| 003 Facilities Capital Reserve | 120,000 | 70,000 | 50,000 |
| 004 LEOFF 1 Police Retiree | 100,000 | 32,310 | 67,690 |
| 005 Solid Waste Tax | 2,485,609 | 1,656,424 | 829,185 |
| 007 Pioneer Pavilion Community Center Ops | 54,231 | 30,586 | 23,645 |
| 101 Streets | 1,683,074 | 1,263,530 | 419,544 |
| 102 Park Mitigation | 259,613 | 98,616 | 160,997 |
| 104 Traffic Mitigation | 800,000 | 799,326 | 674 |
| 106 Criminal Justice Fund | 17,000 | 17,000 | 0 |
| 107 Local Criminal Justice | 260,000 | 260,000 | 0 |
| 113 Ferndale Trans. Benefit District | 550,000 | 81,631 | 468,369 |
| 114 Complete Streets | 200,000 | 200,000 | 0 |
| 198 Hotel/Motel | 51,500 | 41,733 | 9,767 |
| 214 Streets/Parks Debt Service | 122,097 | 122,097 | 0 |
| 215 LaBounty LID 2006-1 Bond Redemption | 38,210 | 34,099 | 4,111 |

| <u>Fund Number and Name</u> | <u>Final Appropriated Amounts</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|--|---|--------------------------------|---------------------|
| 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 | 3,817,659 | 3,785,988 | 31,671 |
| 219 2011 GO Bond Redemption | 159,400 | 159,100 | 300 |
| 220 2014 GO Library Bond Redemption | 186,072 | 186,072 | 0 |
| 301 Real Estate Excise Tax First 1/4% REET 1 | 327,591 | 216,227 | 111,364 |
| 302 Real Estate Excise Tax Second 1/4% REET 2 | 1,000,000 | 100,000 | 900,000 |
| 370 Thornton Road Overpass Construction | 15,000,000 | 8,774,671 | 6,225,329 |
| 401 Water | 5,105,404 | 3,484,935 | 1,620,469 |
| 402 Sewer | 5,013,405 | 3,838,300 | 1,175,105 |
| 403 Sewer Revenue Bonds | 5,471,270 | 5,283,966 | 187,304 |
| 404 Sewer Revenue Bonds Reserve | 0 | 0 | 0 |
| 405 WWTP Debt Service | 0 | 0 | 0 |
| 407 Storm & Flood Control | 5,474,606 | 1,156,533 | 4,318,073 |
| 408 Utility Loan Service | 175,892 | 175,892 | 0 |
| 409 CCWA Water Debt Service | 35,674 | 39,086 | (3,412) |
| 413 Water Treatment Plant Upgrade (WTP) | 3,500,000 | 75,585 | 3,424,415 |
| 414 Shop Well 2 | 1,250,000 | 1,230,982 | 19,018 |
| 415 Waste Water Treatment Plant Construction (WWTP) | 26,150,000 | 20,027,823 | 6,122,177 |
| 510 Computer Repair & Maint. | 347,000 | 303,784 | 43,216 |
| 550 Equipment Repair & Maint. | 1,150,082 | 940,922 | 209,160 |
| 650 Court Agency | 225,000 | 153,591 | 71,409 |
| 651 Court Activity | 100,000 | 5,287 | 94,713 |
| TOTAL EXPENDITURES | \$91,444,816 | \$64,280,341 | \$27,164,475 |

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's legislative body.

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 | 12/31/2020 |
|--|---------------|
| GASB Statement No. 14 | |
| Calculation of Joint Venture Equity Interest | |
| Assets | |
| A/P Checking (Key Bank) | \$15,111 |
| General | |
| Fund (Whatcom County) | 2,542 |
| Petty Cash (Key Bank) | 2,750 |
| Investment Pool (Whatcom County) | 285,459 |
| Postage Meter prepaid postage | 1,200 |
| Building Lease Security Deposit | 2,500 |
| Accounts Receivable | 164,401 |
| Furniture & Equipment (FMV) | <u>20,000</u> |
| Total Assets | \$493,963 |
| Liabilities | |
| Accounts Payable | \$13,235 |
| Accrued Vacation Leave | 48,946 |
| Payroll Liabilities | 4,016 |
| Sales/Use Tax Payable | 9 |

| | | | |
|-------------------------------------|-----------|--------------|-------------------------|
| Phone System (Lease remaining term) | 2/28/2021 | 898 | |
| Building Lease (remaining term) | 6/30/2021 | 29,390 | |
| Copier Lease (remaining term) | 8/23/2022 | <u>3,861</u> | |
| Total Liabilities | | | <u>100,355</u> |
| Net Equity | | | <u><u>\$393,608</u></u> |

| Current Year Voting Member Entities | Current Year Dues | % of Current Year Dues | Share of Net Equity |
|-------------------------------------|-------------------|------------------------|-------------------------|
| Bellingham | \$55,147 | 33.95% | \$133,630 |
| Blaine | 3,320 | 2.04% | 8,030 |
| Everson | 1,714 | 1.06% | 4,172 |
| Ferndale | 8,752 | 5.39% | 21,215 |
| Lummi Nation | 3,219 | 1.98% | 7,793 |
| Lynden | 8,856 | 5.45% | 21,452 |
| Nooksack | 982 | 0.60% | 2,362 |
| Sumas | 982 | 0.60% | 2,362 |
| Whatcom County (unincorporated) | 54,912 | 33.80% | 133,040 |
| Port of Bellingham | <u>24,572</u> | <u>15.13%</u> | <u>59,553</u> |
| Total Dues Received | \$162,456 | 100.00% | <u><u>\$393,609</u></u> |

Note 4 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The City received substantially more sales tax and solid waste revenue than budgeted, in 2020. The City's

general fund total revenues are above the budgeted amounts. 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 length of time these measures will continue to be in place, and the full extent of the financial impact on the City is unknown at this time.

Note 5 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2020 are as follows:

| <u>Type of deposit or investment</u> | <u>City of Ferndale's own investments</u> | <u>Deposits and investments held by the City as custodian for other local governments, individuals, or private organizations</u> |
|---|--|---|
| Bank deposits | \$18,160,521 | \$11,264 |
| L.G.I.P. | \$13,594,933 | |
| TOTAL | \$31,755,454 | \$11,264 |

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 withdrawals.

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 – Long-Term Debt

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city’s debt transactions for year ended December 31, 2020.

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

| | General Obligation Bonds | General Obligation Bonds | General Obligation Bonds |
|----------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Year(s) | Principal | Interest | Total D/S |
| 2021 | \$679,996 | \$136,011 | \$816,007 |
| 2022 | 709,738 | 113,034 | 822,772 |
| 2023 | 724,755 | 90,285 | 815,040 |
| 2024 | 541,075 | 65,787 | 606,862 |
| 2025 | 564,000 | 50,503 | 614,503 |
| 2026-2030 | 1,877,000 | 90,576 | 1,967,576 |
| TOTALS | \$5,096,564 | \$546,196 | \$5,642,760 |

| | Revenue Debt | Revenue Debt | Revenue Debt |
|----------------|-------------------------|-------------------------|-------------------------|
| Year(s) | Principal | Interest | Total D/S |
| 2021 | \$1,086,491 | \$513,965 | \$1,600,456 |
| 2022 | 1,135,491 | 468,165 | 1,603,656 |
| 2023 | 1,158,491 | 438,127 | 1,596,618 |
| 2024 | 2,128,291 | 1,266,605 | 3,394,896 |
| 2025 | 2,472,925 | 919,886 | 3,392,811 |
| 2026-2030 | 13,195,358 | 3,617,950 | 16,813,308 |
| 2031-2035 | 11,539,467 | 1,934,423 | 13,473,891 |
| 2036-2040 | 8,084,169 | 890,522 | 8,974,691 |
| 2041-2043 | 4,355,268 | 132,078 | 4,487,346 |
| TOTALS | \$45,155,951 | \$10,181,721 | \$55,337,673 |

| | Other Debt | Other Debt | Other Debt |
|----------------|-----------------------|-----------------------|-----------------------|
| Year(s) | Principal | Interest | Total D/S |
| 2021 | \$176,766 | \$24,450 | \$201,216 |
| 2022 | 166,917 | 19,437 | 186,354 |
| 2023 | 164,497 | 14,635 | 179,132 |
| 2024 | 136,657 | 9,922 | 146,579 |
| 2025 | 139,637 | 6,916 | 146,553 |
| 2026-2030 | 334,837 | 6,114 | 340,951 |

| | | | |
|---------------|--------------------|-----------------|--------------------|
| 2031-2035 | 61,448 | 231 | 61,679 |
| TOTALS | \$1,180,759 | \$81,705 | \$1,262,464 |

| Year(s) | All Debt Principal | All Debt Interest | All Debt Total D/S |
|----------------|---------------------------|--------------------------|---------------------------|
| 2021 | \$1,943,253 | \$674,426 | \$2,617,679 |
| 2022 | 2,012,146 | 600,636 | 2,612,782 |
| 2023 | 2,047,743 | 543,047 | 2,590,790 |
| 2024 | 2,806,023 | 1,342,314 | 4,148,337 |
| 2025 | 3,176,562 | 977,305 | 4,153,867 |
| 2026-2030 | 15,407,195 | 3,714,640 | 19,121,835 |
| 2031-2035 | 11,600,915 | 1,934,654 | 13,535,570 |
| 2036-2040 | 8,084,169 | 890,522 | 8,974,691 |
| 2041-2043 | 4,355,268 | 132,078 | 4,487,346 |
| TOTALS | \$51,433,274 | \$10,809,622 | \$62,242,897 |

A. Debt Refunding

The city issued \$3,168,000 of general obligation refunding bonds to retire \$3,142,239.33 of existing 2010 series bonds. This refunding was undertaken to reduce total debt service payments over the next 10 years by \$401,017.28. The financial statements reflect other financing uses of \$25,670.67 pertaining to this transaction.

The city issued \$3,926,000 of revenue refunding bonds to retire \$3,899,606 of existing 2011 series bonds. This refunding was undertaken to reduce total debt service payments over the next 10 years by \$300,783.65. The financial statements reflect other financing uses of \$26,394 pertaining to this transaction.

B. Unused Lines of Credit

At fiscal year end, the city had \$9,000,000 available in unused lines of credit.

C. Other Debt Disclosures

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. In June 2020, the City issued

revenue bonds for this project. 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 July 2020, the City issued revenue refunding bonds to partially retire the 2011 series bonds.

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 June 2020, the City issued general obligation refunding bonds to retire the 2010 series bonds.

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. The City obtained the Anticipation Note in June 2020.

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. The City obtained Anticipation Note in July 2020.

Note 7 – Other Disclosures

A. Contingencies and Litigations

In 2020, City of Ferndale had a pending matter involving a traffic accident between a Ferndale police officer and another motorist, which resulted in injuries to the motorist. A tort claim was filed against the City. In November 2020, the City's insurance settled the claim.

The City is awaiting court ruling on its motion for summary judgment regarding litigation pertaining to a piece of property in Ferndale. There are tort-based claims included, which qualify for indemnity by the City's insurance.

B. Other

In June 2020, the City issued general obligation refunding bonds to retire the 2010 series bonds. In October 2020, the City received an invoice directly from the lending bank for \$263,317.43. The City paid the invoice on November 10, 2020. On December 1, 2020, the trust bank automatically withdrew the 2020 payment of \$263,317.43 from the City's account, resulting in a double payment. The City received a full refund, for the double payment, in January 2021.

C. Construction Commitment

The City has active construction projects as of December 31, 2020. The projects include:

1. Thornton Street Overpass
2. Wastewater Treatment Plant upgrade
3. 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 | \$14,019,909.35 | \$7,647,090.65 |
| Wastewater Treatment Plant | \$21,595,221.25 | \$12,086,146.45 |
| Water Treatment Plant | \$341,493.60 | \$3,353,506.40 |

Of the committed balance of \$7,647,091, 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 \$12,086,146, for the Wastewater Treatment Plant, the City has received a loan for the full amount from Department of Ecology.

Of the committed balance of \$3,353,506, for the Water Treatment Plant, the City procured a loan for the full amount in 2020. See Note 6 item C.

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, 2020, the plan had three members, all retirees. As of December 31, 2020 the City’s total OPEB liability was \$1,560,039, as calculated using the alternative measurement method. For the year ended December 31, 2020, the City paid \$32,310 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 Annual Financial Report (AFR) that includes financial statements and required supplementary information for each plan. The DRS AFR may be obtained by writing to:

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

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

At June 30, 2020 (the measurement date of the plans), the City of Ferndale’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities (09), was as follows:

| | Employer Contributions | Allocation % | Liability (Asset) |
|----------|------------------------|--------------|-------------------|
| PERS 1 | \$182,853 | 0.025230% | \$890,755 |
| PERS 2/3 | \$296,598 | 0.032196% | \$411,768 |
| PSERS 2 | \$5,525 | 0.012509% | (\$1,721) |
| LEOFF 1 | | 0.004747% | (\$89,648) |
| LEOFF 2 | \$110,398 | 0.056435% | (\$1,151,192) |

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 2020 the City of Ferndale contributed \$113,208 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 2020 was \$.98678 per \$1,000 on an assessed valuation of \$1,764,597,294 for a total regular levy of \$1,741,265.

In 2020 the City levied also \$.03666 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 162 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 \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregate and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage 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 \$400 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, 2020, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, 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 2020, 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, 2020**

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|-----------------|--------------------------|-------------------|-------------------|-----------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 263.81 | PWTF LOAN-STORM | 9/1/2024 | 31,576 | - | 7,895 | 23,681 |
| 263.91 | Whatcom Co. Public Util. Impr. Fund Parks Loan | 8/30/2027 | 526,031 | - | 62,382 | 463,649 |
| 263.96 | Water Booster Pump Station Bond | 6/1/2028 | 565,000 | - | 50,000 | 515,000 |
| 263.96 | Land Purchase | 12/1/2028 | 395,000 | - | 40,000 | 355,000 |
| 263.96 | Heavy Equipment | 6/1/2026 | 266,089 | - | 32,681 | 233,408 |
| 263.96 | Minor Equipment | 6/1/2021 | 24,434 | - | 11,919 | 12,515 |
| 251.11 | LaBounty Road Bond | 6/1/2023 | 97,290 | - | 22,921 | 74,369 |
| 251.11 | Facilities BAB Bonds 2010 | 12/1/2030 | 3,120,000 | - | 3,120,000 | - |
| 251.11 | Facilities BAB Bonds - 2020 LTGO Refunding | 12/1/2030 | - | 3,168,000 | 243,000 | 2,925,000 |
| 251.11 | Facilities LTGO BQ Bonds 2011 | 12/1/2025 | 845,000 | - | 125,000 | 720,000 |
| 263.81 | PWTF LOAN-STORM | 6/1/2032 | 399,415 | - | 30,724 | 368,691 |
| 251.11 | Facilities LTGO BQ Bonds 2013A | 11/1/2023 | 228,517 | - | 53,755 | 174,762 |
| 251.11 | Facilities LTGO BQ Bonds 2013B | 11/1/2023 | 435,436 | - | 103,003 | 332,433 |
| 263.94 | Thornton Cashmere Valley Bank - Line of Credit | | - | 3,031,000 | 3,031,000 | - |
| 263.83 | DWSRF CCWA | 10/1/2036 | 192,812 | - | 30,491 | 162,321 |
| 263.83 | Department of Ecology WWTP Construction | 4/30/2043 | - | 18,717,739 | - | 18,717,739 |
| Total General Obligation Debt/Liabilities: | | | 7,126,600 | 24,916,739 | 6,964,771 | 25,078,568 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 259.12 | Compensated Absences | 12/31/2020 | 504,979 | 454,520 | 422,516 | 536,983 |
| 264.30 | Pension Liabilities | 12/31/2020 | 1,309,378 | - | 6,854 | 1,302,524 |
| 264.40 | OPEB Liabilities | 12/31/2020 | 1,489,927 | 70,112 | - | 1,560,039 |
| 252.11 | Water & Sewer Bonds 2011 | 11/1/2021 | 4,320,000 | - | 4,025,000 | 295,000 |
| 252.11 | Water & Sewer Bonds 2011B Refunding | 11/1/2031 | - | 3,926,000 | 36,000 | 3,890,000 |
| 252.11 | Sewer & Storm Bonds 2014 | 11/1/2033 | 7,080,000 | - | 400,000 | 6,680,000 |
| 252.11 | Rev Bonds Water & Sewer - WTP & Shop Well #2 | 6/1/2035 | - | 5,739,000 | 170,000 | 5,569,000 |
| 263.95 | WWTP Construction Peoples Bank - Line of Credit | | - | 200,000 | 200,000 | - |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 14,704,284 | 10,389,632 | 5,260,370 | 19,833,546 |
| Assessment Debt/Liabilities (with commitments) | | | | | | |
| 253.11 | LaBounty Road LID Bonds | 12/1/2025 | 106,815 | - | 28,000 | 78,815 |

**City of Ferndale
Schedule of Liabilities
For the Year Ended December 31, 2020**

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---------|--|----------|----------------------|------------|------------|----------------|
| | Total Assessment Debt/Liabilities (with commitments): | | 106,815 | - | 28,000 | 78,815 |
| | Total Liabilities: | | 21,937,699 | 35,306,371 | 12,253,141 | 44,990,929 |

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

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