

Washington State Auditor's Office
Accountability Audit Report

City of Ferndale
Whatcom County

Report Date
August 30, 2005

Report No. 69514

Issue Date
October 7, 2005



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

October 7, 2005

Mayor and City Council
City of Ferndale
Ferndale, Washington

Report on Accountability for Public Resources

Please find attached our report on the City of Ferndale's accountability for public resources and compliance with state laws and regulations and its own policies and procedures.

In addition to this work, we also audit the City's financial statements and compliance with federal laws and regulations. The results of that audit will be included in a separately issued audit report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Whatcom County
August 30, 2005**

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Audit Summary

**City of Ferndale
Whatcom County
August 30, 2005**

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the City of Ferndale.

We performed audit procedures to determine whether the City complied with state laws and regulations and its own policies and procedures. We also examined City management's accountability for public resources. Our work focused on specific areas that have potential for abuse and misuse of public resources.

Areas examined during the audit were selected using financial transactions from January 1, 2004, through December 31, 2004.

RESULTS

The City complied with state laws and regulations and its own policies and procedures in the areas we examined. Internal controls were adequate to safeguard public assets. We noted certain issues that we communicated to City's management.

RELATED REPORTS

Our opinion on the City's financial statements and compliance with federal program requirements is provided in a separate report, which includes the City's financial statements.

CLOSING REMARKS

We thank City officials and personnel for their assistance and cooperation during the audit.

Description of the City

City of Ferndale Whatcom County August 30, 2005

ABOUT THE CITY

The City of Ferndale serves nearly 10,000 citizens in Whatcom County. The City is administered by a mayor-council form of government. There are seven elected Council Members and an independently elected Mayor. The City operated on a current expense fund budget of \$3.9 million in fiscal year 2004. The City has approximately 55 employees who provide an array of services including water, sewer, police, Municipal Court and planning. The City contracts with Whatcom County Fire Protection District No. 7 for fire protection and with the Whatcom County Library System for library services.

AUDIT HISTORY

The City is audited on an annual basis. Three findings were issued in the 2003 audit; however, no findings were issued in the five audit periods prior to that.

ELECTED OFFICIALS

These officials served during the audit period:

Mayor
City Council:

Jerry Landcastle
Steve Oliver
Mel Hansen
Mike Reilly
Marianne Elgart
Susan Cole
Carol Brumet
Ron Wilson

APPOINTED OFFICIALS

City Administrator

Greg Young

ADDRESS

City

2095 Main Street
P.O. Box 936
Ferndale WA 98248
(360) 384-4302
(360) 384-1163 (fax)
www.ci.ferndale.wa.us

Audit Areas Examined

City of Ferndale Whatcom County August 30, 2005

In keeping with general auditing practices, we do not examine every portion of the City of Ferndale's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the City were examined during this audit period:

ACCOUNTABILITY FOR PUBLIC RESOURCES

We evaluated the City's accountability in the following areas:

- Cash receipting
- Billings
- Cash receipting and revenues
- Safeguarding of assets
- Fixed assets
- Payroll
- Deposit and investment of public funds
- Budgeting requirements
- Ethics/conflict of interest laws
- Use of impact fees
- Use of hotel/motel tax
- Travel expense
- Cash disbursements
- Purchase of goods and services
- Purchasing and accounts payable
- Expenditures
- Voucher/purchase system
- Credit card use
- Use of restricted funds
- Insurance and bonding
- Open Public Meetings Act
- Competitive bid law compliance
- Contracts and agreements
- Property room requirements

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Required financial schedules
- Long-term debt covenant compliance
- State prevailing wage requirements
- Interfund transactions

FEDERAL PROGRAMS

We evaluated internal controls and tested compliance with federal program requirements, as applicable, for the City's major federal programs, which are listed in the Federal Summary section of the financial statement and single audit report.

FINANCIAL AREAS

Our opinion on the City's financial statements is provided in a separate report. That report includes the City's financial statements and other required financial information. We examined the financial activity and balances of the City including:

- Cash and investments
- Revenues
- Expenditures
- Long-term debt
- Overall presentation of the financial statements