



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
City of Fircrest

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

Published November 9, 2020

Report No. 1027195





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

November 9, 2020

Mayor and City Council
City of Fircrest
Fircrest, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	11
About the State Auditor's Office.....	27

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

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

Mayor and City Council
City of Fircrest
Fircrest, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Fircrest, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 21, 2020.

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

As discussed in Note 10 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 10.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy
State Auditor
Olympia, WA

October 21, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Mayor and City Council
City of Fircrest
Fircrest, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

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

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

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

Matters of Emphasis

As discussed in Note 10 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management’s plans in response to this matter are also described in Note 10. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy
State Auditor
Olympia, WA

October 21, 2020

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019

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

		Total for All Funds (Memo Only)	001 General Fund	105 Police Investigation Fund	150 Cumulative Reserve Fund
Beginning Cash and Investments					
30810	Reserved	7,482,284	941,179	12,108	3,530,763
30880	Unreserved	6,125,397	2,847,150	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	3,620,620	3,397,182	-	-
320	Licenses and Permits	612,044	612,044	-	-
330	Intergovernmental Revenues	430,198	397,167	-	-
340	Charges for Goods and Services	4,991,125	476,896	-	-
350	Fines and Penalties	250,738	250,738	-	-
360	Miscellaneous Revenues	1,030,998	582,921	214	-
Total Revenues:		10,935,723	5,716,948	214	-
Expenditures					
510	General Government	1,265,167	1,265,167	-	-
520	Public Safety	2,262,935	2,262,935	-	-
530	Utilities	3,419,380	-	-	-
540	Transportation	492,923	479,465	-	-
550	Natural and Economic Environment	98,581	96,875	-	-
560	Social Services	1,921	1,921	-	-
570	Culture and Recreation	710,814	710,814	-	-
Total Expenditures:		8,251,721	4,817,177	-	-
Excess (Deficiency) Revenues over Expenditures:		2,684,002	899,771	214	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	9,999,811	-	-	-
397	Transfers-In	2,400,775	1,564,737	-	250,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	17,484	17,484	-	-
Total Other Increases in Fund Resources:		12,418,070	1,582,221	-	250,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,184,563	1,875,803	-	-
591-593, 599	Debt Service	470,214	-	-	-
597	Transfers-Out	2,400,775	542,367	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	345	345	-	-
581, 582	Other Uses	11,795	11,795	-	-
Total Other Decreases in Fund Resources:		7,067,692	2,430,310	-	-
Increase (Decrease) in Cash and Investments:		8,034,380	51,682	214	250,000
Ending Cash and Investments					
5081000	Reserved	15,278,817	1,255,096	12,322	3,780,763
5088000	Unreserved	6,363,256	2,584,926	-	-
Total Ending Cash and Investments		21,642,073	3,840,022	12,322	3,780,763

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

		<u>301 Park Bond Capital Fund</u>	<u>310 Reet</u>	<u>415 Storm Drain</u>	<u>425 Water Fund (department)</u>
Beginning Cash and Investments					
30810	Reserved	-	1,558,565	-	-
30880	Unreserved	-	-	716,367	489,082
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	223,438	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	33,031	-
340	Charges for Goods and Services	-	-	526,256	1,055,478
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	28,596	4,263	214,585
Total Revenues:		-	252,034	563,550	1,270,063
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	427,102	1,001,629
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	1,706
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	427,102	1,003,335
Excess (Deficiency) Revenues over Expenditures:		-	252,034	136,448	266,728
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	9,999,811	-	-	-
397	Transfers-In	-	-	81,900	274,138
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		9,999,811	-	81,900	274,138
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,346,408	-	46,461	375,706
591-593, 599	Debt Service	106,487	-	-	48,640
597	Transfers-Out	1,215,454	222,894	81,900	108,160
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,668,349	222,894	128,361	532,506
Increase (Decrease) in Cash and Investments:		7,331,462	29,140	89,987	8,360
Ending Cash and Investments					
5081000	Reserved	7,331,463	1,587,705	-	-
5088000	Unreserved	-	-	806,354	497,440
Total Ending Cash and Investments		7,331,463	1,587,705	806,354	497,440

The accompanying notes are an integral part of this statement.

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

	<u>430 Sewer Fund (department)</u>	<u>501 Equipment Rental Fund</u>
Beginning Cash and Investments		
30810	Reserved	1,439,669
30880	Unreserved	-
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	196,496
350	Fines and Penalties	-
360	Miscellaneous Revenues	43,147
	Total Revenues:	239,643
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	13,458
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
	Total Expenditures:	13,458
	Excess (Deficiency) Revenues over Expenditures:	226,185
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	-
	Total Other Increases in Fund Resources:	-
Other Decreases in Fund Resources		
594-595	Capital Expenditures	354,386
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581, 582	Other Uses	-
	Total Other Decreases in Fund Resources:	354,386
	Increase (Decrease) in Cash and Investments:	(128,201)
Ending Cash and Investments		
5081000	Reserved	1,311,468
5088000	Unreserved	-
	Total Ending Cash and Investments	1,311,468

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Custodial
		<u> </u>	<u> </u>
308	Beginning Cash and Investments	48,940	48,940
388 & 588	Net Adjustments	-	-
310-390	Additions	882,456	882,456
510-590	Deductions	880,336	880,336
		<u> </u>	<u> </u>
	Net Increase (Decrease) in Cash and Investments:	2,120	2,120
508	Ending Cash and Investments	51,059	51,059

The accompanying notes are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The City of Fircrest was incorporated in 1925 and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City of Fircrest is a general-purpose local government and provides public safety, municipal court, fire prevention, street improvement, parks and recreation, and general administration. In addition, the City owns and operates water, sewer and storm utilities.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 4, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 1,940 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 3, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

The Cumulative Reserve Fund, created by Ordinance No. 956, consists of monies from the General Fund \$3,250,000, Street Fund \$150,000 as well as from the proprietary Water Fund \$11,513 and Sewer Fund \$369,250. These monies have been reserved for capital outlay and operation and maintenance for municipal purposes. Monies from said fund may be expended upon appropriate council action.

The Park Bond Capital Fund created by Ordinance No. 1647 consists of monies from the sale of the general obligation bond. The fund accounts for the revenue and expenditures associated with Park Bond Capital revenues and expenditures. The balance as of 12/31/2019 is \$7,331,463.

Real Estate Excise Tax Fund \$1,587,705. Under State law, Fircrest can spend its real estate excise tax receipts only on capital projects specified in the capital facilities plan element of its comprehensive plan. Such capital projects are defined in FMC 3.36.040(d) and FMC 3.40.020.

Equipment Rental & Replacement Fund \$1,311,468. Created by Ordinance #935. Designated funds are to be used for operation and maintenance and for the purchase of capital equipment within the Equipment Rental & Replacement Fund as designated by Council with a purchase price exceeding \$1,000 in value.

Note 2 – Budget Compliance

A. Budgets

The City of Fircrest adopts annual appropriated budgets for 9 funds (for reporting purposes the Street Fund has been included in the General Fund and the Storm, Water and Sewer Capital Funds have been included in their respective Funds). These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$8,499,854	\$7,903,337	\$596,517
Park Bond Capital Fund	\$2,822,000	\$2,668,348	\$153,652
Storm Fund	\$ 613,820	\$ 555,463	\$ 58,357
Water Fund	\$1,591,793	\$1,535,842	\$ 55,951
Sewer Fund	\$3,136,786	\$2,721,533	\$ 415,253
Equipment Rental Fund	\$ 563,603	\$ 482,991	\$ 80,612
Police Investigation Fund	\$ 12,253	\$ 0	\$ 12,253
Real Estate Excise Tax	\$ 263,640	\$ 222,894	\$ 40,746
Cumulative Reserve Fund	\$ 0	\$ 0	\$ 0

Any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Fircrest's legislative body. These numbers are presented without ending fund balances.

Note 3 – Debt Service Requirements

Debt Service

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 508,013	\$ 405,524	\$ 913,537
2021	\$ 555,515	\$ 378,848	\$ 934,363
2022	\$ 408,088	\$ 367,243	\$ 775,331
2023	\$ 381,515	\$ 360,065	\$ 741,581
2024	\$ 399,236	\$ 353,468	\$ 752,704
2025 – 2029	\$ 2,949,772	\$1,612,153	\$ 4,561,925
2030 – 2034	\$ 3,583,594	\$1,150,959	\$ 4,734,553
2035 – 2039	<u>\$ 3,967,702</u>	<u>\$ 478,535</u>	<u>\$ 4,446,238</u>
TOTALS	<u>\$12,753,436</u>	<u>\$5,106,796</u>	<u>\$17,860,232</u>

Note 4 – Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2019 are as follows:

<u>Type of Investment</u>	City of Fircrest's own investments	Investments held by City of as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$18,452,959		\$18,452,959
U.S. Government Securities	<u>\$ 1,497,270</u>		<u>\$ 1,497,270</u>
Total	\$19,950,229		\$19,950,229

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

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

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

Custodial Credit Risk

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

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

Other Disclosures

Compensating Balance: The City of Fircrest has agreed to keep a \$1 million average ledger balance with Columbia Bank to offset banking fees through consolidated account analysis.

Note 5 – OPEB Plans

During the year ended 2019, the City adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

The City has a commitment to pay for post-employment benefits for one employee that belongs to the LEOFF1 defined benefit plan. These benefits include medical, dental, vision, and long-term care. Total benefits paid out during 2019 was \$10,372.

Using the State Actuary's Alternative Measurement Method (AMM) online tool, the City of Fircrest liability as of December 31, 2019 is \$413,198.

Note 6 – Pension Plans

State Sponsored Pension Plans

Substantially all City of Fircrest full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 1, PERS 2, PERS 3, LEOFF 1 and LEOFF 2.

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

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

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98504-8380

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

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

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$ 94,153	0.013131%	\$504,934
PERS 2/3	\$138,447	0.016951%	\$164,652
LEOFF 1	\$ 0	0.001910%	(\$ 37,753)
LEOFF 2	\$ 41,497	0.022507%	(\$521,418)

LEOFF Plan 1

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

LEOFF Plan 2

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

Note 7 - Property Tax

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

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

The City of Fircrest’s regular levy for the year 2019 was \$1.7550 per \$1,000 on an assessed valuation of \$906,305,987 for a total regular levy of \$1,590,618. In 2019, the City levied an additional \$0.3643 per \$1,000 for Emergency Medical Service for a total additional levy of \$330,224.

Note 8 – Risk Management

The City of Fircrest is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2019, the CIAW had 191 full members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. The insurance carrier covers insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,910,871.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps and Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps and Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2019 were \$2,687,105.

Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

Note 9 – Health and Welfare

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

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

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

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

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

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the

AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

Note 10 - Other Disclosures

- a. The City’s financial statements include all material liabilities. City management believes there are no material contingent liabilities to record.
- b. The City has one pending lawsuits against the City of Fircrest as of 12/31/19.
 - 1. Susan Crawford v. City of Fircrest. This case was filed in Pierce County Superior Court under cause number 16-2-12036-1. Ms. Crawford tripped and fell and is suing the city for damages. The trial date was set for April 13, 2020 but has been rescheduled to October 22, 2020. The City is represented by attorney Jerry Moberg.

One lawsuit was resolved this year. The lawsuit Jose German v. City of Fircrest was resolved. An Order of Dismissal was entered on February 27, 2019.

- c. The City has active construction projects as of December 31, 2019. At year end the City’s construction commitment with contractors are:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Remaining</u>	<u>Funding Source</u>
Pool/Community Center	\$2,432,470	\$5,122,256	Bond Proceeds

Of the committed balance of \$5,122,256, the City will be required to raise \$0 in future financing.

- d. On April 23, 2019, Fircrest voters approved a bond of up to \$13.5 million to build the new Fircrest Community Center and Pool. The bond passed with 79.15% approval. The bond issuance will be in two offerings. In October of 2019 the City issued \$8,750,000 in bonds.
- e. In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and

private gatherings, and requiring people to stay home unless they are leaving for an essential function.

On April 14, 2020 the Fircrest Council past Resolution #1651 which confirmed and certified the existence of an emergency pursuant to RCW 39.04.280(2), RCW 38.52, and FMC 2.08 granting the utilization of emergency powers to the City Manager.

As a result, all public buildings were closed to the public. The impact of this emergency will result in a loss of revenue for retail sales tax, recreation fees, Real Estate Exsice Tax (REET) and other revenue line items. The City of Fircrest has implemented expenditure cost containments to help mitigate the loss to revenue.

The length of time and the full extent of the financial impact on the City of Fircrest is unknown at this time.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.22	Pool/Recreation Center Bond Issued 2019	12/1/2039	-	8,750,000	-	8,750,000
Total General Obligation Debt/Liabilities:			-	8,750,000	-	8,750,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences-General Fund		111,882	24,272	-	136,154
263.82	Water Supply Improv Loan Issued 2003	12/31/2022	176,872	-	44,218	132,654
263.82	PWTF Sewer Loan Issued 2011	6/1/2031	2,217,592	-	170,584	2,047,008
263.82	DOE Sewer Loan Issued 2011	3/31/2033	1,909,552	-	85,778	1,823,774
259.12	Compensated Absences-Proprietary		28,810	5,044	-	33,854
264.30	Pension Liabilities		913,751	-	244,166	669,585
264.40	Other Post Employment Benefits (OPEB)		-	413,198	-	413,198
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,358,459	442,514	544,746	5,256,227
Total Liabilities:			5,358,459	9,192,514	544,746	14,006,227

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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