

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**City of Ferndale**  
**Whatcom County**

Report Date  
**November 3, 2008**

**Report No. 1000202**

Issue Date  
**December 8, 2008**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

December 8, 2008

Council  
City of Ferndale  
Ferndale, Washington

***Report on Accountability***

Please find attached our report on the City of Ferndale's accountability 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  
November 3, 2008**

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# Audit Summary

**City of Ferndale  
Whatcom County  
November 3, 2008**

## ***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, 2007, through December 31, 2007.

## ***RESULTS***

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

## ***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 November 3, 2008

### **ABOUT THE CITY**

The City of Ferndale serves over 10,000 citizens in Whatcom County. The City is administered by a mayor-council form of government with an elected, seven-member Council and an independently elected Mayor. The City operated on a current expense fund budget of \$6.5 million in fiscal year 2007. The City has approximately 64 employees who provide an array of services including water, sewer, police, Municipal Court and planning.

### **AUDIT HISTORY**

The City is audited on an annual basis. Three accountability findings were issued in the 2003 audit. The first finding noted the City had exceeded approved budget in four funds and did not maintain balances sufficient to cover expenditures in five funds. The second finding noted the City did not establish sufficient controls over utility revenue. The third finding noted the City did not comply with Bond Reserve requirements. There have been no further accountability findings since 2003.

### **ELECTED OFFICIALS**

These officials served during the audit period:

Mayor:	Jerry Landcastle
Council:	
Position 1	Steve Oliver
Position 2	Mel Hansen
Position 3	Mike Reily
Position 4	Jim Elliot
Position 5	Ken Downey
Position 6	Gary Jensen
Position 7	Keith Olson

### **APPOINTED OFFICIALS**

City Administrator	Greg Young
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**ADDRESS**

City

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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 November 3, 2008

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**

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

- Cash receipting
- Small and attractive assets
- Open public meetings/records laws
- Restricted funds (lodging tax and Real Estate Excise Tax)
- Procurement (bidding/prevaling wage)
- Conflict of interest/ethics laws
- Inter-fund transactions/balances
- Police – evidence

### **FEDERAL PROGRAMS**

We evaluated internal controls and tested compliance with federal program requirements, as applicable, for the City's major federal program, which is 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/expenses
- Financial condition
- Long-term debt
- Overall presentation of the financial statements
- Financial statement preparation



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular 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. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

**State Auditor**  
**Chief of Staff**  
**Chief Policy Advisor**  
**Director of Administration**  
**Director of State and Local Audits**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free hotline for government efficiency**

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**Ted Rutt**  
**Jerry Puggnetti**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
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**Web Site**

**[www.sao.wa.gov](http://www.sao.wa.gov)**