



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Ferndale

For the period January 1, 2023 through December 31, 2023

*Published March 20, 2025*

Report No. 1036823



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

March 20, 2025

Mayor and City Council  
City of Ferndale  
Ferndale, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Ferndale's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### City of Ferndale January 1, 2023 through December 31, 2023

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Ferndale are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

##### Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

##### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2023-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### City of Ferndale January 1, 2023 through December 31, 2023

#### 2023-001    **The City did not have adequate internal controls for ensuring compliance with federal procurement requirements.**

<b>Assistance Listing Number and Title:</b>	20.205 Highway Planning and Construction
<b>Federal Grantor Name:</b>	Federal Highway Administration, US Department of Transportation
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Washington State Department of Transportation
<b>Pass-through Award/Contract Number:</b>	LA-10390
<b>Known Questioned Cost Amount:</b>	\$0
<b>Prior Year Audit Finding:</b>	N/A

#### ***Background***

During fiscal year 2023, the City spent \$2,783,693 in federal Highway Planning and Construction program funds awarded from the Federal Highway Administration and passed through the Washington State Department of Transportation. During 2023, the City used program funds for the Thornton, Vista to Malloy project.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal regulations require recipients to follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR 200.318-327. The procedures must reflect the most restrictive of federal, state or local procurement thresholds and methods when using federal funds. Additionally, federal regulations require recipients to maintain written standards of conduct that cover conflicts of interest and govern the actions of employees involved in selecting, awarding or administering contracts procured with federal funds.

### ***Description of Condition***

Our audit found the City's internal controls were ineffective for ensuring compliance with federal procurement requirements. Specifically, the City did not have procurement policies or procedures to ensure compliance with federal requirements. Further, the City did not have standards of conduct policies or procedures covering conflicts of interest for officers or agents who award contracts, as federal regulations require.

We consider this deficiency in internal controls to be a significant deficiency.

### ***Cause of Condition***

This is the City's first federal single audit since 2016. Since the City did not regularly manage federal funds since then, staff were unaware of the requirement to have written policies and procedures over procurement and standards of conduct covering conflicts of interest for officers and agents.

### ***Effect of Condition***

Without written policies and procedures, the City is at an increased risk of not complying with following the most restrictive of federal, state or local procurement methods and standards of conduct requirements when using federal funds to procure contractors.

Although the City did not have policies in place, it followed the procurement requirements in the Washington State Department of Transportation's *Local Agency Guidelines* Manual and complied with federal requirements for soliciting and awarding the public works contracts we tested.

### ***Recommendation***

We recommend the City develop written procurement and standards of conduct policies and procedures that conform to federal procurement standards in Uniform Guidance (2 CFR 200.318-327).

### ***City's Response***

*The City is currently in the process of adopting a comprehensive purchasing and procurement policy, with the goal of implementing the major components of these policies by the end of April 2025. Although the City has consistently followed established purchasing procedures, including redundant reviews and purchasing limits, these practices have occasionally varied across departments and have not been formally codified.*

*The City acknowledges that formal adoption of purchasing policies not only ensures consistency in procurement practices across the organization but also serves as a valuable resource for employee training, particularly when making purchasing decisions that are uncommon for the jurisdiction. In recent years, the City has reexamined its broad range of financial responsibilities, including procurement, and has considered delaying the adoption of new policies until the landscape of these changes stabilizes. However, in its ongoing commitment to continuous improvement, the City has determined that adopting purchasing and procurement policies that address the majority of the City's procurement decisions is the most effective course of action. These policies will be subject to ongoing refinement and updates over time.*

*The City remains receptive to insights and recommendations, such as those provided by the SAO, which contribute to the enhancement of its processes.*

### ***Auditor's Remarks***

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures





# FINANCE DEPARTMENT

P.O. Box 936, 2095 Main Street, Ferndale, WA 98248

Phone: 360-384-4302 Fax: 360-384-1163

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Ferndale

January 1, 2023 through December 31, 2023

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2022 through December 31, 2022	<b>Report Ref. No.:</b> 1034605	<b>Finding Ref. No.:</b> 2022-001
<b>Finding Caption:</b> The City's internal controls over preparing its financial statements were inadequate for ensuring accurate and reliable financial reporting.		
<b>Background:</b> Our audit identified deficiencies in the City's internal controls that hindered its ability to produce accurate financial statements. These deficiencies when taken together represent a material weakness in controls.		
<b>Status of Corrective Action: (check one)</b> <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>During 2022, the City saw a significant turnover of seasoned and knowledgeable staff members. As a result, inadequacies in the preparation of financial statements and proper internal controls over reporting occurred.</i> <i>Consistent with the City's response to the 2022 finding, we have taken necessary steps to ensure that changes to procedures have been implemented and stronger internal controls are in place. Shortly after the audit, the City engaged with a 3<sup>rd</sup> party to complete a detailed audit of the bank reconciliations. The 3<sup>rd</sup> party auditor was the City's former Deputy Treasurer, Ms. Ducatte, who had been in the position for five years and was responsible for monthly reconciliations prior to leaving. Ms. Ducatte was able to identify specific areas and controls that were to blame for the issues we were experiencing. Ms. Ducatte is once again an employee of the City of Ferndale, and has resumed monthly reconciliations, completed no later than the 10<sup>th</sup> of the following month. The City is pulling the proper reports and statements to easily identify return payments that should be reflected on customer accounts in a timely manner, as well as deposit discrepancies and missing payments within the City's ERP software, Vision. The City also hired a new Accounts Payable staff member who has a better understanding of the process daily entries, essentially avoiding reconciling items or missed payments.</i> <i>By implementing training and task review, the City has been successful in making sure all</i>		

*Finance staff are properly trained in their duties as assigned. With proper training, staff can work efficiently and accurately while maintaining the ability to catch discrepancies and correct as soon as they arise.*

*In addition to invoices, check runs, and payrolls, all bank reconciliations are reviewed and approved by the Finance Director. In the Finance Director's absence, they are reviewed and approved by Senior Accountant and/or the City Administrator.*

## INDEPENDENT AUDITOR'S REPORT

### 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 Ferndale January 1, 2023 through December 31, 2023**

Mayor and City Council  
City of Ferndale  
Ferndale, 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 Ferndale, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 12, 2025.

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.

#### **REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 12, 2025

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

**City of Ferndale**  
**January 1, 2023 through December 31, 2023**

Mayor and City Council  
City of Ferndale  
Ferndale, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

### Opinion on Each Major Federal Program

We have audited the compliance of the City of Ferndale, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

## Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

## Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-001, that we consider to be a significant deficiency.

### City's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



## Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 12, 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Ferndale January 1, 2023 through December 31, 2023**

Mayor and City Council  
City of Ferndale  
Ferndale, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the City of Ferndale, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the financial section of our report.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Ferndale, and its changes in cash and investments, for the year ended December 31, 2023, on the basis of accounting described in Note 1.

### **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 Ferndale, as of December 31, 2023, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance for presentation and disclosure of subscription-based information technology, as required by the BARS manual. Our opinion is not modified with respect to this matter.

## **Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management 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 BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule

of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are 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 as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2025 on our consideration of the City's internal control over financial reporting and on the 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 the effectiveness of the City's 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 12, 2025

## **FINANCIAL SECTION**

### **City of Ferndale January 1, 2023 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023  
Notes to Financial Statements – 2023

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2023  
Schedule of Expenditures of Federal Awards – 2023  
Notes to the Schedule of Expenditures of Federal Awards – 2023

**City of Ferndale**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense Fund</b>	<b>101 Street</b>	<b>102 Park Mitigation</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	56,295,025	16,227,429	-	466,982
388 / 588	Net Adjustments	(6,885)	-	2,711	-
<b>Revenues</b>					
310	Taxes	14,501,599	12,646,195	-	-
320	Licenses and Permits	882,142	875,230	-	-
330	Intergovernmental Revenues	9,895,077	373,174	2,642,821	-
340	Charges for Goods and Services	17,393,774	1,399,739	30,800	209,305
350	Fines and Penalties	145,044	72,036	-	-
360	Miscellaneous Revenues	2,974,654	2,633,804	4,277	30,637
Total Revenues:		45,792,290	18,000,178	2,677,898	239,942
<b>Expenditures</b>					
510	General Government	3,402,838	2,868,328	-	-
520	Public Safety	6,805,217	6,805,217	-	-
530	Utilities	6,699,223	-	-	-
540	Transportation	2,357,444	333,049	1,406,392	-
550	Natural/Economic Environment	867,278	822,197	-	-
560	Social Services	414,214	122,074	-	-
570	Culture and Recreation	662,370	659,949	-	-
Total Expenditures:		21,208,584	11,610,814	1,406,392	-
Excess (Deficiency) Revenues over Expenditures:		24,583,706	6,389,364	1,271,506	239,942
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	355,213	-	-	-
397	Transfers-In	3,104,231	73,901	1,402,138	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	(95,853)	(106,628)	-	-
Total Other Increases in Fund Resources:		3,363,591	(32,727)	1,402,138	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	15,264,760	519,307	2,539,268	-
591-593, 599	Debt Service	4,705,013	47,918	1,975	-
597	Transfers-Out	3,104,231	1,969,323	135,110	220,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	41,154	37,994	-	-
Total Other Decreases in Fund Resources:		23,115,158	2,574,542	2,676,353	220,000
<b>Increase (Decrease) in Cash and Investments:</b>		<b>4,832,139</b>	<b>3,782,095</b>	<b>(2,709)</b>	<b>19,942</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	14,044,199	-	-	486,924
50841	Committed	-	-	-	-
50851	Assigned	27,801,391	-	-	-
50891	Unassigned	19,274,699	20,009,529	-	-
<b>Total Ending Cash and Investments</b>		<b>61,120,289</b>	<b>20,009,529</b>	<b>-</b>	<b>486,924</b>

The accompanying notes are an integral part of this statement.

**City of Ferndale**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>104 Traffic Mitigation</b>	<b>113 Transportation Benefit</b>	<b>115 American Rescue Plan Act (ARPA)</b>	<b>198 Hotel Motel</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	1,599,872	2,412,347	2,293,961	127,653
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	932,759	-	79,358
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	58,527	-
340	Charges for Goods and Services	556,164	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	69,760	14,449	-	371
Total Revenues:		625,924	947,208	58,527	79,729
<b>Expenditures</b>					
510	General Government	-	-	75,000	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	45,081
560	Social Services	-	-	292,140	-
570	Culture and Recreation	-	-	-	2,421
Total Expenditures:		-	-	367,140	47,502
Excess (Deficiency) Revenues over Expenditures:		625,924	947,208	(308,613)	32,227
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	31,044	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	133,882	-	18,236
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	133,882	31,044	18,236
<b>Increase (Decrease) in Cash and Investments:</b>		<b>625,924</b>	<b>813,326</b>	<b>(339,657)</b>	<b>13,991</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,225,796	3,225,673	1,954,305	141,645
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>2,225,796</b>	<b>3,225,673</b>	<b>1,954,305</b>	<b>141,645</b>

The accompanying notes are an integral part of this statement.



**City of Ferndale**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>214 Street/Parks/La nd Debt Service</b>	<b>215 Labounty LID 2006-1 Bond</b>	<b>216 LaBounty LID 2006-1 Bond Guarantee</b>	<b>217 LaBounty GO Bond Debt Service</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	5,739	1,227	30,333	155
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3	17,350	221	1
Total Revenues:		3	17,350	221	1
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		3	17,350	221	1
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	120,000	6,753	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		120,000	6,753	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	118,497	19,664	-	-
597	Transfers-Out	-	5,665	6,753	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		118,497	25,329	6,753	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,506</b>	<b>(1,226)</b>	<b>(6,532)</b>	<b>1</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	7,245	-	23,801	156
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>7,245</b>	<b>-</b>	<b>23,801</b>	<b>156</b>

The accompanying notes are an integral part of this statement.

**City of Ferndale**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>218 2010 Limited Tax General</b>	<b>219 2011 Limited Tax General Oblig</b>	<b>220 2013 Library LTGO Bond</b>	<b>301 Real Estate Excise Tax - First 1/4 Perce</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	14,588	2,032	519	1,221,180
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	64,581	394,497
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	6	15	1	4,324
Total Revenues:		6	15	64,582	398,821
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		6	15	64,582	398,821
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	315,000	170,000	122,175	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		315,000	170,000	122,175	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	316,490	163,650	187,101	-
597	Transfers-Out	-	-	-	215,975
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		316,490	163,650	187,101	215,975
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,484)</b>	<b>6,365</b>	<b>(344)</b>	<b>182,846</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	13,104	8,397	175	1,404,027
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>13,104</b>	<b>8,397</b>	<b>175</b>	<b>1,404,027</b>

The accompanying notes are an integral part of this statement.

**City of Ferndale**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>302 Real Estate Excise Tax - Second 1/4 Perc</b>	<b>310 Metalworks Skate Park</b>	<b>370 Thornton Road Construction</b>	<b>401 Water</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	2,877,775	20,000	-	9,276,710
388 / 588	Net Adjustments	-	-	-	(4,318)
<b>Revenues</b>					
310	Taxes	384,209	-	-	-
320	Licenses and Permits	-	-	-	6,912
330	Intergovernmental Revenues	-	34,173	4,344,516	775,000
340	Charges for Goods and Services	-	-	-	5,000,940
350	Fines and Penalties	-	-	-	32,599
360	Miscellaneous Revenues	10,149	-	-	56,782
Total Revenues:		394,358	34,173	4,344,516	5,872,233
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	2,872,837
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	2,872,837
Excess (Deficiency) Revenues over Expenditures:		394,358	34,173	4,344,516	2,999,396
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	325,000
397	Transfers-In	-	75,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	75,000	-	325,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	84,580	5,079,346	3,276,325
591-593, 599	Debt Service	-	-	-	971,115
597	Transfers-Out	-	-	-	123,524
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	3,160
Total Other Decreases in Fund Resources:		-	84,580	5,079,346	4,374,124
<b>Increase (Decrease) in Cash and Investments:</b>		<b>394,358</b>	<b>24,593</b>	<b>(734,830)</b>	<b>(1,049,728)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	3,272,132	44,592	-	446,153
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	7,776,512
50891	Unassigned	-	-	(734,830)	-
<b>Total Ending Cash and Investments</b>		<b>3,272,132</b>	<b>44,592</b>	<b>(734,830)</b>	<b>8,222,665</b>

The accompanying notes are an integral part of this statement.

**City of Ferndale**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>402 Sewer</b>	<b>407 Storm &amp; Flood Control</b>	<b>510 Computer Repair &amp; Replacement</b>	<b>550 Equip. Maint. &amp; Replacement</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	17,053,939	2,516,103	100,127	46,354
388 / 588	Net Adjustments	(4,318)	(960)	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	1,666,866	-	-
340	Charges for Goods and Services	7,006,340	1,965,760	338,968	885,758
350	Fines and Penalties	32,551	7,858	-	-
360	Miscellaneous Revenues	81,567	13,756	-	37,181
Total Revenues:		7,120,458	3,654,240	338,968	922,939
<b>Expenditures</b>					
510	General Government	-	-	320,581	138,929
520	Public Safety	-	-	-	-
530	Utilities	2,492,335	1,334,051	-	-
540	Transportation	-	-	-	618,003
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,492,335	1,334,051	320,581	756,932
Excess (Deficiency) Revenues over Expenditures:		4,628,123	2,320,189	18,387	166,007
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	30,213	-	-	-
397	Transfers-In	-	-	-	819,264
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	10,775
Total Other Increases in Fund Resources:		30,213	-	-	830,039
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	735,524	2,147,706	23,468	828,192
591-593, 599	Debt Service	2,798,905	79,641	-	57
597	Transfers-Out	157,969	117,794	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,692,398	2,345,141	23,468	828,249
<b>Increase (Decrease) in Cash and Investments:</b>		<b>965,938</b>	<b>(24,952)</b>	<b>(5,081)</b>	<b>167,797</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	744,162	45,912	-	-
50841	Committed	-	-	-	-
50851	Assigned	17,271,398	2,444,285	95,047	214,149
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>18,015,560</b>	<b>2,490,197</b>	<b>95,047</b>	<b>214,149</b>

The accompanying notes are an integral part of this statement.

**City of Ferndale**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>Custodial</b>
308	Beginning Cash and Investments	1,545	1,545
388 & 588	Net Adjustments	526	526
310-390	Additions	85,930	85,930
510-590	Deductions	85,141	85,141
	Net Increase (Decrease) in Cash and Investments:	789	789
508	Ending Cash and Investments	2,860	2,860

*The accompanying notes are an integral part of this statement.*

**City of Ferndale, WA**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**Note 1 - Summary of Significant Accounting Policies**

The City of Ferndale was incorporated on March 19, 1907, and operates under the laws of the state of Washington applicable to a second-class city with a mayor-council form of government. The City of Ferndale is a general-purpose local government and provides public safety, street maintenance and street improvements, parks, water/sewer/storm utilities, and general administrative services.

The City of Ferndale 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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 for 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 Ferndale 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 3 - Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. The capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to several different days depending on the applicable labor contract and is payable upon separation or retirement.

Sick leave may be accumulated up to several different days depending on the applicable labor contract. Upon separation or retirement employees do receive partial payment (typically 25%) for unused sick leave depending on the applicable contract. Payments are recognized as expenditures when paid.

F. Leases and Subscription Based Information Technology Arrangements (SBITA)

All Leases are reported as liabilities. For more information see Note 5 for Leases. All SBITAs are reported as liabilities. For more information see Note 13 for SBITAs

G. Long-Term Debt

See Note 6 – Long-Term Debt

H. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Ferndale City Council. When expenditures that meet restrictions are incurred, the City of Ferndale intends to use the most restricted resources first.

Restrictions of ending cash as of December 31, 2023, are as follows:



<b>Fund</b>	<b>Restriction</b>	<b>Amount</b>
102 Park Mitigation	RCW - park impact fees	486,924
104 Traffic Mitigation	RCW - traffic impact fees	2,225,796
113 Transportation Benefit	RCW - transportation benefit sales tax	3,225,673
115 American Rescue Plan Act	ARPA grant funds	1,954,305
198 Hotel Motel	RCW - lodging tax	141,645
214 Streets/Parks/Land Debt Service	Debt service	7,245
215 LaBounty LID 2006-1 Bond	Debt service	-
216 LaBounty LID 2006-1 Bond Guarantee	Debt service	23,801
217 LaBounty GO Bond Debt Service	Debt service	156
218 2010 Limited Tax General	Debt service	13,104
219 2011 Limited Tax GO	Debt service	8,397
2020 2013 Library LTGO	Debt service	175
301 Real Estate Excise - 1st 1/4%	RCW - real estate excise tax	1,404,027
302 Real Estate Excise - 2nd 1/4%	RCW - real estate excise tax	3,272,132
310 Metalworks Skate Park	Donations	44,592
401 Water	Bond reserve - per bond covenants	446,153
402 Sewer	Bond reserve - per bond covenants	744,162
407 Storm & Flood Control	Bond reserve - per bond covenants	45,912
<b>Total</b>		<b><u>14,044,198</u></b>

## **Note 2 – Budget Compliance**

The City of Ferndale adopts annual appropriated budgets for all 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.

Budgeted amounts are authorized to be transferred between departments within any fund and object classes within departments; however, 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 Ferndale's legislative body.

Budget and actual expenditures by fund for the year ended December 31, 2023 were as follows:

<b>Fund</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
001 Current Expense	13,787,453	12,240,342	1,547,111
002 General Fund Contingency Reserve	-	-	-
003 Facilities Capital Reserve	-	-	-
004 LEOFF 1 Police Retiree	70,000	33,866	36,134
005 Solid Waste Utility Tax	2,000,000	1,798,638	201,362
007 Pioneer Pavilion Community Center	50,302	86,693	(36,392)
Allocated portion 403/404/408 Utility Debt Service	16,012	15,000	1,012
<b>Total 001 General Fund</b>	<b>15,923,766</b>	<b>14,174,539</b>	<b>1,749,227</b>
101 Streets	6,453,993	4,082,745	2,371,248
102 Park Mitigation	220,000	220,000	-
104 Traffic Mitigation	-	-	-
113 Ferndale Trans. Benefit District	1,000,000	133,882	866,118
115 American Rescue Act	1,000,000	398,184	601,816
198 Hotel/Motel	75,821	65,738	10,083
214 Streets/Parks Debt Service	118,497	118,497	-
215 LaBounty LID 2006-1 Bond Redemption	19,772	25,329	(5,557)
216 LaBounty LID 2006-1 Bond Guarantee	5,000	6,753	(1,753)
217 LaBounty GO Bond Redemption	-	-	-
218 2010 GO Bond Redemption	316,820	316,490	330
219 2011 GO Bond Redemption	163,000	163,650	(650)
220 2014 GO Library Bond Redemption	187,101	187,101	-
301 Real Estate Excise Tax First 1/4% REET 1	285,000	215,975	69,025
302 Real Estate Excise Tax Second 1/4% REET 2	375,000	-	375,000
310 Metalworks Skate Park	1,000,995	84,580	916,415
370 Thornton Road Construction	7,275,000	5,079,317	2,195,683
401 Water	7,614,065	6,220,582	1,393,483
409 CCWA Water Debt Service	52,375	52,426	(51)
413 Water Treatment Plant Upgrade	5,200,000	35,878	5,164,122
414 Shop Well	371,000	-	371,000
Allocated portion 403/404/408 Utility Debt Service	928,866	938,075	(9,210)
<b>Total 401 Water</b>	<b>14,166,305</b>	<b>7,246,961</b>	<b>6,919,344</b>
402 Sewer	5,331,922	3,385,989	1,945,933
405 WWTP Debt Service Fund	2,117,134	2,091,424	25,711
415 Waste Water Treatment Plant	-	-	-
Allocated portion 403/404/408 Utility Debt Service	714,967	707,321	7,646
<b>Total 402 Sewer</b>	<b>8,164,023</b>	<b>6,184,733</b>	<b>1,979,290</b>
407 Storm & Flood	7068030	3599926	3468104
Allocated portion 403/404/408 Utility Debt Service	80582	79266	1316
<b>Total 407 Storm &amp; Flood</b>	<b>7,148,612</b>	<b>3,679,192</b>	<b>3,469,420</b>
510 Computer Repair & Replacement	298,500	338,969	(40,469)
550 Equipment Repair & Replacement	1,692,325	1,584,588	107,737
<b>TOTAL EXPENDITURES</b>	<b>65,889,531</b>	<b>44,307,223</b>	<b>21,582,308</b>

### **Note 3 – Deposits and Investments**

Investments are reported at original cost. Deposits and investments by type on December 31, 2023 are as follows:

<b>Type of deposit</b>	<b>City of Ferndale's own deposits</b>	<b>Deposits held by the City as a custodian for other governments, individuals, or private organizations</b>
Bank deposits	2,080,298	2,860
LGIP	59,039,991	-
<b>Total</b>	<b>61,120,289</b>	<b>2,860</b>

It is the City of Ferndale's policy to invest all temporary cash surpluses. The interest on these investments is prorated into the General Fund and the Parks and Traffic Mitigation Funds only.

#### **A. Investments in the State Local Government Investment Pool (LGIP)**

The City of Ferndale 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](http://www.tre.wa.gov).

#### **B. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city 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 deposits and certificates of deposit are mostly covered by the 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 or its agent in the government's name.

**Note 4 – Joint Ventures, Component units and foundations:**

The City of Ferndale has a joint venture interest with Whatcom Council of Governments. The following statement includes the City's share of net equity.

The Whatcom Council of Governments (WCOG) was formed on February 23, 1966, and operates under the laws of the state of Washington applicable to a regional planning agency (RCW 36.64.080). The Council is a special purpose government which provides a mutual forum to identify, discuss, study, and bring into focus regional challenges and opportunities. The Council's current primary function is providing staff support for regional transportation planning activities in Whatcom County. The Council is governed by a board composed of elected officials representing the cities of: Bellingham, Blaine, Everson, Ferndale, Lynden, Nooksack and Sumas; Whatcom County; the Lummi Indian Nation; the Port of Bellingham; and the Lake Whatcom Water & Sewer District.

The current interlocal agreement reaffirming the formation of the Council and current bylaws are available at: <https://wcog.org/about/agreements/>

The budget, revenue and expenditure information of WCOG is contained within the Financial Statement and Federal Single Audit Reports available at: <https://wcog.org/about/audits/>

The following statement includes the City's share of net equity.

**Whatcom Council of Governments**

12/31/2023

GASB Statement No. 14

Calculation of Joint Venture Equity Interest

**Assets**

A/P Checking (Key Bank)	18,829	
General Fund (Whatcom County)	7,500	
Petty Cash (Key Bank)	2,750	
Investment Pool (Whatcom County)	335,075	
Postage Meter prepaid postage	1,200	
Building Lease Security Deposit	2,500	
Accounts Receivable	335,075	
Furniture & Equipment (FMV)	20,000	
Total Assets		\$ 722,929

**Liabilities**

Accounts Payable	7,853	
Accrued Vacation Leave	43,224	
Payroll Liabilities	2,586	
Postage Meter Lease (remaining term) 3/31/2027	3,062	
Office Space Lease (remaining term) 6/30/2026	188,528	
Total Liabilities		\$ 245,253

Net Equity \$ 477,676

Current Year Voting Member Entities	Year Ended Dues	% of Dues	Share of Net Equity
Bellingham	63,389	34.36%	164,129
Blaine	4,138	2.24%	10,700
Everson	2,066	1.12%	5,350
Ferndale	10,780	5.84%	27,896
Lake Whatcom Water & Sewer	240	0.13%	621
Lummi Nation	3,902	2.12%	10,127
Lynden	10,901	5.91%	28,231
Nooksack	1,053	0.57%	2,723
Sumas	1,175	0.64%	3,057
Whatcom County (unincorporated)	58,961	31.96%	152,665
Port of Bellingham	27,865	15.11%	72,177
Total Dues Received	\$ 184,470	100.00%	\$ 477,676

#### **Note 5 – Leases**

During the year ended 2023, the city adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability on the Schedule of Liabilities. The City has determined it is reasonable to exclude leases with a total remaining payable of less than \$10,000.

The city leases copiers from Great America and postage meters from Neopost. Future payments are as follows:

Year Ending December 31	
2024	43,007
2025	18,030
Total	61,107

#### **Note 6 – Long-Term Debt**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2023

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

<b>Year(s)</b>	<b>General Obligation Bonds Principal</b>	<b>General Obligation Bonds Interest</b>	<b>General Obligation Bonds Total D/S</b>
2024	677,657	75,809	753,466
2025	703,637	57,420	761,057
2026	556,731	38,346	595,077
2027	520,934	27,175	548,109
2028	458,724	16,956	475,680
2029-2033	736,898	14,443	751,341
2034-2038	-	-	-
2039-2043	-	-	-
<b>TOTALS</b>	<b>3,654,581</b>	<b>230,150</b>	<b>3,884,731</b>

<b>Year(s)</b>	<b>Revenue Debt Principal</b>	<b>Revenue Debt Interest</b>	<b>Revenue Debt Total D/S</b>
2024	2,614,640	1,085,633	3,700,273
2025	2,677,810	1,017,770	3,695,580
2026	2,751,568	948,120	3,699,688
2027	2,809,924	876,365	3,686,289
2028	2,882,892	803,032	3,685,924
2029-2033	14,648,247	2,858,057	17,506,304
2034-2038	9,896,507	1,339,400	11,235,907
2039-2043	8,087,388	368,356	8,455,744
<b>TOTALS</b>	<b>46,368,976</b>	<b>9,296,733</b>	<b>55,665,709</b>

<b>Year(s)</b>	<b>Other Debt Principal</b>	<b>Other Debt Interest</b>	<b>Other Debt Total D/S</b>
2024	112,684	20,235	132,919
2025	85,689	14,203	99,892
2026	90,911	9,244	100,155
2027	72,775	3,900	76,675
2028	-	-	-
2029-2033	-	-	-
2034-2038	-	-	-
2039-2043	-	-	-
<b>TOTALS</b>	<b>362,059</b>	<b>47,582</b>	<b>409,641</b>

## **Note 7 – Other Disclosures**

### **A. Contingencies and Litigations**

The City is involved in a number of litigation matters as of December 31, 2023 however the City does not think any individual claim is material or would not be covered by the City's insurance.

## **Note 8 – Other Postemployment Benefits**

### **A. LEOFF I Retiree Medical Plan**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26.080. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2023, the plan had three members, all retirees. As of December 31, 2023, the City's total OPEB liability was \$1,459,028, as calculated using the alternative measurement method. For the year ended December 31, 2023, the City paid \$33,865 in benefits.

Fiscal Year 2023	
Number of Retired Plan Member	3
Benefits Paid	\$ 33,865
Total OPEB Liability	\$ 1,459,028

## **Note 9 – Pension Plans**

### **A. State Sponsored Pension Plans**

Substantially all City of Ferndale's 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 including Public Employees' Retirement System (PERS 1 and PERS 2/3), Public Safety Employees' Retirement System (PSERS), and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2023 (the measurement date of the plans), the City of Ferndale's proportionate share of the collective net pension assets and liabilities were as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$179,558	0.026350%	\$601,500
PERS 2/3	\$292,361	0.033252%	(\$1,362,894)
PSERS 2	\$6,132	0.012179%	(\$12,914)
LEOFF 1	-	0.005121%	(\$151,993)
LEOFF 2	\$121,624	0.053883%	(\$1,292,437)

#### LEOFF Plan 1

The City of Ferndale 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 Ferndale 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.

### B. Defined Contribution Pension Plans

The City of Ferndale participates in a Deferred Compensation Program (DCP) administered by the Washington State Department of Retirement Systems (DRS). DCP is an IRC Section 457 plan.

The DCP is an employer-sponsored, cost sharing, tax deferred retirement plan. The cost-sharing contribution rates, for employees and employers, are determined by contractual agreements per employee. In 2023 the City of Ferndale contributed \$129,530 to the DCP.



### **Note 10 - 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 Ferndale. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Ferndale's regular levy for the year 2023 was \$.70 per \$1,000 on an assessed valuation of \$2,854,417,531 for a total regular levy of \$2,008,218.51.

In 2023, the City levied also \$.023 per \$1,000 on assessed valuation of \$2,825,079,926 for City of Ferndale's library for a total additional levy of \$64,926.55.

Property Tax Calendar	
January 1	Tax is levied and becomes enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments are due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment is due

### **Note 11 - Risk Management**

The City of Ferndale is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 165 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

The City of Ferndale self-insures for unemployment compensation. Reserves are adequate to cover any potential expenditures.

### **Note 12 – Health & Welfare**

The City of Ferndale 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, 2023, 281 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, 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, Willamette Dental Group, 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 2022, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC 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 13 – SBITAs**

The City of Ferndale makes annual subscription payments of \$29,321 for police body worn cameras software. The SBITA contract is for 5 years starting in 2021.

The total amount paid for SBITAs in 2023 was \$29,321. As of December 31, 2023, the future SBITA payments are as follows:

Year Ending December 31	Total
2024	29,321
2025	29,321
Total	58,642

**City of Ferndale**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2023**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
251.11	Facilities BAB Bonds - 2020 LTGO Refunding	12/1/2030	2,373,000	-	281,000	2,092,000
251.11	Facilities LTGO BQ Bonds 2011	12/1/2025	450,000	-	145,000	305,000
251.11	Facilities LTGO BQ Bonds 2013A	11/1/2023	61,743	-	61,743	-
251.11	Facilities LTGO BQ Bonds 2013B	11/1/2023	116,214	-	116,214	-
263.56	Copiers	5/30/2025	101,755	-	42,106	59,649
263.81	PWTF LOAN-STORM	6/1/2032	307,242	-	30,724	276,518
263.83	DWSRF CCWA	10/1/2036	51,525	-	51,525	-
263.91	Whatcom Co. Public Improv Fund Parks Loan	8/30/2027	336,064	-	65,231	270,833
263.96	Water Booster Pump Station Bond	6/1/2028	405,000	-	55,000	350,000
263.96	Land Purchase	12/1/2028	275,000	-	40,000	235,000
263.96	Heavy Equipment	6/1/2026	163,062	-	37,832	125,230
<b>Total General Obligation Debt/Liabilities:</b>			<b>4,640,605</b>	<b>-</b>	<b>926,375</b>	<b>3,714,230</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	Water & Sewer Bonds 2011B Refunding	11/1/2031	3,520,000	-	353,000	3,167,000
252.11	Sewer & Storm Bonds 2014	11/1/2033	5,840,000	-	435,000	5,405,000
252.11	Rev Bonds Water & Sewer - WTP & Shop Well #2	6/1/2035	4,913,000	-	340,000	4,573,000

**City of Ferndale**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2023**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
259.12	Compensated Absences		481,798	305,438	-	787,236
263.52	Police Car Leases	4/30/2027	170,085	310,559	118,585	362,059
264.30	Pension Liabilities		786,194	-	184,694	601,500
264.40	OPEB Liabilities		1,269,071	189,957	-	1,459,028
263.84	Department of Ecology WWTP Construction	4/30/2043	34,395,862	-	1,496,886	32,898,976
263.86	WC Executives EDI Loan	12/31/2043	-	325,000	-	325,000
263.57	SBITAs	12/31/2025	87,963	-	29,321	58,642
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>						
			<b>51,463,973</b>	<b>1,130,954</b>	<b>2,957,486</b>	<b>49,637,441</b>
<b>Assessment Debt/Liabilities (with commitments)</b>						
253.11	LaBounty Road LID Bonds	12/1/2025	18,703	-	18,703	-
<b>Total Assessment Debt/Liabilities (with commitments):</b>						
			<b>18,703</b>	<b>-</b>	<b>18,703</b>	<b>-</b>
<b>Total Liabilities:</b>			<b>56,123,281</b>	<b>1,130,954</b>	<b>3,902,564</b>	<b>53,351,671</b>

**City of Ferndale**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE ON VIOLENCE AGAINST WOMEN, JUSTICE, DEPARTMENT OF (via DVSAS)	Violence Against Women Formula Grants	16.588	N/A	9,150	-	9,150	-	1,2,8
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	-	-	2,667	2,667	-	1,2,8
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WDSOT)	Highway Planning and Construction	20.205	N/A	2,783,693	-	2,783,693	-	1,2,8
<b>Highway Safety Cluster</b>								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	3,250	-	3,250	-	1,2,8
<b>Total Highway Safety Cluster:</b>				<b>3,250</b>	<b>-</b>	<b>3,250</b>	<b>-</b>	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	398,183	398,183	-	1,2,8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	-	-	72,347	72,347	-	1,2,8

*The accompanying notes are an integral part of this schedule.*

**City of Ferndale**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

	Federal Agency (Pass-Through Agency)	Federal Program	Expenditures				Passed through to Subrecipients	Note
			ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
			Total Federal Awards Expended:			2,796,093	473,197	3,269,290
							-	-

*The accompanying notes are an integral part of this schedule.*



City of Ferndale

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City of Ferndale's financial statements. The City of Ferndale uses 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.

Note 2 – Federal De Minimis Indirect Cost Rate

The City of Ferndale has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 8 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Ferndale's portion, are more than shown.



**FINANCE DEPARTMENT**  
P.O. Box 936, 2095 Main Street, Ferndale, WA 98248  
Phone: 360-384-4302 Fax: 360-384-1163

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER  
UNIFORM GUIDANCE**

**City of Ferndale**  
**January 1, 2023 through December 31, 2023**

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2023-001	<b>Finding caption:</b> The City did not have adequate internal controls for ensuring compliance with federal procurement requirements.
<b>Name, address, and telephone of City's contact person:</b> Finance Director Danielle Ingham 2095 Main Street Ferndale, WA 98248 (360) 384-4302	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The City is currently in the process of adopting a comprehensive purchasing and procurement policy, with the goal of implementing the major components of these policies by the end of April 2025. Although the City has consistently followed established purchasing procedures, including redundant reviews and purchasing limits, these practices have occasionally varied across departments and have not been formally codified.</i> <i>The City acknowledges that formal adoption of purchasing policies not only ensures consistency in procurement practices across the organization but also serves as a valuable resource for employee training, particularly when making purchasing decisions that are uncommon for the jurisdiction. In recent years, the City has reexamined its broad range of financial responsibilities, including procurement, and has considered delaying the adoption of new policies until the landscape of these changes stabilizes. However, in its ongoing commitment to continuous improvement, the City has determined that adopting purchasing and procurement policies that address the majority of the City's procurement decisions is the most effective course of action. These policies will be subject to ongoing refinement and updates over time.</i> <i>The City remains receptive to insights and recommendations, such as those provided by the SAO, which contribute to the enhancement of its processes.</i>	
<b>Anticipated date to complete the corrective action:</b> April 2025.	

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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