

**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

Table of Contents

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

Audit Summary..... 1  
Description of the City ..... 2  
Audit Areas Examined..... 3

# 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](http://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