

**CITY OF FERNDALE, CALIFORNIA**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2019**



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**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

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**Basic Financial Statements**  
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**January 6, 2020**

***To the Honorable Mayor and Members of the City Council and Citizens of the City of Ferndale:***

I am pleased to submit the City of Ferndale Annual Financial Report for the fiscal year ended June 30, 2019. It is the policy of the Council that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to them. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Ferndale, City staff, creditors, and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

The City's financial statements have been audited by JJACPA, Inc., a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## Profile of the City of Ferndale

Ferndale is located about fifteen miles south of Eureka, close to the Eel River and the Pacific Ocean. This small community in Northern California, Humboldt County traditionally has had an agricultural based economy that has transitioned to also include a very successful tourism economy. Specifically, the main industries in Ferndale are dairy, farming, cattle ranching, tourism, lumber and wood products, and services. Ferndale is known for its architecturally stunning bed and breakfasts as well as the beautiful Victorian charm of antique shops, art galleries, and museums. These assets, as well as the beautiful country pasture, ocean views, and sweeping mountainsides, all help to attract tourists from around the world. Ferndale is so picturesque that even the movie industry has taken an interest in the town for its timeless appeal and cinematic possibilities. Several movies have been filmed there during the last decade. The town has been incorporated since 1893, and has had a strong local government since. Ferndale's economy has experienced some shifts over the years. In the early 1900s, Ferndale's small creameries formed the Humboldt Creamery, which is still in operation. Since then, Ferndale has remained physically unchanged but has added tourism to its economic base making it one of Humboldt County's most desirable stops.

The City of Ferndale operates under a Council-Manager form of government and provides municipal services that include public safety, public works, community development, and parks and recreation. In addition, the City provides, Wastewater, and Drainage services in the form of enterprise activities. This report includes all funds of the City of Ferndale.

The City Council establishes annual budgets for the General Fund, Proprietary Funds, and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council in accordance with the municipal code.

The Ferndale City Council consists of five members, elected at-large to four-year overlapping terms. Council members must be residents of the City. The position of Mayor is elected for a two year term, the Vice Mayor is chosen by the City Council through policy direction determined by the City Council. The Mayor conducts the Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, and all members of advisory boards, commissions, and committees.

The City of Ferndale is committed to providing high quality services in an economical manner. For fiscal year 2018/19, the City's efforts were focused in the following areas:

*Facilities and Infrastructure* – Drainage and City Streets continue to be a priority. A number of drainage related maintenance projects that include Francis Creek and other drainage systems throughout the city.

## **Current Economic Conditions and Outlook**

The City's financial policies continue to promote Ferndale's long-term fiscal stability. At the direction of the Council, staff conducts periodic operational reviews to ensure City business is conducted in an economical and in a fiduciary responsible manner. The goal of the reviews are to promote long-term savings to the City and ensure long-term stability.

Transient occupancy taxes continue to improve for FY 2018-2019 and are projected to increase for FY 2019-19. Sales tax revenue slightly increase in FY 2018-2019; and for FY 2019-2020 should remain steady.

The City of Ferndale anticipates minimal revenue growth for the foreseeable future. The City continues to maintain the required fund balances. In order to assure that the City Council has some discretion, these reserves may be reduced to fund Council sponsored projects for the benefit of the community.

## **Financial Information**

During the past fiscal year, there were no changes to the City's financial policies or items in which policies impacted the financial information or presentation. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

## **Acknowledgements**

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department and the auditing firm of JJACPA, Inc. I would like to express my appreciation to Joseph Arch, CPA, and Brett Jones of JJACPA, Inc. and to Stacey Edgmon, CPA of the accounting firm of Aycock and Edgmon, CPAs and the staff of the Finance Department who assisted and contributed to its preparation.

I would also like to thank members of the City Council, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,

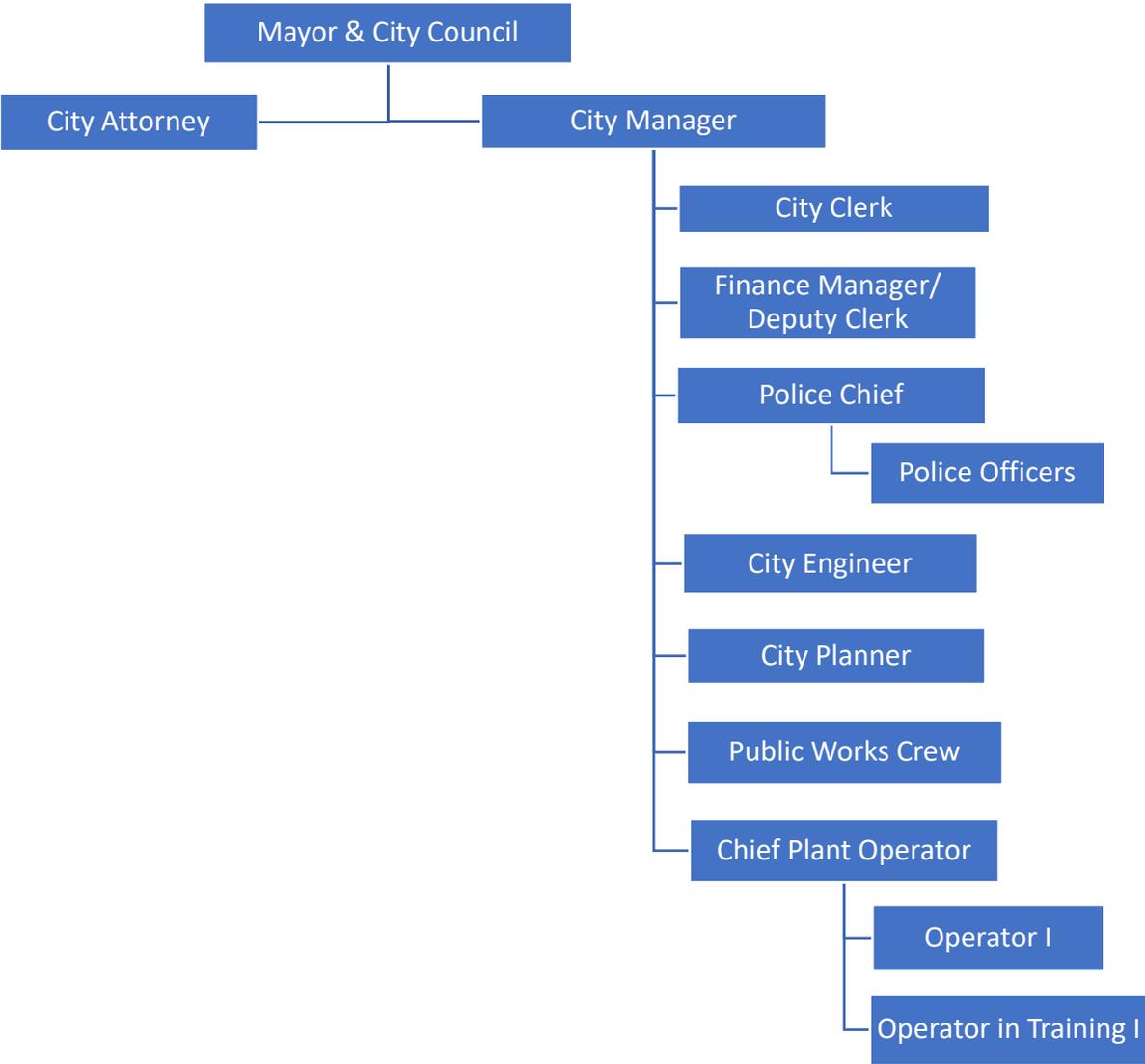
  
Jay Parrish  
City Manager

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Organization Chart**

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**City of Ferndale**  
*Organizational Chart*



**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**List of Officials**

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***CITY COUNCIL***

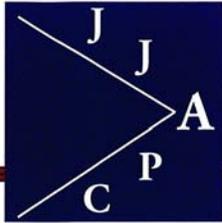
- Michael Sweeney, Mayor
- Stephen Avis, Vice Mayor
- Jennifer Fisk-Becker
- Kathleen Bullard
- Robin Smith

***CITY OFFICIALS***

- Jay Parrish, City Manager
- Donna Johnson, Financial Manager
- Kristene Hall, City Clerk
- Bret Smith, Chief of Police
- Arnie Kemp, Building Official
- Planwest Partners, City Planners
- Ryan Plotz, City Attorney

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JJACPA, Inc.

A Professional Accounting Services Corp.

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
of the City of Ferndale  
Ferndale, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and budgetary comparison information of the City of Ferndale, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 entity'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 entity'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.

To the Honorable Mayor and City Council  
of the City of Ferndale  
Ferndale, California  
Page 2

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and budgetary comparison information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principle generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3–15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information.***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

January 6, 2020

*JJACPA, Inc.*  
**JJACPA, Inc.**  
**Dublin, CA**

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management's Discussion and Analysis**

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This section provides a narrative overview and analysis of the financial activities of the City of Ferndale (City) for the fiscal year ended June 30, 2019. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

**FINANCIAL HIGHLIGHTS**

- ◆ The City's total net position decreased by \$702,841 primarily due to non-cash outlays for depreciation of \$933,058 offset by decreased long-term liabilities of \$50,317. The assets of the City exceeded its liabilities by \$10,999,647 at the end of the 2019 fiscal year. Of that amount, \$1,082,326 (the unrestricted net position) may be used to meet the City's ongoing obligations and operating expenses for the next fiscal year.
- ◆ Overall City-wide revenues from all governmental and business-type activities increased by about \$215,895 compared to the 2019 fiscal year. The City did see increases in general revenues, primarily from increased charges for services. The City's total expenses for all programs in fiscal 2019 increased by \$107,462 compared to the 2018 fiscal year. This increase was due primarily to an increase of public works and sewer expenditures.
- ◆ The general fund reported a fund balance of \$606,631 at the end of the 2019 fiscal year, an increase of about \$55,243. This increase was primarily due to increased charges for services, property taxes and decreased public safety costs.
- ◆ The City also ended the fiscal year with \$6,779,581 reported in the sewer utility proprietary enterprise fund. This is a decrease from 2018 of approximately \$80,273. This decrease was due to an increase in salaries and benefits, and materials and supplies.

**OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

This Annual Financial Report is in two major parts:

- 1) **Introductory section**, which includes the Transmittal Letter and general information; and,
- 2) **Financial section**, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements, and Combining and Individual Fund Financial Statements and Schedules.

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

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**OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued**

**The Basic Financial Statements**

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

**Government-wide Financial Statements**

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- ◆ **Governmental activities** – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works, planning and building regulation, community promotion, parks and library, and interest and fiscal charges. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees.
- ◆ **Business-type activities** – All the City's enterprise activities are reported here, including the activities of the Sewer Utility. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

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**OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued**

**Fund Financial Statements, Continued**

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2019, the City's major funds are as follows:

**GOVERNMENTAL FUNDS:**

- ◆ General Fund
- ◆ Transportation Development Act Special Revenue Fund
- ◆ Drainage Special Revenue Fund

**PROPRIETARY FUNDS:**

- ◆ Sewer Utility Enterprise Fund

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

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**OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued**

**Fund Financial Statements, Continued**

For the fiscal year ended June 30, 2019, the City adopted annual appropriated budgets for all governmental funds.

*Proprietary funds.* The City maintains Enterprise-type proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for Sewer activities. Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail. The proprietary fund financial statements provide separate information for all of these operations.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 41-65 of this report.

**Combining and Individual Fund Financial Statements and Schedules**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 71–76 of this report.

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management’s Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$10,999,647 as of June 30, 2019. The Summary of Net Position as of June 30, 2019, and 2018, follows:

|                                   | Summary of Net Position |                          |                      | 2018                    |                          |                      | Change              |
|-----------------------------------|-------------------------|--------------------------|----------------------|-------------------------|--------------------------|----------------------|---------------------|
|                                   | 2019                    |                          |                      | 2018                    |                          |                      |                     |
|                                   | Governmental Activities | Business-type Activities | Total                | Governmental Activities | Business-type Activities | Total                |                     |
| Current and other assets          | \$ 1,187,805            | \$ 586,210               | \$ 1,774,015         | \$ 1,002,720            | \$ 591,395               | \$ 1,594,115         | \$ 179,900          |
| Noncurrent assets                 | 3,232,651               | 10,575,309               | 13,807,960           | 3,973,930               | 10,767,088               | 14,741,018           | (933,058)           |
| Total assets                      | 4,420,456               | 11,161,519               | 15,581,975           | 4,976,650               | 11,358,483               | 16,335,133           | (753,158)           |
| Current and other liabilities     | 142,759                 | 134,938                  | 277,697              | 49,372                  | 159,629                  | 209,001              | 68,696              |
| Long-term liabilities             | 57,631                  | 4,247,000                | 4,304,631            | 84,644                  | 4,339,000                | 4,423,644            | (119,013)           |
| Total liabilities                 | 200,390                 | 4,381,938                | 4,582,328            | 134,016                 | 4,498,629                | 4,632,645            | (50,317)            |
| Net position:                     |                         |                          |                      |                         |                          |                      |                     |
| Net investments in capital assets | 3,192,597               | 6,328,309                | 9,520,906            | 3,922,319               | 6,428,088                | 10,350,407           | (829,501)           |
| Restricted                        | 396,415                 | -                        | 396,415              | 362,407                 | -                        | 362,407              | 34,008              |
| Unrestricted                      | 631,054                 | 451,272                  | 1,082,326            | 557,908                 | 431,766                  | 989,674              | 92,652              |
| <b>Total net position</b>         | <b>\$ 4,220,066</b>     | <b>\$ 6,779,581</b>      | <b>\$ 10,999,647</b> | <b>\$ 4,842,634</b>     | <b>\$ 6,859,854</b>      | <b>\$ 11,702,488</b> | <b>\$ (702,841)</b> |

Overall, total net position decreased by \$702,841. Of this amount, net position for governmental activities decreased by \$622,568 and net position for business-type activities decreased by \$80,273. About 90 percent of the net position of the City is represented by the City's net investment in its capital assets such as buildings, land, equipment, utility systems, and facilities. Cash, investments, and receivables essentially represent the other 10 percent. About 95 percent of the City's total liabilities are represented by long-term obligations.

Restricted net position increased by \$34,008 and unrestricted net position increased by \$92,652.

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Revenues**

The City's total revenues for governmental and business-type activities were \$2,154,184 for the fiscal year ended June 30, 2019. Significant revenues for the City for fiscal year 2018/19 were derived from property tax (7%), charges for services (47%), operating grants and contributions (18%), and sales and transient occupancy taxes both at (7%).

The following discusses variances in key revenues from the prior fiscal year:

1. **Property Tax.** Property taxes increased by \$9,808, or 6.5%.
2. **Operating grants and contributions.** Operating grants and contributions increased by \$143,960 or 56.7%.
3. **Sales Tax.** Annual receipts decreased by \$9,008 for fiscal year 2018/19 or -5.5%.

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

The change in net position for the fiscal years ended June 30, 2019, and 2018, follows:

|  | 2019                    |                          |                      | 2018                    |                          |                      |
|--|-------------------------|--------------------------|----------------------|-------------------------|--------------------------|----------------------|
|  | Governmental Activities | Business-type Activities | Total                | Governmental Activities | Business-type Activities | Total                |
| <b>Revenues:</b>   |                         |                          |                      |                         |                          |                      |
| Program revenues:  |                         |                          |                      |                         |                          |                      |
| Charges for services   | \$ 76,841               | \$ 934,200               | \$ 1,011,041         | \$ 65,121               | \$ 855,969               | \$ 921,090           |
| Grants and contributions:                                      |                         |                          |                      |                         |                          |                      |
| Operating  | 397,846                 | -                        | 397,846              | 253,886                 | -                        | 253,886              |
| Capital  | -                       | -                        | -                    | -                       | -                        | -                    |
| General revenues:  |                         |                          |                      |                         |                          |                      |
| Property taxes and assessments                                 | 160,312                 | -                        | 160,312              | 150,504                 | -                        | 150,504              |
| Transient occupancy taxes                                      | 155,471                 | -                        | 155,471              | 173,154                 | -                        | 173,154              |
| Sales taxes  | 155,891                 | -                        | 155,891              | 164,899                 | -                        | 164,899              |
| Franchise taxes  | 39,968                  | -                        | 39,968               | 39,129                  | -                        | 39,129               |
| Other taxes  | 18,580                  | -                        | 18,580               | 23,215                  | -                        | 23,215               |
| Motor vehicle in lieu  | 140,748                 | -                        | 140,748              | 134,223                 | -                        | 134,223              |
| Use of money and property                                      | 10,482                  | 4,581                    | 15,063               | 5,688                   | 3,275                    | 8,963                |
| Other general  | 59,264                  | -                        | 59,264               | 69,226                  | -                        | 69,226               |
| Total revenues   | <u>1,215,403</u>        | <u>938,781</u>           | <u>2,154,184</u>     | <u>1,079,045</u>        | <u>859,244</u>           | <u>1,938,289</u>     |
| <b>Expenses:</b>   |                         |                          |                      |                         |                          |                      |
| Governmental activities:                                       |                         |                          |                      |                         |                          |                      |
| General government   | 339,405                 | -                        | 339,405              | 308,624                 | -                        | 308,624              |
| Public safety  | 442,105                 | -                        | 442,105              | 459,697                 | -                        | 459,697              |
| Public works   | 1,006,694               | -                        | 1,006,694            | 961,057                 | -                        | 961,057              |
| Parks and library  | 45,067                  | -                        | 45,067               | 44,311                  | -                        | 44,311               |
| Interest and fiscal charges                                    | 1,441                   | -                        | 1,441                | 1,381                   | -                        | 1,381                |
| Business-type activities:                                      |                         |                          |                      |                         |                          |                      |
| Sewer  | -                       | 1,019,054                | 1,019,054            | -                       | 971,234                  | 971,234              |
| Total expenses   | <u>1,834,712</u>        | <u>1,019,054</u>         | <u>2,853,766</u>     | <u>1,775,070</u>        | <u>971,234</u>           | <u>2,746,304</u>     |
| Excess (Deficiency) of revenues over expenses before transfers | (619,309)               | (80,273)                 | (699,582)            | (696,025)               | (111,990)                | (808,015)            |
| Change in net position   | (619,309)               | (80,273)                 | (699,582)            | (696,025)               | (111,990)                | (808,015)            |
| <b>Net position:</b>   |                         |                          |                      |                         |                          |                      |
| Beginning of year  | 4,842,634               | 6,859,854                | 11,702,488           | 5,538,659               | 6,971,844                | 12,510,503           |
| End of year  | <u>\$ 4,223,325</u>     | <u>\$ 6,779,581</u>      | <u>\$ 11,002,906</u> | <u>\$ 4,842,634</u>     | <u>\$ 6,859,854</u>      | <u>\$ 11,702,488</u> |

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management’s Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Expenses**

Governmental and business-type activity expenses of the City for the year totaled \$2,853,766. Governmental activity expenses totaled \$1,834,712 or 65% of total expenses. Business-type activities incurred \$1,019,054 or 35% of expenses during the fiscal year. Public works costs represented 54% of total governmental activities expenses.

**Governmental Activities**

The following table shows the cost of each of the City’s major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City’s taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2019, and 2018, are as follows:

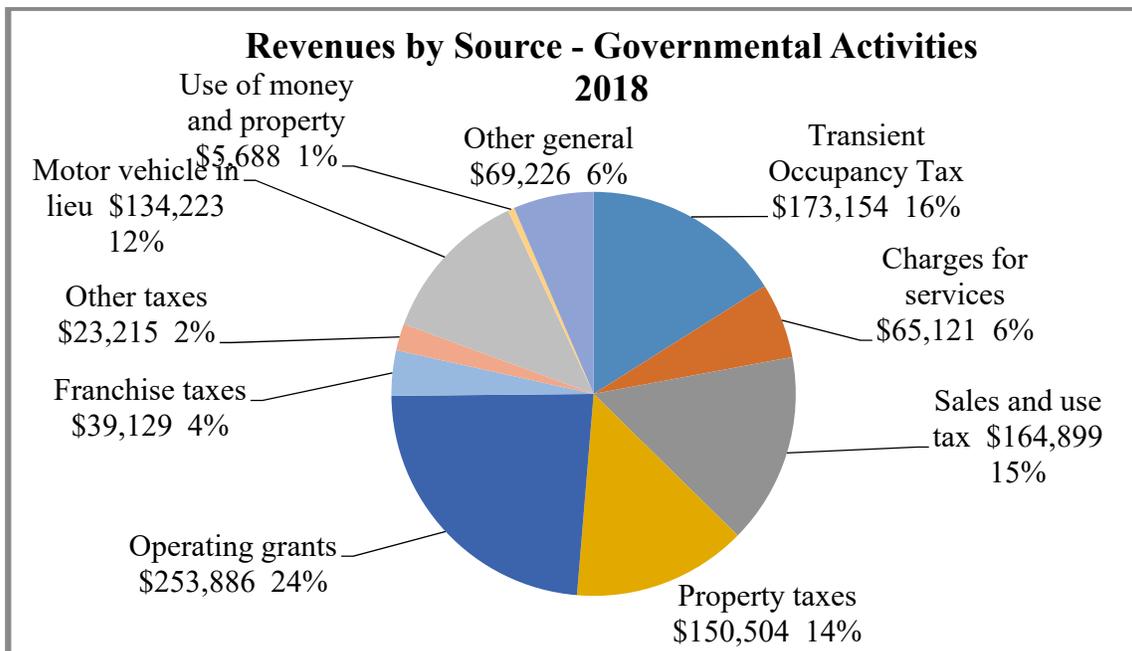
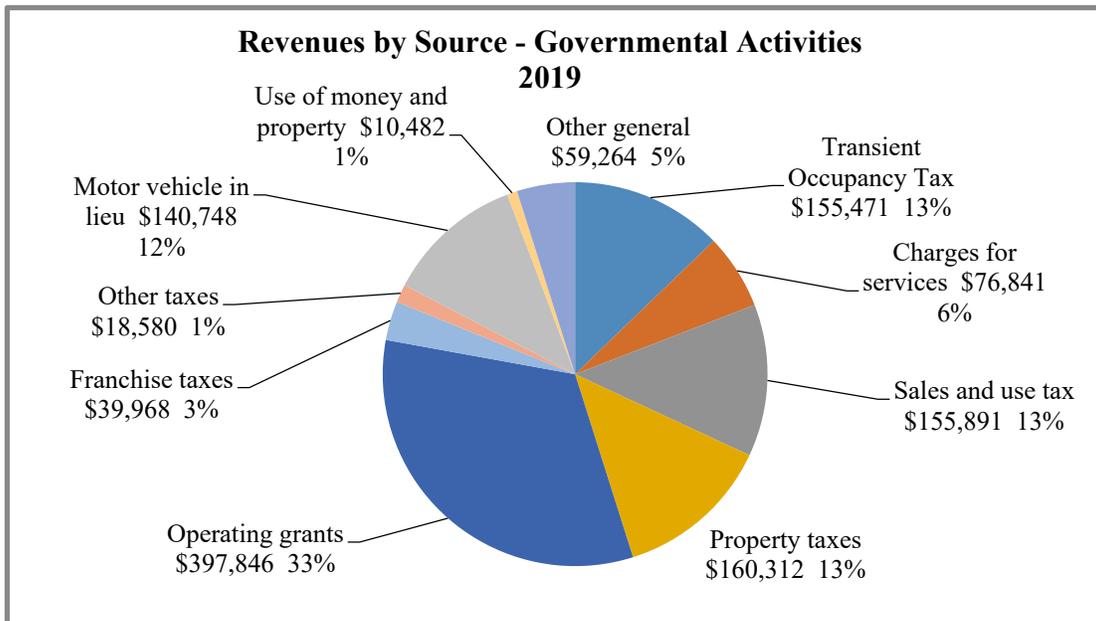
|                             | 2019                      |                         | 2018                      |                         |
|-----------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
|                             | Total Cost<br>of Services | Net Cost<br>of Services | Total Cost<br>of Services | Net Cost<br>of Services |
| General government          | \$ 339,405                | \$ 328,547              | \$ 308,624                | \$ 301,541              |
| Public safety               | 442,105                   | 272,825                 | 459,697                   | 302,300                 |
| Public works                | 1,006,694                 | 732,491                 | 961,057                   | 807,525                 |
| Parks and library           | 45,067                    | 24,721                  | 44,311                    | 43,316                  |
| Interest and fiscal charges | 1,441                     | 1,441                   | 1,381                     | 1,381                   |
| Total                       | <u>\$ 1,834,712</u>       | <u>\$ 1,360,025</u>     | <u>\$ 1,775,070</u>       | <u>\$ 1,456,063</u>     |

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management’s Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

Revenues by source for the fiscal years ended June 30, 2019, and 2018, are as follows:

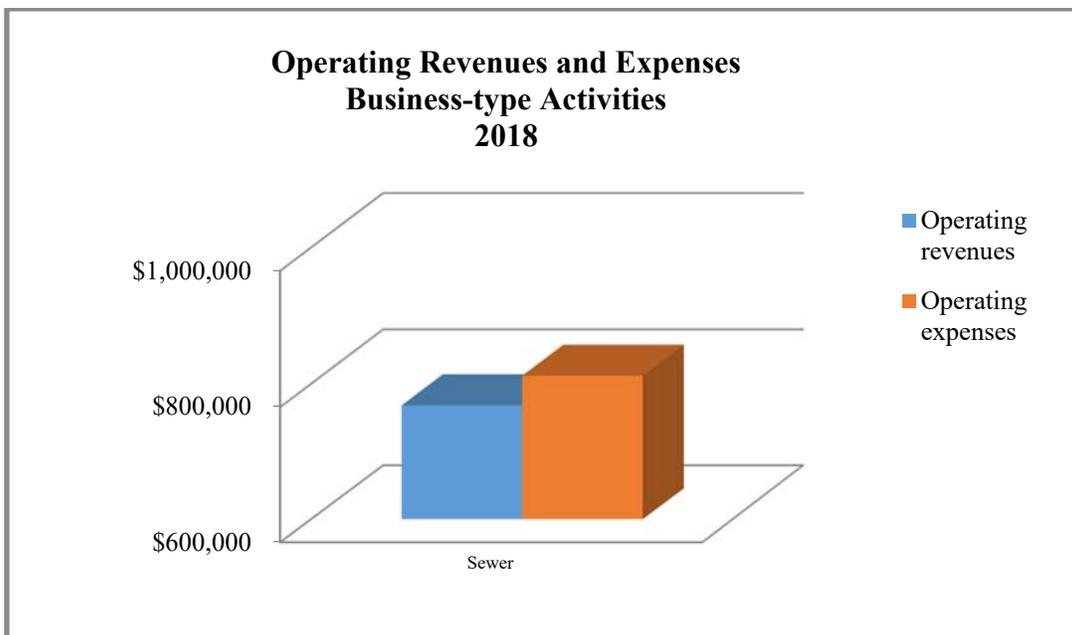
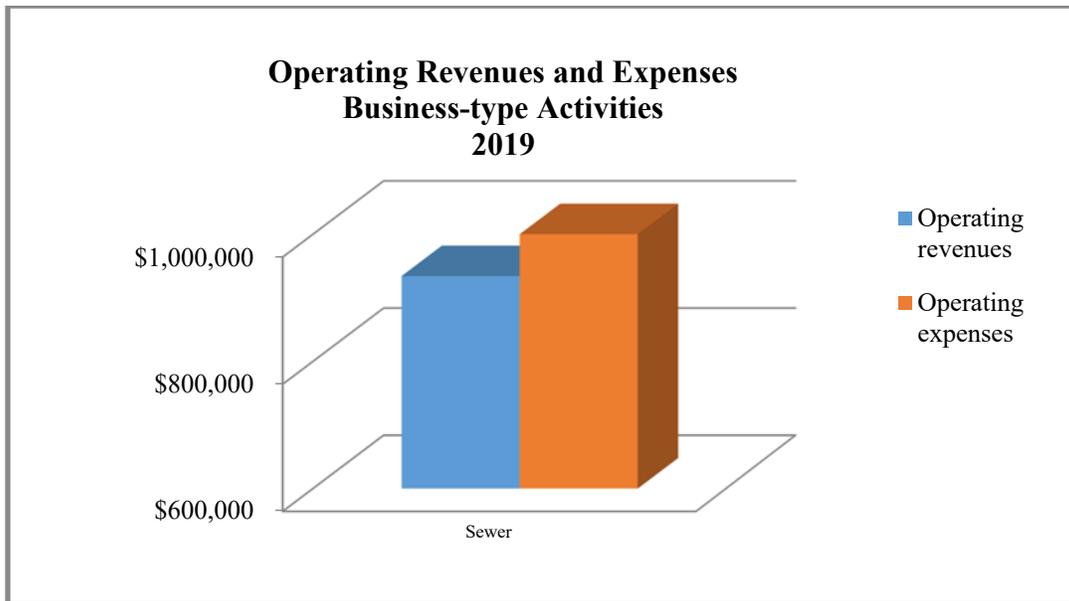


**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management’s Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Business-type activities.** Business-type activities decreased the City’s net position by \$80,273. The City has one business-type activity: Sewer. The operating revenues and expenses for this business-type activity for the fiscal years ended June 30, 2019, and 2018, are as follows:



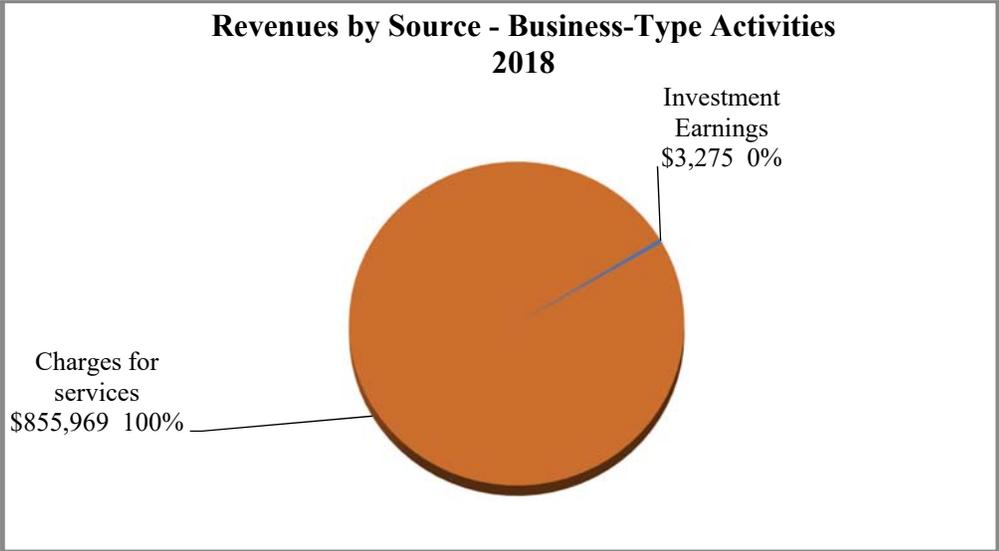
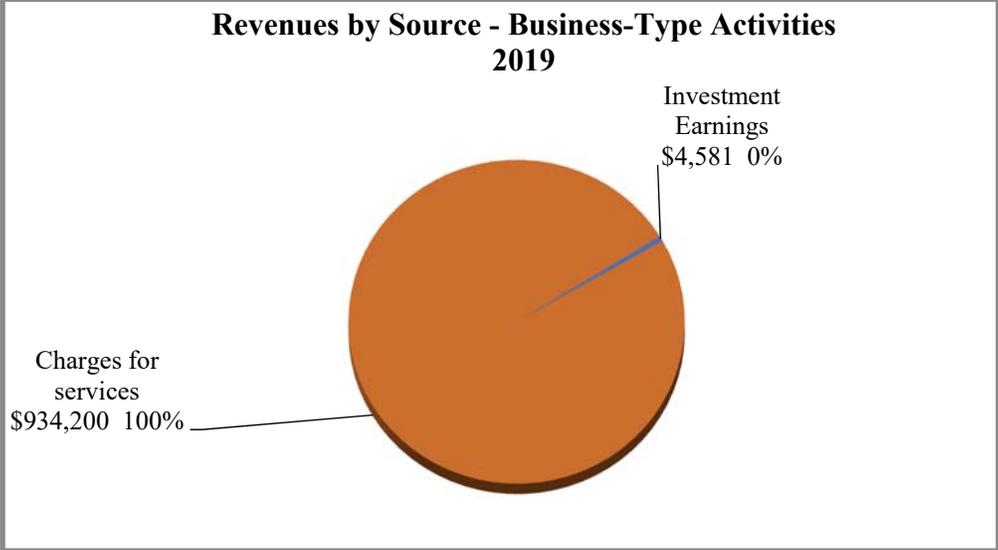
**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management’s Discussion and Analysis, Continued**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

The revenues by source for the business-type activities for the fiscal years ended June 30, 2019, and 2018, are as follows:



**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Financial Analysis of the Government's Funds**

The City of Ferndale uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.

**Governmental funds.** The City's governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2019, the City's governmental funds reported combined fund balances of \$1,060,058. This is an increase of \$94,204 from last year.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2019, General Fund unassigned fund balance totaled \$606,631. This is an increase of \$55,243 from the prior year.

**Proprietary funds.** The City's proprietary funds unrestricted net position decreased by \$80,273 in the fiscal year ended June 30, 2019.

**General Fund Budgetary Highlights**

The difference between the final budget and actual revenues differs favorably by \$98,699. This was mainly due to an increase in Property Tax, Permits, and COPS Program Allotment during the fiscal year.

There was a \$18,543 difference between the final budget and actual expenditures. This was due primarily to unanticipated expenditures in general government and public works.

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amount to \$9,520,906. This investment in capital assets includes, land, construction in progress, buildings and improvements, infrastructure, furniture and equipment, and vehicles less long-term debt.

**City of Ferndale, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2019**

**Management’s Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

|                          | Governmental Activities |              | Business-type Activities |               | Totals        |               |
|--------------------------|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
|                          | 2019                    | 2018         | 2019                     | 2018          | 2019          | 2018          |
| Land                     | \$ 13,000               | \$ 13,000    | \$ -                     | \$ -          | \$ 13,000     | \$ 13,000     |
| Land-Contributed         | 118,000                 | 118,000      | -                        | -             | 118,000       | 118,000       |
| Buildings and structures | 290,134                 | 302,036      | -                        | -             | 290,134       | 302,036       |
| Infrastructure           | 2,805,007               | 3,522,764    | -                        | -             | 2,805,007     | 3,522,764     |
| Furniture and equipment  | 3,160                   | 4,423        | 30,742                   | 23,261        | 33,902        | 27,684        |
| Sewer system             | -                       | -            | 10,541,628               | 10,735,013    | 10,541,628    | 10,735,013    |
| Vehicles                 | 3,350                   | 13,707       | 2,939                    | 8,814         | 6,289         | 22,521        |
| Total                    | \$ 3,232,651            | \$ 3,973,930 | \$ 10,575,309            | \$ 10,767,088 | \$ 13,807,960 | \$ 14,741,018 |

More detail of the capital assets and current activity can be found in the notes to the financial statements on Pages 54 and 55 for Note 4 and significant accounting policies on Page 46 and 47 for other capital asset information.

**Economic Outlook**

Turning the economic corner in fiscal year 2018/19, the local and national economy grew slowly. The US economy grew an estimated 1.9 percent in the 3<sup>rd</sup> quarter of 2019, continuing a drop in unemployment and rising consumer confidence. The Humboldt County region continues to lag behind the national growth, but made progress. The economy has showed modest gains, however Ferndale has lost a number of retail businesses which is reflected in our loss of retail sales tax revenue. Although we have replaced commercial vacancies with new retail stores, we do not expect increased retail taxes to significantly increase in the coming year.

**Requests for Information**

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City’s finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Ferndale, PO Box 1095, 834 Main Street, Ferndale, CA 95536.

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## **BASIC FINANCIAL STATEMENTS**

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# City of Ferndale, California

## Statement of Net Position

June 30, 2019

|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>                             |                            |                             |                      |
| <b>Current assets:</b>                    |                            |                             |                      |
| Cash and investments                      | \$ 941,513                 | \$ 567,614                  | \$ 1,509,127         |
| Receivables:                              |                            |                             |                      |
| Accounts                                  | 246,292                    | 18,596                      | 264,888              |
| <b>Total current assets</b>               | <b>1,187,805</b>           | <b>586,210</b>              | <b>1,774,015</b>     |
| <b>Noncurrent assets:</b>                 |                            |                             |                      |
| Capital assets:                           |                            |                             |                      |
| Nondepreciable                            | 131,000                    | -                           | 131,000              |
| Depreciable                               | 3,101,651                  | 10,575,309                  | 13,676,960           |
| <b>Total noncurrent assets</b>            | <b>3,232,651</b>           | <b>10,575,309</b>           | <b>13,807,960</b>    |
| <b>Total assets</b>                       | <b>\$ 4,420,456</b>        | <b>\$ 11,161,519</b>        | <b>\$ 15,581,975</b> |
| <b>LIABILITIES</b>                        |                            |                             |                      |
| <b>Current liabilities:</b>               |                            |                             |                      |
| Accounts payable and accrued liabilities  | \$ 127,747                 | \$ -                        | \$ 127,747           |
| Interest payable                          | -                          | 42,938                      | 42,938               |
| Current portion of long-term debt         | 11,753                     | 92,000                      | 103,753              |
| Compensated absences - current portion    | 3,259                      | -                           | 3,259                |
| <b>Total current liabilities</b>          | <b>142,759</b>             | <b>134,938</b>              | <b>277,697</b>       |
| <b>Noncurrent liabilities:</b>            |                            |                             |                      |
| Long-term liabilities:                    |                            |                             |                      |
| Compensated absences                      | 29,330                     | -                           | 29,330               |
| Due after one year                        | 28,301                     | 4,247,000                   | 4,275,301            |
| <b>Total noncurrent liabilities</b>       | <b>57,631</b>              | <b>4,247,000</b>            | <b>4,304,631</b>     |
| <b>Total liabilities</b>                  | <b>200,390</b>             | <b>4,381,938</b>            | <b>4,582,328</b>     |
| <b>NET POSITION</b>                       |                            |                             |                      |
| Net investment in capital assets          | 3,192,597                  | 6,328,309                   | 9,520,906            |
| Restricted                                | 396,415                    | 19,505                      | 415,920              |
| Unrestricted                              | 631,054                    | 431,767                     | 1,062,821            |
| <b>Total net position</b>                 | <b>4,220,066</b>           | <b>6,779,581</b>            | <b>10,999,647</b>    |
| <b>Total liabilities and net position</b> | <b>\$ 4,420,456</b>        | <b>\$ 11,161,519</b>        | <b>\$ 15,581,975</b> |

The accompanying notes are an integral part of these basic financial statements.

**City of Ferndale, California**  
**Statement of Activities**  
**For the year ended June 30, 2019**

| Functions/Programs              | Expenses            | Program Revenues     |                                    |                                  |
|---------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
|                                 |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government:</b>      |                     |                      |                                    |                                  |
| Governmental activities:        |                     |                      |                                    |                                  |
| General government              | \$ 342,664          | \$ 4,455             | \$ 6,403                           | \$ -                             |
| Public safety                   | 442,105             | 5,719                | 163,561                            | -                                |
| Public works                    | 1,006,694           | 65,822               | 208,381                            | -                                |
| Parks and recreation            | 45,067              | 845                  | 19,501                             | -                                |
| Interest and fiscal charges     | 1,441               | -                    | -                                  | -                                |
| Total governmental activities   | 1,837,971           | 76,841               | 397,846                            | -                                |
| Business-type activities:       |                     |                      |                                    |                                  |
| Sewer utility                   | 1,019,054           | 934,200              | -                                  | -                                |
| Total business-type activities  | 1,019,054           | 934,200              | -                                  | -                                |
| <b>Total primary government</b> | <b>\$ 2,857,025</b> | <b>\$ 1,011,041</b>  | <b>\$ 397,846</b>                  | <b>\$ -</b>                      |

General revenues:

Taxes:

    Property taxes, levied for general purposes

    Transient occupancy tax, levied for general purposes

    Sales taxes

    Franchise taxes

    Other taxes

Intergovernmental:

    State motor vehicle in-lieu tax (MVLTF)

Use of money and property

Other general revenues

    Total general revenues

Transfers

    Total general revenues and transfers

Change in net position

Net position:

    Beginning of year

    End of year

The accompanying notes are an integral part of these basic financial statements.

**Net (Expense) Revenue and  
Changes in Net Position**

| <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Totals</b>        |
|------------------------------------|-------------------------------------|----------------------|
| \$ (331,806)                       | \$ -                                | \$ (331,806)         |
| (272,825)                          | -                                   | (272,825)            |
| (732,491)                          | -                                   | (732,491)            |
| (24,721)                           | -                                   | (24,721)             |
| (1,441)                            | -                                   | (1,441)              |
| <u>(1,363,284)</u>                 | <u>-</u>                            | <u>(1,363,284)</u>   |
| -                                  | (84,854)                            | (84,854)             |
| -                                  | (84,854)                            | (84,854)             |
| <u>(1,363,284)</u>                 | <u>(84,854)</u>                     | <u>(1,448,138)</u>   |
| 160,312                            | -                                   | 160,312              |
| 155,471                            | -                                   | 155,471              |
| 155,891                            | -                                   | 155,891              |
| 39,968                             | -                                   | 39,968               |
| 18,580                             | -                                   | 18,580               |
| 140,748                            | -                                   | 140,748              |
| 10,482                             | 4,581                               | 15,063               |
| 59,264                             | -                                   | 59,264               |
| <u>740,716</u>                     | <u>4,581</u>                        | <u>745,297</u>       |
| -                                  | -                                   | -                    |
| <u>740,716</u>                     | <u>4,581</u>                        | <u>745,297</u>       |
| (622,568)                          | (80,273)                            | (702,841)            |
| 4,842,634                          | 6,859,854                           | 11,702,488           |
| <u>\$ 4,220,066</u>                | <u>\$ 6,779,581</u>                 | <u>\$ 10,999,647</u> |

The accompanying notes are an integral part of these basic financial statements.

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**FUND FINANCIAL STATEMENTS**  
**MAJOR FUNDS**

| <b>Fund</b>                                    | <b>Description</b>  |
|--|---|
| <b>Governmental Funds:</b>                     | Governmental funds are used for taxes and grants.   |
| General  | Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds. |
| Transportation Development Act Special Revenue | Accounts for funds received and expended for streets and roads under the Transportation Development Act.  |
| Drainage Special Revenue                       | Accounts for drainage fees and related activities.  |

**City of Ferndale, California**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

|  | <b>Major Funds</b>           |                                       |                      |
|--|------------------------------|---------------------------------------|----------------------|
|  | <b>Special Revenue Funds</b> |                                       |                      |
|  | <b>General Fund</b>          | <b>Transportation Development Act</b> | <b>Drainage Fund</b> |
| <b>ASSETS</b>                              |                              |                                       |                      |
| Cash and investments                       | \$ 488,086                   | \$ 271,625                            | \$ 26,334            |
| Receivables:                               |                              |                                       |                      |
| Interest                                   | 4,057                        | -                                     | -                    |
| Intergovernmental                          | 242,235                      | -                                     | -                    |
| Other receivable                           | -                            | -                                     | -                    |
| <b>Total assets</b>                        | <b>\$ 734,378</b>            | <b>\$ 271,625</b>                     | <b>\$ 26,334</b>     |
| <b>LIABILITIES AND FUND BALANCES</b>       |                              |                                       |                      |
| <b>Liabilities:</b>                        |                              |                                       |                      |
| Accounts payable and accrued liabilities   | \$ 127,747                   | \$ -                                  | \$ -                 |
| <b>Total liabilities</b>                   | <b>127,747</b>               | <b>-</b>                              | <b>-</b>             |
| <b>Fund balances:</b>                      |                              |                                       |                      |
| Restricted                                 | -                            | 271,625                               | 26,334               |
| Assigned                                   | -                            | -                                     | -                    |
| Unassigned                                 | 606,631                      | -                                     | -                    |
| <b>Total fund balances</b>                 | <b>606,631</b>               | <b>271,625</b>                        | <b>26,334</b>        |
| <b>Total liabilities and fund balances</b> | <b>\$ 734,378</b>            | <b>\$ 271,625</b>                     | <b>\$ 26,334</b>     |

The accompanying notes are an integral part of these basic financial statements.

| <b>Nonmajor<br/>Governmental<br/>Funds</b> |                     | <b>Totals</b> |
|--|---------------------|---------------|
| \$ 155,468                                 | \$ 941,513          |               |
| -  | 4,057               |               |
| -  | 242,235             |               |
| -  | -                   |               |
| <u>\$ 155,468</u>                          | <u>\$ 1,187,805</u> |               |

|                   |                     |
|-------------------|---------------------|
| \$ -              | \$ 127,747          |
| -                 | 127,747             |
| 98,456            | 396,415             |
| 57,012            | 57,012              |
| -                 | 606,631             |
| <u>155,468</u>    | <u>1,060,058</u>    |
| <u>\$ 155,468</u> | <u>\$ 1,187,805</u> |

**City of Ferndale, California**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2019**

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**Total fund balances - total governmental funds** \$ 1,060,058

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 3,232,651

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

|                      |                 |                 |
|----------------------|-----------------|-----------------|
| Compensated absences | \$ (32,589)     |                 |
| Due within one year  | (11,753)        |                 |
| Due after one year   | <u>(28,301)</u> | <u>(72,643)</u> |

**Net position of governmental activities** \$ 4,220,066

The accompanying notes are an integral part of these basic financial statements.

# City of Ferndale, California

## Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

### Governmental Activities

June 30, 2019

|   | Governmental<br>Funds<br>Balance Sheet | Reclassifications | Changes<br>in GAAP  | Statement of<br>Net Position |
|---|--|-------------------|---------------------|------------------------------|
| <b>ASSETS</b>                             |  |                   |                     |                              |
| <b>Current assets:</b>                    |  |                   |                     |                              |
| Cash and investments                      | \$ 941,513                             | \$ -              | \$ -                | \$ 941,513                   |
| Receivables:                              |  |                   |                     |                              |
| Interest                                  | 4,057                                  | -                 | -                   | 4,057                        |
| Intergovernmental                         | 242,235                                | -                 | -                   | 242,235                      |
| <b>Total current assets</b>               | <u>1,187,805</u>                       | <u>-</u>          | <u>-</u>            | <u>1,187,805</u>             |
| <b>Noncurrent assets:</b>                 |  |                   |                     |                              |
| Capital assets, net                       | -                                      | -                 | 3,232,651           | 3,232,651                    |
| <b>Total noncurrent assets</b>            | <u>-</u>                               | <u>-</u>          | <u>3,232,651</u>    | <u>3,232,651</u>             |
| <b>Total assets</b>                       | <u>\$ 1,187,805</u>                    | <u>\$ -</u>       | <u>\$ 3,232,651</u> | <u>\$ 4,420,456</u>          |
| <b>LIABILITIES</b>                        |  |                   |                     |                              |
| <b>Current liabilities:</b>               |  |                   |                     |                              |
| Accounts payable and accrued liabilities  | \$ 127,747                             | \$ -              | \$ -                | \$ 127,747                   |
| Current portion on long-term debt         | -                                      | -                 | 11,753              | 11,753                       |
| Compensated absences - current portion    | -                                      | -                 | 3,259               | 3,259                        |
| <b>Total current liabilities</b>          | <u>127,747</u>                         | <u>-</u>          | <u>15,012</u>       | <u>142,759</u>               |
| <b>Noncurrent liabilities:</b>            |  |                   |                     |                              |
| Long-term liabilities:                    |  |                   |                     |                              |
| Compensated absences                      | -                                      | -                 | 29,330              | 29,330                       |
| Due after one year                        | -                                      | -                 | 28,301              | 28,301                       |
| <b>Total noncurrent liabilities</b>       | <u>-</u>                               | <u>-</u>          | <u>57,631</u>       | <u>57,631</u>                |
| <b>Total liabilities</b>                  | <u>127,747</u>                         | <u>-</u>          | <u>72,643</u>       | <u>200,390</u>               |
| <b>FUND BALANCES/NET POSITION</b>         |  |                   |                     |                              |
| <b>Fund balances:</b>                     |  |                   |                     |                              |
| Restricted                                | 396,415                                | (396,415)         | -                   | -                            |
| Assigned                                  | 57,012                                 | (57,012)          | -                   | -                            |
| Unassigned (Deficit)                      | 606,631                                | (606,631)         | -                   | -                            |
| <b>Net position:</b>                      |  |                   |                     |                              |
| Net investment in capital assets          | -                                      | -                 | 3,192,597           | 3,192,597                    |
| Restricted                                | -                                      | -                 | 396,415             | 396,415                      |
| Unrestricted                              | -                                      | 1,060,058         | (429,004)           | 631,054                      |
| <b>Total fund balances/ net position</b>  | <u>1,060,058</u>                       | <u>-</u>          | <u>3,160,008</u>    | <u>4,220,066</u>             |
| <b>Total liabilities and net position</b> | <u>\$ 1,187,805</u>                    | <u>\$ -</u>       | <u>\$ 3,232,651</u> | <u>\$ 4,420,456</u>          |

The accompanying notes are an integral part of these basic financial statements.

**City of Ferndale, California**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2019**

|   | <b>Major Funds</b>           |   |                          |
|---|------------------------------|---|--------------------------|
|   | <b>Special Revenue Funds</b> |   |                          |
|   | <b>General<br/>Fund</b>      | <b>Transportation<br/>Development<br/>Act</b> | <b>Drainage<br/>Fund</b> |
| <b>REVENUES:</b>                              |                              |   |                          |
| Taxes and assessments                         | \$ 528,735                   | \$ -  | \$ -                     |
| Licenses and permits                          | 44,405                       | -   | -                        |
| Fines and forfeitures                         | 2,484                        | -   | -                        |
| Intergovernmental                             | 374,009                      | 115,229                                       | -                        |
| Use of money and property                     | 12,480                       | -   | 401                      |
| Charges for services                          | 8,811                        | -   | 24,451                   |
| Reimbursements                                | 6,971                        | -   | -                        |
| Other revenues                                | 48,026                       | -   | -                        |
| <b>Total revenues</b>                         | <b>1,025,921</b>             | <b>115,229</b>                                | <b>24,852</b>            |
| <b>EXPENDITURES:</b>                          |                              |   |                          |
| Current:                                      |                              |   |                          |
| General government                            | 354,362                      | -   | -                        |
| Public safety                                 | 432,909                      | -   | -                        |
| Public works                                  | 145,063                      | 41,788  | 32,103                   |
| Parks and recreation                          | 38,439                       | -   | -                        |
| Capital outlay                                | -                            | -   | -                        |
| Debt service:                                 |                              |   |                          |
| Principal                                     | -                            | -   | 11,557                   |
| Interest and fiscal charges                   | -                            | -   | 1,998                    |
| <b>Total expenditures</b>                     | <b>970,773</b>               | <b>41,788</b>                                 | <b>45,658</b>            |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>55,148</b>                | <b>73,441</b>                                 | <b>(20,806)</b>          |
| <b>OTHER FINANCING SOURCES (USES):</b>        |                              |   |                          |
| Transfers in                                  | 95                           | -   | -                        |
| Transfers out                                 | -                            | -   | -                        |
| <b>Total other financing sources (uses)</b>   | <b>95</b>                    | <b>-</b>                                      | <b>-</b>                 |
| <b>Net change in fund balances</b>            | <b>55,243</b>                | <b>73,441</b>                                 | <b>(20,806)</b>          |
| <b>FUND BALANCES (Deficit):</b>               |                              |   |                          |
| Beginning of year                             | 551,388                      | 198,184                                       | 47,140                   |
| End of year                                   | <b>\$ 606,631</b>            | <b>\$ 271,625</b>                             | <b>\$ 26,334</b>         |

The accompanying notes are an integral part of these basic financial statements

| <b>Nonmajor<br/>Governmental<br/>Funds</b> |                     | <b>Totals</b> |
|--|---------------------|---------------|
| \$ 34,298                                  | \$ 563,033          |               |
| -  | 44,405              |               |
| -  | 2,484               |               |
| 10,000                                     | 499,238             |               |
| 2,556                                      | 15,437              |               |
| 2,547                                      | 35,809              |               |
| -  | 6,971               |               |
| -  | 48,026              |               |
| <u>49,401</u>                              | <u>1,215,403</u>    |               |
| -  | 354,362             |               |
| -  | 432,909             |               |
| 62,980                                     | 281,934             |               |
| -  | 38,439              |               |
| -  | -                   |               |
| -  | 11,557              |               |
| -  | 1,998               |               |
| <u>62,980</u>                              | <u>1,121,199</u>    |               |
| <u>(13,579)</u>                            | <u>94,204</u>       |               |
| -  | 95                  |               |
| <u>(95)</u>                                | <u>(95)</u>         |               |
| <u>(95)</u>                                | -                   |               |
| <u>(13,674)</u>                            | <u>94,204</u>       |               |
| <u>169,142</u>                             | <u>965,854</u>      |               |
| <u>\$ 155,468</u>                          | <u>\$ 1,060,058</u> |               |

**City of Ferndale, California**

**Reconciliation of Fund Basis Statements to Government-wide Statement of Activities**

**For the year ended June 30, 2019**

| <b>Functions/Programs</b>            | <b>Fund Based Totals</b> | <b>Compensated Absences/ Debt Service</b> | <b>Depreciation</b> | <b>Capital Asset (Additions)/ Retirements</b> | <b>Government-wide Totals</b> |
|--------------------------------------|--------------------------|---|---------------------|---|-------------------------------|
| <b>Governmental activities:</b>      |                          |   |                     |   |                               |
| General government                   | \$ 354,362               | \$ (12,394)                               | \$ 696              | \$ -  | \$ 342,664                    |
| Public safety                        | 432,909                  | -   | 9,196               | -   | 442,105                       |
| Public works                         | 281,934                  | -   | 724,760             | -   | 1,006,694                     |
| Parks and recreation                 | 38,439                   | -   | 6,628               | -   | 45,067                        |
| Debt service:                        |                          |   |                     |   |                               |
| Principal                            | 11,557                   | (11,557)                                  | -                   | -   | -                             |
| Interest and fiscal charges          | 1,998                    | (557)                                     | -                   | -   | 1,441                         |
| <b>Total governmental activities</b> | <b>\$ 1,107,644</b>      | <b>\$ (12,394)</b>                        | <b>\$ 741,280</b>   | <b>\$ -</b>                                   | <b>\$ 1,837,971</b>           |

The accompanying notes are an integral part of these basic financial statements.

# City of Ferndale, California

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in

### Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2019

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|   |                  |
|---|------------------|
| <b>Net change in fund balances - total governmental funds</b> | <b>\$ 94,204</b> |
|---|------------------|

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

|                      |                  |           |
|----------------------|------------------|-----------|
| Depreciation expense | <u>(741,280)</u> | (741,280) |
|----------------------|------------------|-----------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

|                                |            |               |
|--------------------------------|------------|---------------|
| Notes payable                  | 11,557     |               |
| Change in compensated absences | 12,394     |               |
| Interest payable               | <u>557</u> | <u>24,508</u> |

|  |                                   |
|--|-----------------------------------|
| <b>Change in net position of governmental activities</b> | <b><u><u>\$ (622,568)</u></u></b> |
|--|-----------------------------------|

The accompanying notes are an integral part of these basic financial statements.

# City of Ferndale, California

## Statement of Revenues, Expenditures, and Changes in Fund Balances -

### Budget to Actual - General Fund and Major Special Revenue Funds

For the year ended June 30, 2019

|   | General Fund      |                   |                   |  |
|---|-------------------|-------------------|-------------------|--|
|   | Budgeted Amounts  |                   | Actual            | Variance w/Final<br>Positive<br>(Negative) |
|   | Original          | Final             |                   |  |
| <b>REVENUES:</b>                              |                   |                   |                   |  |
| Taxes and assessments                         | \$ 532,700        | 532,700           | \$ 528,735        | \$ (3,965)                                 |
| Licenses and permits                          | 35,775            | 35,775            | 44,405            | 8,630                                      |
| Fines and forfeitures                         | 1,500             | 1,500             | 2,484             | 984  |
| Intergovernmental                             | 321,497           | 321,497           | 374,009           | 52,512                                     |
| Use of money and property                     | 10,600            | 10,600            | 12,480            | 1,880                                      |
| Charges for services                          | 2,550             | 2,550             | 8,811             | 6,261                                      |
| Reimbursements                                | 6,700             | 6,700             | 6,971             | 271  |
| Other revenues                                | 15,900            | 15,900            | 48,026            | 32,126                                     |
| <b>Total revenues</b>                         | <b>927,222</b>    | <b>927,222</b>    | <b>1,025,921</b>  | <b>98,699</b>                              |
| <b>EXPENDITURES:</b>                          |                   |                   |                   |  |
| Current:                                      |                   |                   |                   |  |
| General government                            | 330,629           | 330,629           | 354,362           | (23,733)                                   |
| Public safety                                 | 468,776           | 468,776           | 432,909           | 35,867                                     |
| Public works                                  | 115,409           | 115,409           | 145,063           | (29,654)                                   |
| Community development                         | -                 | -                 | -                 | -  |
| Parks and recreation                          | 37,416            | 37,416            | 38,439            | (1,023)                                    |
| Capital outlay                                | -                 | -                 | -                 | -  |
| Debt service:                                 |                   |                   |                   |  |
| Principal                                     | -                 | -                 | -                 | -  |
| Interest and fiscal charges                   | -                 | -                 | -                 | -  |
| <b>Total expenditures</b>                     | <b>952,230</b>    | <b>952,230</b>    | <b>970,773</b>    | <b>(18,543)</b>                            |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>(25,008)</b>   | <b>(25,008)</b>   | <b>55,148</b>     | <b>80,156</b>                              |
| <b>OTHER FINANCING SOURCES (USES):</b>        |                   |                   |                   |  |
| Transfers in                                  | -                 | -                 | 95                | 95   |
| Transfers out                                 | -                 | -                 | -                 | -  |
| <b>Total other financing sources (uses)</b>   | <b>-</b>          | <b>-</b>          | <b>95</b>         | <b>95</b>                                  |
| <b>Net change in fund balances</b>            | <b>(25,008)</b>   | <b>(25,008)</b>   | <b>55,243</b>     | <b>80,251</b>                              |
| <b>FUND BALANCES (Deficit):</b>               |                   |                   |                   |  |
| Beginning of year                             | 551,388           | 551,388           | 551,388           | -  |
| End of year                                   | <b>\$ 526,380</b> | <b>\$ 526,380</b> | <b>\$ 606,631</b> | <b>\$ 80,251</b>                           |

The accompanying notes are an integral part of these basic financial statements.

| <b>Transportation Development Act</b> |            |            |                        | <b>Drainage Fund</b> |           |           |                        |
|---------------------------------------|------------|------------|------------------------|----------------------|-----------|-----------|------------------------|
| Budgeted Amounts                      |            | Actual     | Variance w/Final       | Budgeted Amounts     |           | Actual    | Variance w/Final       |
| Original                              | Final      |            | Positive<br>(Negative) | Original             | Final     |           | Positive<br>(Negative) |
| \$ -                                  | \$ -       | \$ -       | \$ -                   | \$ -                 | \$ -      | \$ -      | \$ -                   |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| 58,360                                | 58,360     | 115,229    | 56,869                 | -                    | -         | -         | -                      |
| -                                     | -          | -          | -                      | -                    | -         | 401       | 401                    |
| -                                     | -          | -          | -                      | 23,300               | 23,300    | 24,451    | 1,151                  |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| 58,360                                | 58,360     | 115,229    | 56,869                 | 23,300               | 23,300    | 24,852    | 1,552                  |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| 45,150                                | 45,150     | 41,788     | 3,362                  | 33,156               | 33,156    | 32,103    | 1,053                  |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| -                                     | -          | -          | -                      | 11,557               | 11,557    | 11,557    | -                      |
| -                                     | -          | -          | -                      | 1,998                | 1,998     | 1,998     | -                      |
| 45,150                                | 45,150     | 41,788     | 3,362                  | 46,711               | 46,711    | 45,658    | 1,053                  |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| 13,210                                | 13,210     | 73,441     | 60,231                 | (23,411)             | (23,411)  | (20,806)  | 2,605                  |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| -                                     | -          | -          | -                      | -                    | -         | -         | -                      |
| 13,210                                | 13,210     | 73,441     | 60,231                 | (23,411)             | (23,411)  | (20,806)  | 2,605                  |
| 198,184                               | 198,184    | 198,184    | -                      | 47,140               | 47,140    | 47,140    | -                      |
| \$ 211,394                            | \$ 211,394 | \$ 271,625 | \$ 60,231              | \$ 23,729            | \$ 23,729 | \$ 26,334 | \$ 2,605               |

(concluded)

## ENTERPRISE FUND

| Fund               | Description  |
|--------------------|--|
| <b>Major Fund:</b> |  |
| Sewer Utility      | Accounts for all activities associated with the operation and maintenance of providing sewer services. |

**City of Ferndale, California**  
**Statement of Net Position**  
**Sewer Utility Enterprise Fund**  
**June 30, 2019**

**ASSETS**

**Current assets:**

|                             |                |
|-----------------------------|----------------|
| Cash and investments        | \$ 567,614     |
| Receivables:                |                |
| Accounts                    | 18,596         |
| <b>Total current assets</b> | <u>586,210</u> |

**Noncurrent assets:**

|                                |                      |
|--------------------------------|----------------------|
| Capital assets, net            | 10,575,309           |
| <b>Total noncurrent assets</b> | <u>10,575,309</u>    |
|                                | <u>\$ 11,161,519</u> |

**LIABILITIES AND NET POSITION**

**Current liabilities:**

|                                   |                |
|-----------------------------------|----------------|
| Accounts payable                  | \$ -           |
| Interest payable                  | 42,938         |
| Current portion of long-term debt | 92,000         |
| <b>Total current liabilities</b>  | <u>134,938</u> |

**Noncurrent liabilities:**

|                                     |                  |
|-------------------------------------|------------------|
| Due after one year                  | 4,247,000        |
| <b>Total noncurrent liabilities</b> | <u>4,247,000</u> |
| <b>Total liabilities</b>            | <u>4,381,938</u> |

**Net Position:**

|   |                      |
|---|----------------------|
| Net investment in capital assets          | 6,328,309            |
| Restricted for:                           |                      |
| USDA Reserve                              | 19,505               |
| Unrestricted                              | 431,767              |
| <b>Total net position</b>                 | <u>6,779,581</u>     |
| <b>Total liabilities and net position</b> | <u>\$ 11,161,519</u> |

The accompanying notes are an integral part of these basic financial statements.

**City of Ferndale, California**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Sewer Utility Enterprise Fund**  
**For the year ended June 30, 2019**

**OPERATING REVENUES:**

|                                 |                |
|---------------------------------|----------------|
| Charges for service             | \$ 709,399     |
| Other operating revenue         | 224,801        |
| <b>Total operating revenues</b> | <u>934,200</u> |

**OPERATING EXPENSES:**

|                                 |                |
|---------------------------------|----------------|
| Salaries and benefits           | 306,559        |
| Contractual services            | 6,650          |
| Materials and supplies          | 146,565        |
| Repairs and maintenance         | 108,001        |
| Utilities                       | 129,088        |
| Insurance                       | 13,682         |
| Depreciation                    | 205,280        |
| <b>Total operating expenses</b> | <u>915,825</u> |

**OPERATING INCOME**

18,375

**NONOPERATING REVENUES (EXPENSES):**

|  |                 |
|--|-----------------|
| Interest revenue                         | 4,581           |
| Interest expense                         | (103,229)       |
| <b>Total non-operating revenues, net</b> | <u>(98,648)</u> |

**NET INCOME BEFORE TRANSFERS**

(80,273)

Transfers in

-

Transfers out

-

**Total transfers**

-

**CHANGE IN NET POSITION**

(80,273)

**NET POSITION:**

|                   |                     |
|-------------------|---------------------|
| Beginning of year | <u>6,859,854</u>    |
| End of year       | <u>\$ 6,779,581</u> |

The accompanying notes are an integral part of these basic financial statements.

**City of Ferndale, California**  
**Statement of Cash Flows**  
**Sewer Utility Enterprise Fund**  
**For the year ended June 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|  |                |
|--|----------------|
| Cash received from customers/users for services provided | \$ 955,713     |
| Cash payments to suppliers for goods and services        | (429,786)      |
| Cash payments to employees for services                  | (306,559)      |
| <b>Net cash provided by operating activities</b>         | <u>219,368</u> |

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

|   |          |
|---|----------|
| Transfers received                                      | -        |
| Transfers paid  | -        |
| <b>Net cash used by noncapital financing activities</b> | <u>-</u> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

|  |                  |
|--|------------------|
| Acquisition and construction of capital assets                     | (13,501)         |
| Principal paid on long term debt                                   | (90,000)         |
| Interest paid on long term debt                                    | (104,120)        |
| <b>Net cash (used) by capital and related financing activities</b> | <u>(207,621)</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|   |              |
|---|--------------|
| Investment income received                                  | 4,581        |
| <b>Net cash provided by investing activities</b>            | <u>4,581</u> |
| <b>Net increase (decrease) in cash and cash equivalents</b> | 16,328       |

**CASH AND CASH EQUIVALENTS:**

|                   |                   |
|-------------------|-------------------|
| Beginning of year | <u>551,286</u>    |
| End of year       | <u>\$ 567,614</u> |

**Reconciliation of income from operations to net cash provided by operating activities:**

|   |                   |
|---|-------------------|
| Operating income  | \$ 18,375         |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                   |
| Depreciation  | 205,280           |
| (Increase) decrease in current assets:  |                   |
| Accounts receivable   | 21,513            |
| Increase (decrease) in liabilities:   |                   |
| Accounts payable  | (25,800)          |
| <b>Net cash provided by operating activities</b>  | <u>\$ 219,368</u> |

**There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2019.**

The accompanying notes are an integral part of these basic financial statements.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**City of Ferndale, California**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**Index to Notes to Basic Financial Statements**

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**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Ferndale (City) was incorporated in 1893, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public safety (Police), highways and streets, solid waste, storm water utility, public improvements, planning and zoning, and general administration.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applied to government agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below:

***Financial Reporting Entity***

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no blended component units reportable in these financial statements.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Basis of Presentation*

*Government-Wide Financial Statements*

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Basis of Presentation, Continued*

*Fund Financial Statements, continued*

The City reports the following major funds:

- General Fund
- Transportation Development Act Special Revenue Fund
- Drainage Special Revenue Fund

Descriptions of these funds are included on the divider page preceding the Governmental Funds Balance Sheet.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

*Special Revenue Funds*

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

**Proprietary Funds**

*Enterprise Funds*

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***Measurement Focus***

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position, which serves as an indicator of financial position.

In the fund financial statements, the “current financial resources” measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise equity is classified as net position.

***Basis of Accounting***

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end, with the exception of grant revenues and Transportation Development Act (TDA) revenues. Grant revenues are considered to be available if collected within 180 days and TDA revenues are considered to be available if collected within 90 days of the end of the current fiscal period.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Basis of Accounting, continued*

The enterprise funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

*Assets, Liabilities, and Equity*

**Cash Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, utility user taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, utility user tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Assets, Liabilities, and Equity, Continued*

**Receivables, continued**

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. The loans are recognized when advanced in the government-wide statements. The City's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

**Capital Assets**

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

*Government-Wide Statements*

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized, since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

|                              |               |
|------------------------------|---------------|
| Buildings and improvements   | 5 – 50 years  |
| Infrastructure               | 15 – 45 years |
| Storm drain pipes/structures | 10 - 99 years |
| Machinery and equipment      | 5 – 15 years  |
| Vehicles                     | 5 years       |

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Assets, Liabilities, and Equity, Continued*

**Capital Assets, continued**

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

**Compensated Absences**

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. Also, annually an employee may elect to be compensated for up to 40 hours of unused annual leave. However, this is contingent upon the employee using at least 40 hours during the previous year and the employee having a minimum balance of 80 annual leave hours after the payment. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.

**Equity Classification**

*Government-Wide Statements*

Equity is classified as net position and is displayed in three components:

- a. *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or bylaws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Assets, Liabilities, and Equity, Continued*

**Equity Classification, continued**

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

*Nonspendable Fund Balance –*

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

*Restricted Fund Balance –*

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

*Committed Fund Balance –*

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council resolution is required to be taken to establish, modify or rescind a fund balance commitment

*Assigned Fund Balance –*

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Equity Classification, Continued**

*Unassigned Fund Balance –*

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

*Revenues, Expenditures, and Expenses*

**Property Tax**

Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

Property Valuations – are established by the Assessor of the County of Humboldt (County) for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Revenues, Expenditures, and Expenses, Continued*

**Property Tax, continued**

The County levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the City and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the City in three installments as follows:

50 percent remitted in December  
45 percent remitted in April  
5 percent remitted in June

**Interfund Transfers**

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

*Budgetary Accounting*

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year’s budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2019. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

**Reclassifications**

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

**2. CASH AND INVESTMENTS**

At June 30, 2019, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

|  |                                   |                         |
|--|-----------------------------------|-------------------------|
|  |                                   | <u>Not rated</u>        |
| <u>Cash equivalents and investments pooled</u>   |                                   |                         |
| Pooled cash, at fair value                       |                                   |                         |
| Cash in bank                                     | \$                                | 874,157                 |
| Petty cash                                       |                                   | 150                     |
| Total pooled items                               |                                   | <u>874,307</u>          |
| Pooled investments, at fair value                |                                   |                         |
| <u>Interest obligations</u>                      |                                   |                         |
| State of California Local Agency Investment Fund |                                   | 634,820                 |
| Total pooled investments - interest obligations  |                                   | <u>634,820</u>          |
| Total cash equivalents and investments pooled    | \$                                | <u>1,509,127</u>        |
|  |                                   |                         |
|  | Governmental activities           | \$ 941,513              |
|  | Business-type activities          | 567,614                 |
|  | Total pooled cash and investments | <u>\$ 1,509,127</u>     |
|  |                                   |                         |
|  |                                   | <b>Weighted Average</b> |
| <u>Investment Type</u>                           | <u>Fair Value</u>                 | <u>Maturity (Years)</u> |
| Local Agency Investment Fund                     | 634,820                           | N/A                     |
| Total fair value                                 | <u>\$ 634,820</u>                 |                         |
|  |                                   |                         |
| Portfolio weighted average maturity              |                                   | N/A                     |

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The only authorized investment vehicles that address interest rate risk, credit risk, and concentration of credit risk, per the City's investment policy, are the State of California Local Agency Investment Fund (LAIF) and certificates of deposit in California financial institutions.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**2. CASH AND INVESTMENTS, Continued**

*Concentration of credit risk* – The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government’s total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF) which has invested 1.77% of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk such as changes in interest rates.

*Custodial credit risk – deposits.* For deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s Investment Policy addresses custodial credit risk, which follows the Government Code. As of June 30, 2019, the City had a balance of \$874,157 and exceeded the \$250,000 Federal Deposit Insurance Corporation’s insurance limits.

*Custodial credit risk – investments.* For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

At June 30, 2019, the carrying amount of the City’s deposits was \$874,157 and the balances in financial institutions were \$888,733. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$638,733 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City.

**Investment in LAIF:** LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. As of June 30, 2019, the City had \$634,820 invested directly in LAIF. The LAIF investment pool consisted of derivative products in the form of asset-backed securities in the amount of \$977.182 million and \$900,000 million in structured notes, these investment types represented 1.77% of the total LAIF investment pool of \$105.7 billion as of 6/30/2019. The current average life of the LAIF portfolio as of June 30, 2019 was 173 days. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2019:

|                          |                   |
|--------------------------|-------------------|
| Governmental Activities  |                   |
| Interest                 | \$ 4,057          |
| Intergovernmental        | 242,235           |
| Other Receivable         | -                 |
|                          | <u>\$ 246,292</u> |
| Business-type activities |                   |
| Accounts                 | \$ 18,596         |
|                          | <u>\$ 18,596</u>  |

These amounts resulted in the following concentrations in receivables:

|                      |       |           |      |
|----------------------|-------|-----------|------|
| Other Governments    | 91.5% |           |      |
| Individuals/Business | 7.0%  | Financial | 1.5% |

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business or agency.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

**4. CAPITAL ASSETS**

Governmental capital asset activity for the year ended June 30, 2019, was as follows:

|  | Balance<br>July 1, 2018 | Additions           | Deletions      | Transfers/<br>Adjustments | Balance<br>June 30, 2019 |
|--|-------------------------|---------------------|----------------|---------------------------|--------------------------|
| <b><u>Governmental activities:</u></b> |                         |                     |                |                           |                          |
| <b>Nondepreciable assets:</b>          |                         |                     |                |                           |                          |
| Land                                   | \$ 13,000               | \$ -                | \$ -           | \$ -                      | \$ 13,000                |
| Land-Contributed                       | 118,000                 | -                   | -              | -                         | 118,000                  |
| <b>Total nondepreciable assets</b>     | <b>131,000</b>          | <b>-</b>            | <b>-</b>       | <b>-</b>                  | <b>131,000</b>           |
| <b>Depreciable assets:</b>             |                         |                     |                |                           |                          |
| Buildings and Improvements             | 479,445                 | -                   | -              | -                         | 479,445                  |
| Infrastructure                         | 10,987,019              | -                   | -              | -                         | 10,987,019               |
| Equipment                              | 142,666                 | -                   | -              | -                         | 142,666                  |
| Vehicles                               | 177,495                 | -                   | (4,129)        | -                         | 173,366                  |
| <b>Total depreciable assets</b>        | <b>11,786,625</b>       | <b>-</b>            | <b>(4,129)</b> | <b>-</b>                  | <b>11,782,496</b>        |
| <b>Total</b>                           | <b>11,917,625</b>       | <b>-</b>            | <b>(4,129)</b> | <b>-</b>                  | <b>11,913,496</b>        |
| <b>Accumulated depreciation:</b>       |                         |                     |                |                           |                          |
| Buildings and Improvements             | (177,409)               | (11,902)            | -              | -                         | (189,311)                |
| Infrastructure                         | (7,464,254)             | (717,758)           | -              | -                         | (8,182,012)              |
| Equipment                              | (138,243)               | (1,263)             | -              | -                         | (139,506)                |
| Vehicles                               | (163,788)               | (10,357)            | 4,129          | -                         | (170,016)                |
| <b>Total accumulated depreciation</b>  | <b>(7,943,694)</b>      | <b>(741,280)</b>    | <b>4,129</b>   | <b>-</b>                  | <b>(8,680,845)</b>       |
| <b>Net depreciable assets</b>          | <b>3,842,931</b>        | <b>(741,280)</b>    | <b>-</b>       | <b>-</b>                  | <b>3,101,651</b>         |
| <b>Total net capital assets</b>        | <b>\$ 3,973,931</b>     | <b>\$ (741,280)</b> | <b>\$ -</b>    | <b>\$ -</b>               | <b>\$ 3,232,651</b>      |

Depreciation expense for capital assets was charged to functions as follows:

|                      |                   |
|----------------------|-------------------|
| General government   | \$ 696            |
| Public safety        | 9,196             |
| Public works         | 724,760           |
| Parks and recreation | 6,628             |
|                      | <u>\$ 741,280</u> |

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

**4. CAPITAL ASSETS, Continued**

Business-type capital asset activity for the year ended June 30, 2019, was as follows:

|  | Balance<br>July 1, 2018 | Additions           | Deletions   | Balance<br>June 30, 2019 |
|--|-------------------------|---------------------|-------------|--------------------------|
| <b><u>Business-type activities</u></b> |                         |                     |             |                          |
| <b>Depreciable assets:</b>             |                         |                     |             |                          |
| Sewer System                           | \$ 13,459,674           | \$ -                | \$ -        | \$ 13,459,674            |
| Equipment                              | 73,561                  | 13,500              | -           | 87,061                   |
| Vehicles                               | 42,332                  | -                   | -           | 42,332                   |
| <b>Total depreciable assets</b>        | <u>13,575,567</u>       | <u>13,500</u>       | <u>-</u>    | <u>13,589,067</u>        |
| <b>Total</b>                           | <u>13,575,567</u>       | <u>13,500</u>       | <u>-</u>    | <u>13,589,067</u>        |
| <b>Accumulated depreciation:</b>       |                         |                     |             |                          |
| Sewer System                           | (2,724,661)             | (193,386)           | 1           | (2,918,046)              |
| Equipment                              | (50,300)                | (6,019)             | -           | (56,319)                 |
| Vehicles                               | (33,518)                | (5,875)             | -           | (39,393)                 |
| <b>Total accumulated depreciation</b>  | <u>(2,808,479)</u>      | <u>(205,280)</u>    | <u>1</u>    | <u>(3,013,758)</u>       |
| <b>Net depreciable assets</b>          | <u>10,767,088</u>       | <u>(191,780)</u>    | <u>1</u>    | <u>10,575,309</u>        |
| <b>Total net capital assets</b>        | <u>\$ 10,767,088</u>    | <u>\$ (191,780)</u> | <u>\$ 1</u> | <u>\$ 10,575,309</u>     |

Depreciation expense for the Sewer Utility capital assets was \$205,280 for the year ended June 30, 2019.

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consisted of the following at June 30, 2019:

|   | Governmental<br>Activities | Business-type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| Accounts payable                        | \$ 123,084                 | \$ -                        | \$ 123,084        |
| Accrued payroll and related liabilities | 4,663                      | -                           | 4,663             |
| <b>Total</b>                            | <u>\$ 127,747</u>          | <u>\$ -</u>                 | <u>\$ 127,747</u> |

These amounts resulted in the following concentrations in payables:

|           |     |
|-----------|-----|
| Vendors   | 96% |
| Employees | 4%  |

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

**6. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

|                                       | Balance<br>July 1, 2018 | Additions   | Transfers/<br>Retirements | Balance<br>June 30, 2019 | Due Within<br>One Year |
|---------------------------------------|-------------------------|-------------|---------------------------|--------------------------|------------------------|
| <b>Governmental Activities:</b>       |                         |             |                           |                          |                        |
| Note payable - Tri Counties Bank      | \$ 51,611               | \$ -        | \$ (11,557)               | \$ 40,054                | \$ 11,753              |
| <b>Total governmental debt</b>        | <u>51,611</u>           | <u>-</u>    | <u>(11,557)</u>           | <u>40,054</u>            | <u>11,753</u>          |
| Compensated absences                  | 44,982                  | -           | (12,393)                  | 32,589                   | 3,259                  |
| <b>Total governmental activities</b>  | <u>\$ 96,593</u>        | <u>\$ -</u> | <u>\$ (23,950)</u>        | <u>\$ 72,643</u>         | <u>\$ 15,012</u>       |
| <b>Business-type activities</b>       |                         |             |                           |                          |                        |
| 2010 USDA Loan                        | \$ 4,429,000            | \$ -        | \$ (90,000)               | \$ 4,339,000             | \$ 92,000              |
| <b>Total business-type activities</b> | <u>\$ 4,429,000</u>     | <u>\$ -</u> | <u>\$ (90,000)</u>        | <u>\$ 4,339,000</u>      | <u>\$ 92,000</u>       |

**Compensated Absences**

The City records employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid as compensated absences. Compensated absences had a balance of \$32,589 at June 30, 2019.

**Governmental Activities**

**Note payable – Tri Counties Bank**

On November 4, 2002, the City entered into an agreement with Tri Counties Bank to borrow funds for drainage projects. The initial amount of the loan was \$290,757 and payable within one year. The City has renewed the outstanding principal at the beginning each fiscal year and intends to continue to renew the agreement until the debt is fully paid. For fiscal year ended June 30, 2018, the outstanding principal amount is \$51,611.

On September 4, 2013, after paying down \$23,052 of the principal amount, the City renewed the note for the outstanding principal amount of \$126,997. The terms of the agreement reduced the interest from 4.75% to 4.25%. This interest rate is fixed, contingent upon the City maintaining a minimum average balance in their Tri Counties Bank deposit account of \$50,000, or the stated interest rate will increase by 1.00%. The terms of the note reduce the eleven equal payments to \$1,374.

On December 6, 2016, after paying down \$24,797 of the principal amount, the City renewed the note for the outstanding principal amount of \$89,571. The interest remained the same from the previous loan term at 4.25%. This interest rate is fixed, contingent upon the City maintaining a minimum average balance in their Tri Counties Bank deposit account of \$50,000, or the stated interest rate will increase by 1.00%. The new terms of the note reduce the twelve equal payments to \$1,130.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

**6. LONG-TERM LIABILITIES, Continued**

**Governmental Activities, Continued**

**Capital lease obligation**

The City of Ferndale has entered into a lease agreement as lessee for financing the acquisition of a truck valued at \$33,499. The interest rate on the lease is 5.95%. Lease payment is payable December 29 of each year, commencing on December 29, 2014, with a maturity date of December 29, 2018.

**Business-type Activities**

**2010 USDA Loan**

On August 18, 2010, the City entered into an agreement with the US Department of Agriculture, Rural Development to borrow funds to construct a wastewater treatment facility. The total amount borrowed was up to the limit of \$5,000,000. The loan accrues interest at 2.375%, payable semi-annually on August 1 and February 1, commencing August 1, 2011 and is repayable over 40 years from sewer fund revenues. Loan principal is payable August 1 of each year, commencing on August 1, 2011, with a maturity date of August 1, 2050.

Future debt service for Business-type Activities at June 30, 2019, is as follows for all debt except compensated absences:

| Year Ending<br>June 30, | 2010 USDA Loan      |                     |
|-------------------------|---------------------|---------------------|
|                         | Principal           | Interest            |
| 2020                    | \$ 92,000           | \$ 101,959          |
| 2021                    | 94,000              | 99,750              |
| 2022                    | 96,000              | 97,494              |
| 2023                    | 99,000              | 95,178              |
| 2024                    | 101,000             | 92,803              |
| 2025-2029               | 543,000             | 426,372             |
| 2030-2034               | 610,000             | 358,031             |
| 2035-2039               | 686,000             | 281,129             |
| 2040-2044               | 772,000             | 194,679             |
| 2045-2049               | 869,000             | 97,339              |
| 2050-2054               | 377,000             | 9,013               |
| Total                   | <u>\$ 4,339,000</u> | <u>\$ 1,853,747</u> |
| Due within one year     | \$ 92,000           | \$ 101,959          |
| Due after one year      | 4,247,000           | 1,751,788           |
| Total                   | <u>\$ 4,339,000</u> | <u>\$ 1,853,747</u> |

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

**7. NET POSITION/ FUND BALANCES**

**Net Position**

|                                  | Governmental<br>Activities | Business-type<br>Activities | Total                |
|----------------------------------|----------------------------|-----------------------------|----------------------|
| Net investment in capital assets | \$ 3,192,597               | \$ 6,328,309                | \$ 9,520,906         |
| Restricted                       | 396,415                    | -                           | 396,415              |
| Unrestricted                     | 631,054                    | 451,272                     | 1,082,326            |
| Total                            | <u>\$ 4,220,066</u>        | <u>\$ 6,779,581</u>         | <u>\$ 10,999,647</u> |

- Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below.

**Fund Balance**

Restricted, Assigned, and Unassigned fund balance consisted of the following at June 30, 2019:

**Restricted:**

Governmental Funds:

Major Funds:

|                                |            |
|--------------------------------|------------|
| Transportation Development Act | \$ 271,625 |
| Drainage Fund                  | 26,334     |

Non-Major Special Revenue Funds:

|         |        |
|---------|--------|
| Gas Tax | 27,104 |
| TEA     | 71,352 |

**Total Restricted** \$ 396,415

**Assigned:**

Non-Major Special Revenue Funds:

|                             |                  |
|-----------------------------|------------------|
| Integrated Waste Management | \$ 57,012        |
| <b>Total Assigned</b>       | <u>\$ 57,012</u> |

**Unassigned:**

|                         |                   |
|-------------------------|-------------------|
| General Fund            | \$ 606,631        |
| <b>Total Unassigned</b> | <u>\$ 606,631</u> |

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**7. NET POSITION/ FUND BALANCES, Continued**

The following describe the purpose of each Restricted, Assigned, and Unassigned category used by the City:

**Restricted:**

**Transportation Development Act** – represents amounts restricted for streets and roads under the Transportation Development Act.

**Drainage Fund** – represents amounts restricted for drainage fees collected from developers for drainage improvements as required by NPDES.

**Gas Tax** – represents amounts restricted for street maintenance purposes as defined in Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highway Code.

**Transportation Enhancement Act** – represents amounts restricted for activities related to streets and the related Intermodal Surface Transportation Efficiency Act funding.

**Assigned:** Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.

**Unassigned:** Total funds available after restricted and assigned.

**Excess of Expenditures and Transfers Over Appropriations:** Expenditures and transfers exceeded appropriations for the year ended June 30, 2019, for the following funds:

|                                       | <u>Final Budget</u> | <u>Total Expenditures and Transfers</u> | <u>Excess Expenditures Over Appropriations</u> |
|---------------------------------------|---------------------|---|--|
| <b><u>Governmental Activities</u></b> |                     |   |  |
| <b>Major Funds:</b>                   |                     |   |  |
| General Fund                          | \$ 952,230          | \$ 970,773                              | \$ (18,543)                                    |

**8. INTERFUND TRANSACTIONS**

Due to and from balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no Due to and Due from other funds as of June 30, 2019.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**8. INTERFUND TRANSACTIONS, Continued**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

There was one transfer of \$95 from the Park und to the General fund for the fiscal year ended June 30, 2019.

**9. RISK MANAGEMENT**

The City of Ferndale ("City") is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Member Entity obtains insurance coverage.

The City is a member of the Public Agency Risk Sharing Authority of California- PARSAC (Authority), a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, workers' compensation, and property claims. Under the program, the City has a \$5,000 retention limit similar to a deductible with the Authority being responsible for losses above that amount up to \$1 million. The Authority carries an excess commercial liability policy of \$34 million in excess of its \$1 million retention limit to cover losses through affiliated risk management authorities.

Liabilities of the City are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

The Authority covers workers' compensation claims up to its self-insurance limit of \$500,000. The Local Agency Workers Compensation Excess Pool provides excess coverage to statutory limits. The City pays an annual premium to the Authority and may share in any surplus revenues or may be required to pay additional assessments based upon the Authority's operating results. Financial statements of the Public Agency Risk Sharing Authority of California (PARSAC) may be obtained from its administrative office located at 1525 Response Road, Suite One, Sacramento, California, 95815; [www.parsac.org](http://www.parsac.org) or by calling (916) 927-7727.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**10. DEFINED CONTRIBUTION PENSION PLAN**

All qualified City employees participate in the Section 401 (a) qualified defined contribution pension plan as allowed under the Internal Revenue Code. The plan type sponsored by the City is a Money Purchase Plan, which was last amended July 1, 1996. This plan is a defined contribution retirement plan in which the employer's contribution is nondiscretionary and is based on a formula that is not related to profits. The plan sponsor guarantees no benefit and bears no investment risk while the plan participants bear all investment risk and have no guaranteed level of benefits.

Employees are eligible to participate if they are 21 years of age and have one year of service. The plan is entirely funded by the City contributions of 8% of the participant's gross pay, which vests fully and immediately for participants. Plan provisions and contribution requirements are established and may be amended by the City.

The City contributions charged to expenditures were \$47,226 and \$35,859 for the years ended June 30, 2019 and June 30, 2018 respectively.

**11. COMMITMENTS AND CONTINGENCIES**

*Litigation*

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

*Grants and Allocations*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

*Commitments*

The City had no significant unexpended contractual commitments as of June 30, 2019.

**12. NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued Statement No. 83, "*Certain Asset Retirement Obligations*." The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement had no effect on these financial statements.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**12. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED**

The GASB has issued Statement No. 84, "*Fiduciary Activities*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2020.

The GASB has issued Statement No. 87, "*Leases*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2021.

The GASB has issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*." The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement had no effect on these financial statements.

The GASB has issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2021.

The GASB has issued Statement No. 90, "*Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2020.

**City of Ferndale, California**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2019**

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**12. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED**

The GASB has issued Statement No. 91, "*Conduit Debt Obligations*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**NON-MAJOR GOVERNMENTAL FUNDS**

| <b>Fund Type</b> | <b>Description</b>  |
|------------------|---|
| Special Revenue  | These funds account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes. |

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## NON-MAJOR SPECIAL REVENUE FUNDS

| <b>Fund</b>                    | <b>Description</b>  |
|--------------------------------|---|
| Park Fund                      | Accounts for funds received and expended for the City's park programs.  |
| Gas Tax                        | Accounts for funds received and expended for street maintenance purposes as defined in Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highway Code. |
| Transportation Enhancement Act | Accounts for activities related to streets and the related Intermodal Surface Transportation Efficiency Act funding.  |
| Integrated Waste Management    | Accounts for the City's recycling management program.   |

**City of Ferndale, California**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2019**

|  | <u>Park Fund</u> | <u>Gas Tax</u>   | <u>TEA</u>       | <u>Integrated<br/>Waste<br/>Management</u> |
|--|------------------|------------------|------------------|--|
| <b>ASSETS</b>                              |                  |                  |                  |  |
| Cash and investments                       | \$ -             | \$ 27,104        | \$ 71,352        | \$ 57,012                                  |
| Receivables:                               |                  |                  |                  |  |
| Intergovernmental                          | -                | -                | -                | -  |
| <b>Total assets</b>                        | <u>\$ -</u>      | <u>\$ 27,104</u> | <u>\$ 71,352</u> | <u>\$ 57,012</u>                           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                  |                  |                  |  |
| <b>Liabilities:</b>                        |                  |                  |                  |  |
| Accounts payable                           | \$ -             | \$ -             | \$ -             | \$ -                                       |
| <b>Total liabilities</b>                   | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>                                   |
| <b>Fund Balances:</b>                      |                  |                  |                  |  |
| Restricted                                 | -                | 27,104           | 71,352           | -  |
| Assigned                                   | -                | -                | -                | 57,012                                     |
| <b>Total fund balances</b>                 | <u>-</u>         | <u>27,104</u>    | <u>71,352</u>    | <u>57,012</u>                              |
| <b>Total liabilities and fund balances</b> | <u>\$ -</u>      | <u>\$ 27,104</u> | <u>\$ 71,352</u> | <u>\$ 57,012</u>                           |

=====

Totals

\$ 155,468

-

\$ 155,468

\$ -

-

98,456

57,012

155,468

\$ 155,468

**City of Ferndale, California**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2019**

|  | Park Fund   | Gas Tax         | TEA            | Integrated Waste Management |
|--|-------------|-----------------|----------------|-----------------------------|
| <b>REVENUES:</b>   |             |                 |                |                             |
| Taxes and assessments  | \$ -        | \$ 34,298       | \$ -           | \$ -                        |
| Intergovernmental  | -           | -               | -              | 10,000                      |
| Use of money and property  | -           | 495             | 1,188          | 873                         |
| Charges for services   | -           | -               | -              | 2,547                       |
| <b>Total revenues</b>  | <b>-</b>    | <b>34,793</b>   | <b>1,188</b>   | <b>13,420</b>               |
| <b>EXPENDITURES:</b>   |             |                 |                |                             |
| Current:   |             |                 |                |                             |
| Public works   | -           | 46,437          | 8,171          | 8,372                       |
| <b>Total expenditures</b>  | <b>-</b>    | <b>46,437</b>   | <b>8,171</b>   | <b>8,372</b>                |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>  | <b>-</b>    | <b>(11,644)</b> | <b>(6,983)</b> | <b>5,048</b>                |
| <b>OTHER FINANCING SOURCES (USES):</b>   |             |                 |                |                             |
| Transfers in   | -           | -               | -              | -                           |
| Transfers out  | (95)        | -               | -              | -                           |
| <b>Total other financing sources and uses</b>  | <b>(95)</b> | <b>-</b>        | <b>-</b>       | <b>-</b>                    |
| <b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b> | <b>(95)</b> | <b>(11,644)</b> | <b>(6,983)</b> | <b>5,048</b>                |
| <b>FUND BALANCES (Deficit):</b>  |             |                 |                |                             |
| Beginning of year  | 95          | 38,748          | 78,335         | 51,964                      |
| End of year  | \$ -        | \$ 27,104       | \$ 71,352      | \$ 57,012                   |

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Totals

---

|    |        |
|----|--------|
| \$ | 34,298 |
|    | 10,000 |
|    | 2,556  |
|    | 2,547  |

---

|  |        |
|--|--------|
|  | 49,401 |
|--|--------|

---

---

|  |        |
|--|--------|
|  | 62,980 |
|--|--------|

---

|  |        |
|--|--------|
|  | 62,980 |
|--|--------|

---

---

(13,579)

-

---

(95)

(95)

(13,674)

---

|  |         |
|--|---------|
|  | 169,142 |
|--|---------|

---

|    |         |
|----|---------|
| \$ | 155,468 |
|----|---------|

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**City of Ferndale, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**Park Special Revenue Fund**

**For the year ended June 30, 2019**

|   | Budgeted Amounts |          | Actual      | Variance w/Final       |
|---|------------------|----------|-------------|------------------------|
|   | Original         | Final    |             | Positive<br>(Negative) |
| <b>REVENUES:</b>                              |                  |          |             |                        |
| Use of money and property                     | \$ -             | \$ -     | \$ -        | \$ -                   |
| Charges for services                          | -                | -        | -           | -                      |
| Other revenues                                | -                | -        | -           | -                      |
| <b>Total revenues</b>                         | <b>-</b>         | <b>-</b> | <b>-</b>    | <b>-</b>               |
| <b>EXPENDITURES:</b>                          |                  |          |             |                        |
| Current:                                      |                  |          |             |                        |
| Parks and recreation                          | -                | -        | -           | -                      |
| <b>Total expenditures</b>                     | <b>-</b>         | <b>-</b> | <b>-</b>    | <b>-</b>               |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>-</b>         | <b>-</b> | <b>-</b>    | <b>-</b>               |
| <b>OTHER FINANCING SOURCES (USES):</b>        |                  |          |             |                        |
| Transfers out                                 | -                | -        | (95)        | (95)                   |
| <b>Total other financing sources (uses)</b>   | <b>-</b>         | <b>-</b> | <b>(95)</b> | <b>(95)</b>            |
| <b>Net change in fund balances</b>            | <b>-</b>         | <b>-</b> | <b>(95)</b> | <b>(95)</b>            |
| <b>FUND BALANCES (Deficit):</b>               |                  |          |             |                        |
| Beginning of year                             | 95               | 95       | 95          | -                      |
| End of year                                   | \$ 95            | \$ 95    | \$ -        | \$ (95)                |

**City of Ferndale, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**Gas Tax Special Revenue Fund**

**For the year ended June 30, 2019**

|   | Budgeted Amounts |                 | Actual          | Variance w/Final       |
|---|------------------|-----------------|-----------------|------------------------|
|   | Original         | Final           |                 | Positive<br>(Negative) |
| <b>REVENUES:</b>                              |                  |                 |                 |                        |
| Taxes and assessments                         | \$ 34,735        | 34,735          | \$ 34,298       | \$ (437)               |
| Use of money and property                     | -                | -               | 495             | 495                    |
| <b>Total revenues</b>                         | <b>34,735</b>    | <b>34,735</b>   | <b>34,793</b>   | <b>58</b>              |
| <b>EXPENDITURES:</b>                          |                  |                 |                 |                        |
| Current:                                      |                  |                 |                 |                        |
| Public works                                  | 47,400           | 47,400          | 46,437          | 963                    |
| <b>Total expenditures</b>                     | <b>47,400</b>    | <b>47,400</b>   | <b>46,437</b>   | <b>963</b>             |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>(12,665)</b>  | <b>(12,665)</b> | <b>(11,644)</b> | <b>1,021</b>           |
| <b>Net change in fund balances</b>            | <b>(12,665)</b>  | <b>(12,665)</b> | <b>(11,644)</b> | <b>1,021</b>           |
| <b>FUND BALANCES (Deficit):</b>               |                  |                 |                 |                        |
| Beginning of year                             | 82,489           | 82,489          | 38,748          | (43,741)               |
| End of year                                   | \$ 69,824        | \$ 69,824       | \$ 27,104       | \$ (42,720)            |

**City of Ferndale, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**Transportation Enhancement Act Special Revenue Fund**

**For the year ended June 30, 2019**

|   | Budgeted Amounts |              | Actual         | Variance w/Final       |
|---|------------------|--------------|----------------|------------------------|
|   | Original         | Final        |                | Positive<br>(Negative) |
| <b>REVENUES:</b>                              |                  |              |                |                        |
| Intergovernmental                             | \$ 9,500         | 9,500        | \$ -           | \$ (9,500)             |
| Use of money and property                     | -                | -            | 1,188          | 1,188                  |
| <b>Total revenues</b>                         | <b>9,500</b>     | <b>9,500</b> | <b>1,188</b>   | <b>(8,312)</b>         |
| <b>EXPENDITURES:</b>                          |                  |              |                |                        |
| Current:                                      |                  |              |                |                        |
| Public works                                  | 8,489            | 8,489        | 8,171          | 318                    |
| <b>Total expenditures</b>                     | <b>8,489</b>     | <b>8,489</b> | <b>8,171</b>   | <b>318</b>             |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>1,011</b>     | <b>1,011</b> | <b>(6,983)</b> | <b>(7,994)</b>         |
| <b>Net change in fund balances</b>            | <b>1,011</b>     | <b>1,011</b> | <b>(6,983)</b> | <b>(7,994)</b>         |
| <b>FUND BALANCES:</b>                         |                  |              |                |                        |
| Beginning of year                             | 78,335           | 78,335       | 78,335         | -                      |
| End of year                                   | \$ 79,346        | \$ 79,346    | \$ 71,352      | \$ (7,994)             |

**City of Ferndale, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

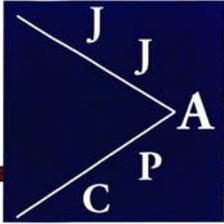
**Integrated Waste Management Special Revenue Fund**

**For the year ended June 30, 2019**

|   | Budgeted Amounts |                | Actual        | Variance w/Final<br>Positive<br>(Negative) |
|---|------------------|----------------|---------------|--|
|   | Original         | Final          |               |  |
| <b>REVENUES:</b>                              |                  |                |               |  |
| Intergovernmental                             | \$ 5,000         | 5,000          | \$ 10,000     | \$ 5,000                                   |
| Use of money and property                     | -                | -              | 873           | 873  |
| Charges for services                          | 3,800            | 3,800          | 2,547         | (1,253)                                    |
| <b>Total revenues</b>                         | <b>8,800</b>     | <b>8,800</b>   | <b>13,420</b> | <b>4,620</b>                               |
| <b>EXPENDITURES:</b>                          |                  |                |               |  |
| Current:                                      |                  |                |               |  |
| Public works                                  | 12,036           | 12,036         | 8,372         | 3,664                                      |
| <b>Total expenditures</b>                     | <b>12,036</b>    | <b>12,036</b>  | <b>8,372</b>  | <b>3,664</b>                               |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>(3,236)</b>   | <b>(3,236)</b> | <b>5,048</b>  | <b>8,284</b>                               |
| <b>Net change in fund balances</b>            | <b>(3,236)</b>   | <b>(3,236)</b> | <b>5,048</b>  | <b>8,284</b>                               |
| <b>FUND BALANCES:</b>                         |                  |                |               |  |
| Beginning of year                             | 32,354           | 32,354         | 51,964        | 19,610                                     |
| End of year                                   | \$ 29,118        | \$ 29,118      | \$ 57,012     | \$ 27,894                                  |

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JJACPA, Inc.

A Professional Accounting Services Corp.

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**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**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
of the City of Ferndale  
Ferndale, California

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ferndale, California (City), as of and for the year ended June 30, 2019, and have issued our report thereon dated January 6, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council members, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

January 6, 2020

*JJACPA, Inc.*

**JJACPA, Inc.**

**Dublin, CA**