



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Aberdeen

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

*Published June 7, 2021*

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

June 7, 2021

Mayor and City Council  
City of Aberdeen  
Aberdeen, Washington

**Report on Financial Statements**

Please find attached our report on the City of Aberdeen'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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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2019-002 The City's internal controls over accounting, financial statement preparation, and the cash and investment reconciliation were inadequate to ensure accurate reporting.**

#### ***Background***

City Council, state and federal agencies, and the public rely on information included in the financial statements and reports to make decisions. City management is responsible for designing and following internal controls to ensure the financial statements and notes to financial statements are accurate, and to provide reasonable assurance regarding the reliability of financial reporting.

The City prepares its financial statements in accordance with the cash basis accounting method as prescribed by the State Auditor's Office *Budgeting, Accounting and Reporting System* (BARS) manual.

Our audit identified significant deficiencies in the City's internal controls over financial reporting and transaction reviews that hindered the City's ability to produce reliable financial statements, notes and required schedules.

#### ***Description of Condition***

Our audit identified the following deficiencies that, when taken together, represent a significant internal control deficiency:

- The City lacked an effective review process to ensure amounts reported in the financial statements and notes to the financial statements were consistent with the underlying accounting records, had supporting documentation, and followed BARS Manual guidance.
- The City did not have effective procedures to ensure revenue and expenditure transactions were recognized and recorded appropriately.
- The City did not perform an adequate bank reconciliation to identify and correct errors affecting the accounting records and financial statements.

This issue was reported as a management letter in the prior audit, and as a finding in the 2017 audit.

#### ***Cause of Condition***

In the past four years, the City has experienced multiple turnovers in the Finance Director and Assistant Finance Director positions, which are responsible for overseeing the daily accounting of transactions, performing and reviewing bank statement reconciliations and preparing the annual report. Further, city staff responsible for compiling financial information lacked technical knowledge and

experience needed to accurately prepare the financial statements and notes to the financial statements.

### ***Effect of Condition***

Because of these deficiencies in internal controls, our audit identified the City:

- Recorded transfers between its accounts as a revenues and expenditures. As a result, the City overstated revenues and expenditures by \$1,885,578.
- Reported expenditures on their financial statements that exceeded bank statement activity and adjustments by \$897,210. The City was unable to provide support or explanation for this variance.
- Reported ending cash and investments on their financial statements that exceeded bank statement activity and adjustments by \$35,939. The City was unable to provide support or explanation for this variance.
- Transferred \$522,000 to the Equipment Rental and Revolving fund from multiple funds. The City recorded these transfers as a Custodial Activity instead of Transfers-in.
- Recorded \$122,900 of revenues in the Department of Justice Grants fund, which should have been recorded in the General Fund.

We also identified other less significant errors in the City's financial statements, notes and schedules.

### ***Recommendation***

We recommend the City dedicate the resources necessary to ensure all staff responsible for preparing financial statements have the necessary resources and training. Further, we recommend the City strengthen internal controls by:

- Conducting an effective, independent financial statement review that ensures financial statements and notes to the financial statements agreed to the underlying accounting records, supporting documentation, and meets reporting standards.
- Implementing controls to ensure revenue and expenditure transactions are recognized and recorded appropriately.
- Performing bank reconciliations to identify and correct errors effecting the accounting records and financial statements.

### ***City's Response***

*The audit information and concern will allow for the ability to address the issues from 2019. The detailed list of items will allow for direction on the changes*

*necessary to get the financials, policies, processes, and internal controls back to where they need to be to produce financials free from errors and misstatements.*

*We have started making some of the changes but there are many on the list that we will need to work on during 2021*

### ***Auditor's Remarks***

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regularly scheduled audit.

### ***Applicable Laws and Regulations***

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

The *Budgeting, Accounting, and Reporting System (BARS)* manual, 3.1.3, Internal Control, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

## 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 Aberdeen January 1, 2019 through December 31, 2019**

Mayor and City Council  
City of Aberdeen  
Aberdeen, 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 Aberdeen, 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 May 20, 2021.

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 12 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

## 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 that we consider to be significant deficiencies.

## 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*.

## CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.



## 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

May 20, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### City of Aberdeen January 1, 2019 through December 31, 2019

Mayor and City Council  
City of Aberdeen  
Aberdeen, Washington

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Aberdeen, 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 14.

### 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 Aberdeen 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 Aberdeen, 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 Aberdeen, 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 12 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. 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 May 20, 2021 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

May 20, 2021

## **FINANCIAL SECTION**

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>103 Street Fund</b>	<b>107 Morrison Riverfront Park</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	5,564,295	657	-	-
30880	Unreserved	10,133,080	6,922,608	(392,471)	9,252
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	14,633,149	13,592,173	-	-
320	Licenses and Permits	518,720	518,720	-	-
330	Intergovernmental Revenues	6,629,298	716,635	3,698,021	-
340	Charges for Goods and Services	13,558,130	299,558	516,299	-
350	Fines and Penalties	210,321	210,513	-	-
360	Miscellaneous Revenues	873,876	294,970	24,104	48,310
Total Revenues:		36,423,494	15,632,569	4,238,424	48,310
<b>Expenditures</b>					
510	General Government	1,983,212	1,977,397	-	-
520	Public Safety	13,406,465	8,857,209	45,956	-
530	Utilities	7,981,519	-	-	-
540	Transportation	2,750,773	322,973	2,043,564	-
550	Natural and Economic Environment	1,053,753	598,092	-	-
560	Social Services	161,564	161,564	-	-
570	Culture and Recreation	2,885,220	1,506,117	-	34,859
Total Expenditures:		30,222,506	13,423,352	2,089,520	34,859
Excess (Deficiency) Revenues over Expenditures:		6,200,988	2,209,217	2,148,904	13,451
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	18,924	-	-	-
397	Transfers-In	3,747,171	101,595	1,632,576	-
385	Special or Extraordinary Items	169,110	-	-	-
386 / 389	Custodial Activities	522,000	-	-	-
381, 382, 395, 398	Other Resources	14,929,032	10,581,282	-	-
Total Other Increases in Fund Resources:		19,386,237	10,682,877	1,632,576	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	7,318,696	1,008,111	2,987,169	-
591-593, 599	Debt Service	919,133	44,878	-	-
597	Transfers-Out	4,748,817	4,499,972	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	1,577,395	105,294	-	-
Total Other Decreases in Fund Resources:		14,564,041	5,658,255	2,987,169	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>11,023,184</b>	<b>7,233,839</b>	<b>794,311</b>	<b>13,451</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	14,821,546	9,029,042	-	-
5088000	Unreserved	11,899,025	5,128,062	401,836	22,701
<b>Total Ending Cash and Investments</b>		<b>26,720,571</b>	<b>14,157,104</b>	<b>401,836</b>	<b>22,701</b>

The accompanying notes are an integral part of this statement.

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

		<b>120 Emergency Services</b>	<b>128 Community Center Fund</b>	<b>130 Transportation Benefit District</b>	<b>132 Recreation Sports Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	920,453	1,061,902	105,441	199,063
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	711,512	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,861,757	-	-	-
340	Charges for Goods and Services	3,524,134	-	-	38,911
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	12,688	13,674	2,276	39,885
Total Revenues:		5,398,579	13,674	713,788	78,796
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	3,886,510	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	1,203,551	-	81,136
Total Expenditures:		3,886,510	1,203,551	-	81,136
Excess (Deficiency) Revenues over Expenditures:		1,512,069	(1,189,877)	713,788	(2,340)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	350,000	-	30,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	350,000	-	30,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	18,563	-	641,482	-
591-593, 599	Debt Service	-	1,666	-	-
597	Transfers-Out	37,595	48,000	-	16,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	22,334	-	-
Total Other Decreases in Fund Resources:		56,158	72,000	641,482	16,000
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,455,911</b>	<b>(911,877)</b>	<b>72,306</b>	<b>11,660</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	150,026	-	-
5088000	Unreserved	2,376,366	-	177,746	210,722
<b>Total Ending Cash and Investments</b>		<b>2,376,366</b>	<b>150,026</b>	<b>177,746</b>	<b>210,722</b>

The accompanying notes are an integral part of this statement.



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

		<b>145 Drug Enforcement Fund</b>	<b>206 2004 Fire Truck Bond Fund</b>	<b>230 Stafford Creek Correction</b>	<b>231 2009 Stafford Creek Refunding Bond</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	80,351	498,357	1,437,983
30880	Unreserved	67,053	-	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	87,983	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	41,361	2,334	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	(192)	-	-	-
360	Miscellaneous Revenues	213,196	706	13,868	11,783
Total Revenues:		254,365	91,023	13,868	11,783
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	264,960	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		264,960	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(10,595)	91,023	13,868	11,783
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	145,000	-	-	-
385	Special or Extraordinary Items	-	-	169,110	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	21,795	-	-	-
Total Other Increases in Fund Resources:		166,795	-	169,110	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	79,291	187,727	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	1,449,767
Total Other Decreases in Fund Resources:		-	79,291	187,727	1,449,767
<b>Increase (Decrease) in Cash and Investments:</b>		<b>156,200</b>	<b>11,732</b>	<b>(4,749)</b>	<b>(1,437,984)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	493,608	-
5088000	Unreserved	223,254	92,083	-	-
<b>Total Ending Cash and Investments</b>		<b>223,254</b>	<b>92,083</b>	<b>493,608</b>	<b>-</b>

The accompanying notes are an integral part of this statement.

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

		<b>301 Community Development Block Grant</b>	<b>302 Urban Development Action Grant</b>	<b>303 Hotel/Motel Tax Fund</b>	<b>305 Dept. of Justice Grants</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	(220,393)	129,291	135,540	(132,398)
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	79,492	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	309,190	-	-	-
340	Charges for Goods and Services	-	-	-	122,900
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	460	1,047	1,118	-
Total Revenues:		309,650	1,047	80,610	122,900
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	122,328
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	3,287	12,500	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	59,557	-
Total Expenditures:		3,287	12,500	59,557	122,328
Excess (Deficiency) Revenues over Expenditures:		306,363	(11,453)	21,053	572
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	18,924	-	-
397	Transfers-In	-	-	-	70,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	18,924	-	70,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	10,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	10,000	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>306,363</b>	<b>7,471</b>	<b>11,053</b>	<b>70,572</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	146,595	-
5088000	Unreserved	85,969	136,762	-	(61,825)
<b>Total Ending Cash and Investments</b>		<b>85,969</b>	<b>136,762</b>	<b>146,595</b>	<b>(61,825)</b>

The accompanying notes are an integral part of this statement.

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

		<b>306 Grant Funds</b>	<b>318 Abatement Fund</b>	<b>320 Public Buildings Fund</b>	<b>350 Utility Construction Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	1,070	(413,395)	(35,873)	(34,064)
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	3,009	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	9	1,260	77,031	649
Total Revenues:		9	4,269	77,031	649
<b>Expenditures</b>					
510	General Government	-	-	5,303	-
520	Public Safety	-	229,502	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	45,674	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	275,176	5,303	-
Excess (Deficiency) Revenues over Expenditures:		9	(270,907)	71,728	649
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	673,000	345,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	60,741	-	867,837
Total Other Increases in Fund Resources:		-	733,741	345,000	867,837
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	120,042	-
591-593, 599	Debt Service	-	-	157,853	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	277,895	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>9</b>	<b>462,834</b>	<b>138,833</b>	<b>868,486</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	1,079	49,441	102,962	834,423
<b>Total Ending Cash and Investments</b>		<b>1,079</b>	<b>49,441</b>	<b>102,962</b>	<b>834,423</b>

The accompanying notes are an integral part of this statement.

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

		<b>399 Capital Improvement Fund</b>	<b>401 Garbage Utility Fund</b>	<b>403 Sewer Utility Fund</b>	<b>404 Water Utility Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	273,647	885,099
30880	Unreserved	(162,532)	63,215	389,250	348,652
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	161,989	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	85,291	4,274,230	3,644,378
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	4,500	477	7,669	72,551
Total Revenues:		166,489	85,768	4,281,899	3,716,929
<b>Expenditures</b>					
510	General Government	512	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	6,015	3,553,895	3,555,048
540	Transportation	-	-	-	-
550	Natural and Economic Environment	353,510	-	-	40,690
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		354,022	6,015	3,553,895	3,595,738
Excess (Deficiency) Revenues over Expenditures:		(187,533)	79,753	728,004	121,191
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	400,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	724,883	2,530,533
Total Other Increases in Fund Resources:		400,000	-	724,883	2,530,533
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	1,638,715	196,632
591-593, 599	Debt Service	-	-	447,718	-
597	Transfers-Out	47,250	90,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		47,250	90,000	2,086,433	196,632
<b>Increase (Decrease) in Cash and Investments:</b>		<b>165,217</b>	<b>(10,247)</b>	<b>(633,546)</b>	<b>2,455,092</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	53,770	2,509,875
5088000	Unreserved	2,684	52,967	(24,416)	1,178,970
<b>Total Ending Cash and Investments</b>		<b>2,684</b>	<b>52,967</b>	<b>29,354</b>	<b>3,688,845</b>

The accompanying notes are an integral part of this statement.

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

		<b>405 Stormwater Utility Fund</b>	<b>407 Industrial Water Fund</b>	<b>501 Equipment Rental Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	977,257	1,410,944
30880	Unreserved	119,312	924,592	127,512
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	498,230	247,555	303,635
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	3,178	15,076	13,391
Total Revenues:		501,408	262,631	317,026
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	573,757	292,804	-
540	Transportation	-	-	384,236
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		573,757	292,804	384,236
Excess (Deficiency) Revenues over Expenditures:		(72,349)	(30,173)	(67,210)
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	522,000
381, 382, 395, 398	Other Resources	-	-	141,961
Total Other Increases in Fund Resources:		-	-	663,961
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	-	68,143	639,839
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		-	68,143	639,839
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(72,349)</b>	<b>(98,316)</b>	<b>(43,088)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	-	985,081	1,453,549
5088000	Unreserved	46,964	818,452	41,823
<b>Total Ending Cash and Investments</b>		<b>46,964</b>	<b>1,803,533</b>	<b>1,495,372</b>

The accompanying notes are an integral part of this statement.

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

		<b>Total for All Funds (Memo Only)</b>	<b>Pension/OPEB Trust Fund</b>	<b>Private-Purpose Trust</b>	<b>Custodial</b>
308	Beginning Cash and Investments	282,870	154,164	33,863	94,843
388 & 588	Net Adjustments	9,321	-	-	9,321
310-390	Additions	1,720,702	1,041,303	271	679,128
510-590	Deductions	1,601,387	939,943	-	661,444
	Net Increase (Decrease) in Cash and Investments:	119,315	101,360	271	17,684
508	Ending Cash and Investments	411,509	255,526	34,134	121,849

*The accompanying notes are an integral part of this statement.*

**Note 1 – Summary of Significant Accounting Policies**

The City of Aberdeen was incorporated on May 12, 1890, and operates under the laws of the State of Washington applicable to a First Class Charter City. The City is a general-purpose government and provides public safety, water treatment and distribution, sewage collection and treatment, highway and street maintenance, planning and zoning, permits and inspections, municipal court, library, recreation services, and general administration.

The City of Aberdeen 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 and 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. The following fund types are used:

**GOVERNMENTAL FUND TYPES:****General (Current Expense) Fund**

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

**Special Revenue Funds**

These funds account for 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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

## 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 City or to other governmental units on a cost-reimbursement basis.

## FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent 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 for assets that the City of Aberdeen holds for 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.

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 720 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1440 hours. Upon separation or retirement, employees do not receive any payment for unused sick time, with the exception of the Police Guild. Police Guild employees at separation of service, may be paid up to 25% of their accumulated sick leave balance up to \$10,000.

F. Long Term Debt

See Note 6, *Debt Service Requirements*



**Note 1 – Summary of Significant Accounting Policies (continued)****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 made by formal action of the City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources before using unreserved amounts.

Reservations of Ending Cash and Investments consist of \$9,029,042 in the General Fund, \$493,608 in the Stafford Creek Correction fund #230, \$-.39 in the 2009 Stafford Creek Refunding Bond Fund #231, \$53,770 in the Sewer Utility Fund #403, \$2,509,875 in the Water Utility Fund #404, \$985,081 in the Industrial Water System Fund #407, \$1,453,549 in the Equipment Rental Operations Fund #501.

**Note 2 – Budget Compliance**

The City adopts annual appropriated budgets for governmental, proprietary and fiduciary 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.

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

<b>Fund No.</b>	<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
001	General Fund	\$24,782,117	\$19,722,445	\$5,059,672
004	City Council Projects	\$15,000	\$15,000	\$0
101	Library Fund	\$85,133	\$69,212	\$15,921
102	Parks Fund	\$1,189,859	\$1,140,606	\$49,253
103	Street Fund	\$2,296,036	\$2,141,185	\$154,851
105	Arterial Street Fund	\$16,302,869	\$2,935,506	\$13,367,363
106	Paths & Trails Fund	\$2,000	\$0	\$2,000
107	Morrison Riverfront Park Fund	\$47,465	\$34,860	\$12,605
108	Homeless Response Fund	\$321,000	\$218,013	\$102,987
111	Contingency Fund	\$2,341	\$0	\$2,341
112	Insurance Reserve Fund	\$1,287,161	\$200,000	\$1,087,161
120	Emergency Services Fund	\$4,718,309	\$3,942,665	\$775,644
121	Animal Control Fund	\$146,062	\$96,561	\$49,501
122	Parking Enforcement Fund	\$77,727	\$72,061	\$5,666
123	Police Canine Program	\$6,000	\$5,773	\$227
125	Museum Fund	\$965,595	\$245,288	\$720,307
128	Community Center Fund	\$479,456	\$1,275,551	(\$796,095)
132	Recreational Sports Programs	\$312,305	\$97,137	\$215,168

145	Drug Task Force	\$260,905	\$264,960	(\$4,055)
206	2000 Fire Truck Bond Redemption	\$81,507	\$79,291	\$2,216
301	Community Development Block Grant	\$4,000	\$3,287	\$713
302	Urban Development Action Grant	\$0	\$12,500	(\$12,500)
303	Hotel / Motel	\$181,635	\$69,557	\$112,078
305	Dept of Justice Grants	\$187,177	\$122,328	\$64,849
306	Grant Funds	\$0		\$0
315	Abatement Fund	\$920,081	\$275,173	\$644,908
320	Public Buildings Fund	\$345,000	\$283,196	\$61,804
350	Utility Construction Fund	\$0		\$0
399	Capital Improvements Fund	\$520,000	\$401,272	\$118,728
401	Garbage Utility	\$141,650	\$96,016	\$45,634
403	Sewer Utility	\$6,994,790	\$5,690,324	\$1,304,466
404	Water Utility	\$5,827,925	\$4,542,369	\$1,285,556
405	Storm Water Utility	\$574,150	\$573,757	\$393
407	Industrial Water System	\$900,910	\$360,948	\$539,962
413	Sewer Cumulative Reserve	\$1,323,799	\$1,000,000	\$323,799
414	Water Cumulative Reserve	\$1,632,500		\$1,632,500
417	Industrial Water Reserve	\$973,870		\$973,870
501	Equipment Rental - Operations	\$589,500	\$390,139	\$199,361
502	Equipment Rental - Reserves	\$1,914,961	\$633,933	\$1,281,028
611	Fire Pension	\$594,051	\$471,197	\$122,854
612	Police Pension	\$593,895	\$468,745	\$125,150
629	Brownfield Development	\$33,000		\$33,000
630	Transportation Improvement District	\$752,650	\$641,483	\$111,167
<b>Total</b>		<b>\$78,384,391</b>	<b>\$48,592,337</b>	<b>\$29,792,054</b>

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

### **Note 3 – Deposits and Investments**

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

All deposits and certificates of deposit are covered by the Federal Depository Insurance Corporation. All investments are insured, registered or held by the City or its agent in the government's name.

Investments are reported at original cost plus accrued interest which approximates market. Investments by type at December 31, 2019 are as follows:

L.G.I.P.	\$6,348,465
Bank of Pacific	\$11,130,665
US Government Securities	\$7,204,824
Bank of New York	\$493,607
Total	\$25,177,562

**Note 4 – OPEB Plans**

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. 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 58 members, all retirees. As of December 31, 2019, the City's total OPEB liability was \$26,452,681, as calculated using the alternative measurement method. For the year ended December 31, 2019, the City paid \$404,640.00 in benefits.

**Note 5 – Property Taxes**

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

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

The City's regular levy for the year 2019 was \$3.10 per \$1,000 on an assessed valuation of \$968,220,391 for a total regular levy of \$3,000,516.

In 2019, the City levied also \$.08 per \$1,000 for dike repairs and a new fire truck on an assessed value of \$955,097,700 for a total additional levy of \$80,108.

**Note 6 – Interfund Loans**

The following table displays interfund loan activity during 2019:

Borrowing Fund	Lending Fund	Balance 01/01/19	New Loans	Repayments	Balance 12/31/19
Community Center Fund	ER Reserve	\$166,630	\$0	\$22,334	\$ 144,295
General Fund	ER Reserve	\$103,877	\$0	\$74,494	\$ 29,383
Total		\$ 270,507	\$0	\$96,828	\$ 173,678

For the Community Center Fund there were no interfund payments made in 2017, in 2018 the City made multiple payments which brought the interfund loan current.

When reconciling the General Fund interfund loan, the full amount authorized was not used, therefore the City has corrected the beginning balance to the actual amount of the loan. No payments were made in 2017 and 2018, in 2019 the City made multiple payments which brought the interfund loans current.

**Note 7 – Debt Service Requirements**

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, 2018.

The debt service requirements for general obligation bonds, including interest, are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$656,429	\$80,485	\$736,914
2021	\$527,990	\$60,928	\$588,918
2022	\$539,529	\$42,270	\$581,799
2023	\$59,426	\$26,677	\$86,103
2025	\$61,051	\$25,052	\$86,103
2025-2029	\$331,220	\$99,297	\$430,517
2030-2034	\$379,036	\$51,481	\$430,517
2035-2039	\$166,517	\$5,690	\$172,207
Total	\$2,721,199	\$391,881	\$3,113,079

**Note 8 – Pension Plans**

Substantially all City 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: PERS I, PERS II, PERS III, PSERS, LEOFF I, or LEOFF II.

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  
Communication Unit  
PO Box 48380  
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

	Employer Contributions	Allocation %	Liability (Asset)
<b>PERS 1</b>	\$5,271	0.000735%	\$28,263
<b>PERS 1 UAAL</b>	\$305,718	0.042636%	\$1,639,506
<b>PERS 2 and 3</b>	\$421,431	0.051599%	\$501,202
<b>PSERS</b>	\$26,443	0.082032%	(\$10,667)
<b>LEOFF 1</b>	\$0	0.122290%	(\$2,417,198)
<b>LEOFF 2</b>	\$356,807	0.193526%	(\$4,483,403)

#### LEOFF Plan 1

The City 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 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.

### **Note 9 – Risk Management**

#### **Unemployment Compensation Self-insurance**

The City is self-insured for unemployment compensation exposure. Claims against the City are administered by the Washington State Department of Employment Security and are subsequently reimbursed by the City. Actual costs are paid by the former employee's fund and department as incurred.

#### **Auto Physical Damage Self-insurance**

The City has elected to partially self-insure automobile physical damage through their Equipment Rental Reserve Fund and in 2019 the city had no expenses for this purpose.

#### **Liability and Property Risks Joint Insurance Pool**

The City of Aberdeen 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 160 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 aggregates and sub-limits. 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 sub-limits. Automobile physical damage coverage is self-funded from the members' deductible of \$1,000 and the City has the option of replacement cost coverage for vehicles over \$25,000

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.

#### **Note 10 – Risk Management (continued)**

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.

#### **Note 11 – Other Disclosures**

##### **A. Joint Ventures**

The City is a participant in two joint ventures:

##### **Drug Task Force Unit**

The Interagency Drug Task Force is jointly operated by Grays Harbor County and the Cities of Aberdeen and Hoquiam. The purpose of the task force is to enhance the investigation and enforcement of laws against illegal drugs.



The task force is governed by an administrative board composed of the County Sheriff and the Aberdeen and Hoquiam Police Chiefs. They are responsible for establishing the budget, authorizing acquisition of equipment, setting policies for operating the task force, and resolving disputes.

Grays Harbor Communication Center (911)

The City participates with Cosmopolis, Elma, Hoquiam, McCleary, Montesano, and Grays Harbor County to operate a central emergency dispatch center. As a participant, the City has an ongoing financial commitment to provide its share of operating funds to the dispatch center. The City contributed \$263,142 to the Communication Center in 2019.

**B. Transportation District**

In 2012, the City formed a Transportation Benefit District. During 2013, a special election was held to assess a dedicated sales tax rate of thirteen hundredths of one percent (.0013) for the purpose of transportation improvements. Voters approved the proposition. The effective date for the new sales and use tax rate was July 1, 2013. Then in 2017 the City passed an ordinance assuming the rights, powers, functions and obligations of the TBD. Therefore, this is now accounted for in the City's financial statements as a special revenue fund.

During 2019, the City received \$711,512 from sales tax revenue and \$2,276 in interest income.

\$641,482.58 was expended during the year on transportation projects.

**C. Stafford Creek Correctional Facility**

On November 1, 1998 and August 14, 2002 the City issued \$18,940,000 and \$2,455,000 of Special Revenue Bonds for the sole purpose of extending utility lines from the city limits of Aberdeen to the site of the new Washington State Stafford Creek Correctional Center. The State of Washington has an agreement with the City to pay System Development Fees for the benefit of receiving water and sewer services. These fees are pledged to cover the debt service payments. All system fees are paid directly by the State of Washington to the bond trustee (Bank of New York) for payment of the debt service.

**Note 12 – Subsequent Event**

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, and limiting gathering sizes.

The City Hall is closed to public access effective March 26, 2020, with essential staff either working from home, or rotating shift work at City Hall, imposing strict social distancing for staff. Through an emergency proclamation, the Mayor has suspended utility shut offs and late fees through at least June 30, 2020. In addition, the proclamation has deferred the due date for quarterly Business and Occupation (B&O) taxes for the 1st quarter (March 31) of 2020, normally due on April 30th until July 15th, 2020. The Mayor has asked all City Department Heads to avoid all non-essential expenditures until further notice. The City estimates that the most significant impact would be on lower than budgeted Sales and B&O tax collections for 2020. While it is still too early to estimate

the financial impact of this emergency, the City will be monitoring the balances of these significant revenue streams as information becomes available.

The length of time these measures will be in place, and the full extent of the financial impact on the City is unknown at this time.



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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	G. O. Bond--Refunding	12/1/2020	156,294	-	76,494	79,800
263.81	CERB Loan	7/1/2020	5,000	-	2,500	2,500
251.11	WWTP Outfall - WQC-2015-AberPW-00015	9/1/1937	1,219,558	-	53,349	1,166,209
263.96	LOCAL Program - IT Loan	6/1/2022	561,897	-	130,367	431,530
239.70	Police Car Loan - Bank of Pacific	5/10/2023	-	177,367	37,783	139,584
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,942,749</b>	<b>177,367</b>	<b>300,493</b>	<b>1,819,623</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	Stafford Creek Correctional Facility-2002	11/1/2022	670,000	-	155,000	515,000
263.82	Wastewater Plant - PW-00-691-PRE-101	7/1/2020	106,722	-	53,363	53,359
263.82	Wastewater Plant - PW-02-691-001	7/1/2022	1,206,734	-	301,684	905,050
264.30	Pension Liability	12/31/2019	2,964,151	-	795,180	2,168,971
259.12	Compensated Absenses GF & Special Revenue funds	12/31/2019	1,074,839	26,115	-	1,100,954
259.12	Compensated Absenses Utility Funds & Equipment Rental Fund	12/31/2019	222,577	20,393	-	242,970
264.40	OPEB Liability	12/31/2019	-	26,452,681	-	26,452,681
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>6,245,023</b>	<b>26,499,189</b>	<b>1,305,227</b>	<b>31,438,985</b>
<b>Total Liabilities:</b>			<b>8,187,772</b>	<b>26,676,556</b>	<b>1,605,720</b>	<b>33,258,608</b>

## 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.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

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