



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Ferndale

For the period January 1, 2022 through December 31, 2022

Published April 18, 2024

Report No. 1034601



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

April 18, 2024

Mayor and City Council
City of Ferndale
Ferndale, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, City operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the City of Ferndale from January 1, 2022 through December 31, 2022.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2022, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts receivable – utility billing
- Selected IT security policies, procedures, practices and controls protecting financial systems – patch management, user access, IT related policies.
- Accounts payable – general disbursements and credit cards
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress



CITY OF FERNDALE

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, 2022 through December 31, 2022

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

Audit Period: January 1, 2021 to December 31, 2021	Report Ref. No.: 1032711	Finding Ref. No.: 2021-001
Finding Caption: The City lacked adequate internal controls and monitoring over significant accounting systems to ensure safeguarding of public resources.		
Background: In July 2021, the City notified our Office regarding a potential loss of public funds, as required by state law, and hired an external party to investigate the suspected loss. The investigation and City's review identified the following weaknesses in its utility billing process: <ul style="list-style-type: none">• The City's utility billing software does not require secondary approval to adjust utility accounts.• Adjustment reports related to utility billing were not adequately reviewed.• Utility billing staff can remove meters from routes without secondary approval.• The City did not have a process in place to ensure all elements of utility billing were included for all accounts and all clients who had an active meter were appropriately billed.• The City has been working on addressing these control weaknesses. We further reviewed the City's utility billing processes and found the following weaknesses still exist: <ul style="list-style-type: none">• The City has not completed an inventory of all meters.• Utility billing employees provided adjustment reports to reviewers rather than reviewers obtaining the adjustment reports themselves.• Utility billing employees could modify elements of customer accounts without secondary review or approval. The City's controls do not ensure that accounts are billed in agreement with contracts.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		

Corrective Action Taken:

The City has fully resolved several items identified by the Washington State Auditor, and has partially corrected all but one of the remaining items, with progress continuing on these partially completed items.

- *The City considers this action completed, but a part of a perpetual process Status: Partially completed. The City Finance Department has completed an internal audit, wherein all meters in the City's utility billing system have been compared to the Whatcom County Assessor's site. The City believes that this qualifies as an appropriate secondary count. The City has categorized this effort as "partially corrected" as a full inventory of verifying meters in the field is ongoing, and likely perpetual in nature. While uncommon, when the Public Works Department encounters a meter in the field that was previously unknown, any new meters identified in the field will be brought to the attention of both the Public Works and Finance Departments, and will be added to the City's inventory unless other circumstances require that it be removed from the field, or not added to the City's inventory.*

In addition, the City's GIS system has also been updated, and will continue to be updated as an additional internal check via quarterly updates provided by the City's Utility Billing Clerk to the City's GIS Technician. Upon receipt of these quarterly updates, the City's GIS Technician updates the GIS database and raises any issues or concerns, or inconsistencies with the Utility Billing Clerk. These processes were initiated and fully implemented in 2020 and continue to be followed 2020-present.

- *Utility billing employees provided adjustment reports to reviewers rather than reviewers obtaining the adjustment reports themselves.*

The City considers this action partially completed.

The City has implemented a dual review by independent Finance Staff consistent with SAO guidance in order to ensure that a reviewer other than the Utility Billing Clerk can directly pull reports from the City's Utility Billing software, in order to ensure that such reports are not manipulated or altered by Utility Billing Staff. The City had initially created a process wherein such reports were provided to the Director by the Senior Accountant, following an independent review by the Senior Accountant to verify that no alterations had been made. However, due to transitions within the Finance Department, the City recognizes that there were instances in 2023 in which this process could not be followed in all cases, due to the unavailability of the Finance Director. In such cases, the Senior Accountant served as the independent reviewer. In short, the process that had been implemented was in retrospect overly-prescriptive in limiting the reviewing authority to the Finance Director. The City anticipates that a revised final process will be adopted and implemented by the end of the 4Q 2024, with revised policies and/or instructions to follow, which enable Finance staff other than the Finance Director, and other than utility billing staff, to act as the reviewer.

- *Utility billing employees could modify elements of customer accounts without secondary review or approval.*

The City does not consider this action to be corrected. The City respectfully requests that this finding be considered no longer valid.

The City's current utility billing software (Vision – Utility Billing Classic module) does not allow this function to occur, and the City has verified that utility billing employees could modify elements of customer accounts without secondary review or approval.

However, the City notes that it has investigated opportunities through a Request For Qualifications (RFQ) process and did not receive qualifications from any vendor with software that has the recommended capabilities. Further, the City has conducted informal research with other jurisdictions and has not identified any non-custom-built software that provides this function. Thus, the City respectfully disagrees that there is a viable software-based solution to this issue.

While there does not appear to be a software-based solution, the City has adopted a number of internal controls to review changes. The City has also recently acquired Vision's "UB2" software, and to implement it beginning in the first quarter of 2024.

UB2 includes audit logs that will enable the City to independently verify or identify any modifications – a function that the current software system does not provide.

- *The City's controls do not ensure that accounts are billed in agreement with contracts.*

The City considers this action to be fully resolved. The City has reviewed all existing contracts and has completed or is in the process of completing modifications to these agreements, where necessary. Please note that as these are agreements between the City and third parties, the City cannot fully control the timeframe for completion and approval

RELATED REPORTS

Financial

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

That report includes a finding for a material weakness in internal controls over preparation of the financial statements and ensuring accurate and reliable financial reporting.

Other reports

We issued an examination report on the City's compliance with Coronavirus State and Local Fiscal Recovery Funds Program Requirements as part of the American Rescue Plan Act of 2021. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Ferndale was incorporated in 1907 and serves about 16,330 Whatcom County residents. The City has approximately 85 employees who provide an array of services including water, sewer, storm drainage, police, Municipal Court and planning.

The City is administered by a mayor-council form of government with an elected, seven-member Council and an independently elected Mayor. For fiscal year 2022, the City reported \$41,153,043 in revenues.

Contact information related to this report

Address:	City of Ferndale 2095 Main Street P.O. Box 936 Ferndale, WA 98248
Contact:	Danielle Ingham, Finance Director
Telephone:	(360) 384-4302
Website:	https://www.cityofferndale.org/

Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Ferndale at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with Coronavirus State and Local Fiscal Recovery Funds Program Requirements

City of Ferndale

For the period January 1, 2022 through December 31, 2022

Published April 18, 2024

Report No. 1034600



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

April 18, 2024

Mayor and City Council
City of Ferndale
Ferndale, Washington

Report on Compliance with Coronavirus State and Local Fiscal Recovery Funds Program Requirements

As part of the American Rescue Plan Act of 2021, the U.S. Department of Treasury provided Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number 21.027) to the State and all cities and counties in Washington to provide aid for various purposes in response to the public health emergency.

These funds are federal assistance, subject to audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. In order to provide for more timely and focused audits, the Office of Management and Budget, in the 2022 Compliance Supplement, authorized entities meeting specific criteria to receive a compliance examination engagement in lieu of a regular federal grant audit. Accordingly, the City has elected to demonstrate accountability for these funds through a compliance examination.

Please find attached our report on the City's compliance with federal requirements.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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INDEPENDENT ACCOUNTANT'S REPORT

City of Ferndale January 1, 2022 through December 31, 2022

Mayor and City Council
City of Ferndale
Ferndale, Washington

We have examined the City of Ferndale's compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients that would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) section of the 2022 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended December 31, 2022.

Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above.

An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Ferndale complied, in all material respects, with the aforementioned requirements during the period January 1, 2022 to December 31, 2022.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; and fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on compliance with the specified requirements. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over compliance and other matters; accordingly, we express no such opinions.

Our examination disclosed no issues that are required to be reported under *Government Auditing Standards*.

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

April 10, 2024

ABOUT THE STATE AUDITOR'S OFFICE

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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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Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Ferndale

For the period January 1, 2022 through December 31, 2022

Published April 18, 2024

Report No. 1034605



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

April 18, 2024

Mayor and City Council
City of Ferndale
Ferndale, Washington

Report on Financial Statements

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

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

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Ferndale January 1, 2022 through December 31, 2022

2022-001 The City's internal controls over preparing its financial statements were inadequate for ensuring accurate and reliable financial reporting.

Background

State and federal agencies and the public rely on the information included in the City's financial statements. City management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance financial reporting is reliable and complete.

The City prepares its financial statements, notes, and schedules in accordance with the cash-basis accounting method prescribed in the *Budgeting, Accounting and Reporting System* (BARS Manual).

Our audit identified deficiencies in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* requires auditors to communicate material weakness, as defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

Our audit found deficiencies in the City's internal controls over financial reporting, that when taken together, represent a material weakness. Specifically:

- The City's process for reconciling the general ledger to the bank activity was ineffective for ensuring expenditures and ending cash reported on the financial statements were accurate and complete.
- The City's process for preparing and reviewing the financial statements was not detailed enough to ensure all loan proceeds were properly reported based on the underlying agreement.

Cause of Condition

The City had significant turnover in key positions, which resulted in the loss of staff knowledge and training related to preparing and reviewing the financial statements.

Effect of Condition

Inaccurate financial reporting limits access to financial information that City officials, state and federal agencies, and the public use. Because of these internal control deficiencies, the City's financial statements contained the following errors that management did not detect:

- Total Expenditures and Other Decreases in Fund Resources on the financial statement did not reconcile to the bank statement activity, resulting in a likely overstatement of \$1,282,393.
- Total Ending Cash and Investments on the financial statement did not reconcile to the bank statement activity, resulting in a likely overstatement of \$99,992.
- Debt Proceeds and Debt Service balances were both understated by \$1,366,729 because the City did not properly account for accrued interest on its Department of Ecology loan. The City has corrected this error.

Recommendation

We recommend City management strengthen internal controls over financial reporting. Specifically, management should:

- Dedicate the necessary time and resources to fully reconcile the financial statements and general ledger to the bank activity and resolve any differences in a timely manner
- Ensure employees responsible for preparing financial statements fully understand reporting requirements and prepare them based on underlying accounting records and current accounting guidance
- Implement a detailed review process to ensure the financial statements are accurate and properly supported by underlying accounting records

City's Response

The City would like to express appreciation to the State Auditor's Office for their work and accepts the State Auditor's conclusions and recommendations. While the City underwent considerable turnover within the Finance Department in 2022, we take full accountability for these inadequacies, and are committed to correcting

them moving forward. We recognize the importance and significance of making sure our financial information is both accurate and completed in a timely manner. Upon review of the State Auditor's conclusions, the City has concluded that in addition to re-establishing appropriate internal controls, this concern and potentially others will be avoided in the future by implementing additional training for Finance Staff. Such training should include both internal training related to City procedures as well as training from external parties who may be able to help identify and resolve ongoing practices that may not be ideal.

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the City's corrective action during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The *Budgeting, Accounting and Reporting System* (BARS Manual), 3.1.3, Internal Control, required each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the state auditor to prescribe and install a uniform system of accounting and reporting for all local governments.

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, 2022 through December 31, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated April 10, 2024.

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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-01 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*.

CITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

April 10, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Ferndale January 1, 2022 through December 31, 2022

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, 2022, 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, 2022, 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, 2022, 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.

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 Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2024 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 that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

April 10, 2024

FINANCIAL SECTION

City of Ferndale January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

City of Ferndale
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street	102 Park Mitigation
Beginning Cash and Investments					
308	Beginning Cash and Investments	46,520,612	12,028,387	132,612	554,350
388 / 588	Net Adjustments	(2,498)	(2,498)	-	-
Revenues					
310	Taxes	14,990,510	12,176,939	-	-
320	Licenses and Permits	982,850	975,938	-	-
330	Intergovernmental Revenues	8,306,341	468,512	312,791	-
340	Charges for Goods and Services	15,888,568	554,566	20,800	102,449
350	Fines and Penalties	164,837	75,122	-	-
360	Miscellaneous Revenues	819,937	333,970	-	5,672
Total Revenues:		41,153,043	14,585,047	333,591	108,121
Expenditures					
510	General Government	2,594,654	1,970,733	-	-
520	Public Safety	6,058,977	6,058,977	-	-
530	Utilities	6,127,827	-	-	-
540	Transportation	2,227,642	301,804	1,349,463	-
550	Natural/Economic Environment	759,750	723,560	-	-
560	Social Services	1,635,603	111,103	-	-
570	Culture and Recreation	684,196	675,179	-	-
Total Expenditures:		20,088,649	9,841,356	1,349,463	-
Excess (Deficiency) Revenues over Expenditures:		21,064,394	4,743,691	(1,015,872)	108,121
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	4,514,157	-	-	-
397	Transfers-In	2,724,357	306,565	1,199,706	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	124,585	106,723	-	-
Total Other Increases in Fund Resources:		7,363,099	413,288	1,199,706	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	11,883,308	33,953	314,473	-
591-593, 599	Debt Service	4,032,791	48,698	1,975	-
597	Transfers-Out	2,724,357	1,184,042	-	195,489
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	10,122	6,000	-	-
Total Other Decreases in Fund Resources:		18,650,578	1,272,693	316,448	195,489
Increase (Decrease) in Cash and Investments:		9,776,915	3,884,286	(132,614)	(87,368)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	12,585,070	-	-	466,982
50841	Committed	-	-	-	-
50851	Assigned	36,798,571	8,998,783	-	-
50891	Unassigned	6,911,384	6,911,384	-	-
Total Ending Cash and Investments		56,295,025	15,910,167	-	466,982

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, 2022

		104 Traffic Mitigation	106 Criminal Justice	107 Local Criminal Justice	113 Transportation Benefit
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,360,448	5,259	182,621	2,018,727
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	400,057	961,213
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	24,325	-	-
340	Charges for Goods and Services	352,220	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	14,270	-	-	32,407
Total Revenues:		366,490	24,325	400,057	993,620
Expenditures					
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:		366,490	24,325	400,057	993,620
Other Increases in Fund Resources					
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:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	127,066	25,000	270,000	600,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		127,066	25,000	270,000	600,000
Increase (Decrease) in Cash and Investments:		239,424	(675)	130,057	393,620
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,599,872	4,584	312,678	2,412,347
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,599,872	4,584	312,678	2,412,347

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, 2022

		115 American Rescue Plan Act (ARPA)	198 Hotel Motel	214 Street/Parks/La nd Debt Service	215 Labounty LID 2006-1 Bond
Beginning Cash and Investments					
308	Beginning Cash and Investments	2,015,758	107,447	5,733	14,775
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	76,136	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,176,265	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	842	7	11,688
Total Revenues:		2,176,265	76,978	7	11,688
Expenditures					
510	General Government	311,336	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	36,190	-	-
560	Social Services	1,524,500	-	-	-
570	Culture and Recreation	-	9,017	-	-
Total Expenditures:		1,835,836	45,207	-	-
Excess (Deficiency) Revenues over Expenditures:		340,429	31,771	7	11,688
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	119,697	5,665
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	119,697	5,665
Other Decreases in Fund Resources					
594-595	Capital Expenditures	62,225	-	-	-
591-593, 599	Debt Service	-	-	119,697	30,902
597	Transfers-Out	-	11,565	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		62,225	11,565	119,697	30,902
Increase (Decrease) in Cash and Investments:		278,204	20,206	7	(13,549)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,293,961	127,653	5,739	1,227
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		2,293,961	127,653	5,739	1,227

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, 2022

		216 LaBounty LID 2006-1 Bond Guarantee	217 LaBounty GO Bond Debt Service	218 2010 Limited Tax General	219 2011 Limited Tax General Oblig
Beginning Cash and Investments					
308	Beginning Cash and Investments	29,831	153	14,573	1,999
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	502	2	14	34
Total Revenues:		502	2	14	34
Expenditures					
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:		502	2	14	34
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	315,207	163,600
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	315,207	163,600
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	315,205	163,600
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	315,205	163,600
Increase (Decrease) in Cash and Investments:		502	2	16	34
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	30,333	155	14,588	2,032
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		30,333	155	14,588	2,032

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, 2022

		220 2013 Library LTGO Bond	301 Real Estate Excise Tax - First 1/4 Perce	302 Real Estate Excise Tax - Second 1/4 Perc	310 Metalworks Skate Park
Beginning Cash and Investments					
308	Beginning Cash and Investments	709	863,745	2,201,330	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	63,717	656,223	656,225	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2	9,775	22,851	20,000
Total Revenues:		63,719	665,998	679,076	20,000
Expenditures					
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:		63,719	665,998	679,076	20,000
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	122,163	-	-	197,754
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		122,163	-	-	197,754
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	197,754
591-593, 599	Debt Service	186,072	-	-	-
597	Transfers-Out	-	308,563	2,632	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		186,072	308,563	2,632	197,754
Increase (Decrease) in Cash and Investments:		(190)	357,435	676,444	20,000
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	519	1,221,180	2,877,775	20,000
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		519	1,221,180	2,877,775	20,000

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, 2022

		370 Thornton Road Construction	401 Water	402 Sewer	407 Storm & Flood Control
Beginning Cash and Investments					
308	Beginning Cash and Investments	923,271	8,840,845	12,800,067	2,011,406
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	6,912	-	-
330	Intergovernmental Revenues	5,213,639	-	31,036	79,773
340	Charges for Goods and Services	-	4,877,005	7,056,954	1,866,113
350	Fines and Penalties	-	38,846	41,427	9,442
360	Miscellaneous Revenues	-	115,499	184,354	30,878
Total Revenues:		5,213,639	5,038,262	7,313,771	1,986,206
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	2,467,630	2,568,336	1,091,861
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	2,467,630	2,568,336	1,091,861
Excess (Deficiency) Revenues over Expenditures:		5,213,639	2,570,632	4,745,435	894,345
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	4,514,157	-
397	Transfers-In	294,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		294,000	-	4,514,157	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	6,430,909	1,120,238	2,928,687	310,507
591-593, 599	Debt Service	-	1,010,406	2,077,037	79,142
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	4,122	-	-
Total Other Decreases in Fund Resources:		6,430,909	2,134,766	5,005,724	389,649
Increase (Decrease) in Cash and Investments:		(923,270)	435,866	4,253,868	504,696
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	418,875	733,617	40,953
50841	Committed	-	-	-	-
50851	Assigned	-	8,857,835	16,320,322	2,475,150
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	9,276,710	17,053,939	2,516,103

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, 2022

		510 Computer Repair & Replacement	550 Equip. Maint. & Replacement
Beginning Cash and Investments			
308	Beginning Cash and Investments	100,144	306,422
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	233,163	825,298
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	37,170
Total Revenues:		233,163	862,468
Expenditures			
510	General Government	219,093	93,492
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	576,375
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		219,093	669,867
Excess (Deficiency) Revenues over Expenditures:		14,070	192,601
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	17,862
Total Other Increases in Fund Resources:		-	17,862
Other Decreases in Fund Resources			
594-595	Capital Expenditures	14,086	470,476
591-593, 599	Debt Service	-	57
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		14,086	470,533
Increase (Decrease) in Cash and Investments:		(16)	(260,070)
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	100,127	46,354
50891	Unassigned	-	-
Total Ending Cash and Investments		100,127	46,354

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, 2022

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	8,145	8,145
388 & 588	Net Adjustments	-	-
310-390	Additions	80,019	80,019
510-590	Deductions	86,618	86,618
	Net Increase (Decrease) in Cash and Investments:	(6,599)	(6,599)
508	Ending Cash and Investments	1,545	1,545

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, 2022

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 fund 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 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 applicable contract. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6 – Long-Term Debt

G. 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, 2022, are as follows:

Fund	Restriction	Amount
102 Park Mitigation	RCW - park impact fees	466,982
104 Traffic Mitigation	RCW - traffic impact fees	1,599,872
106 Criminal Justice	RCW - criminal justice state distributions	4,584
107 Local Criminal Justice	RCW - criminal justice sales tax	312,678
113 Transportation Benefit	RCW - transportation benefit sales tax	2,412,347
115 American Rescue Plan Act	ARPA grant funds	2,293,961
198 Hotel Motel	RCW - lodging tax	127,653
214 Streets/Parks/Land Debt Service	Debt service	5,739
215 LaBounty LID 2006-1 Bond	Debt service	1,227
216 LaBounty LID 2006-1 Bond Guarantee	Debt service	30,333
217 LaBounty GO Bond Debt Service	Debt service	155
218 2010 Limited Tax General	Debt service	14,588
219 2011 Limited Tax GO	Debt service	2,032
2020 2013 Library LTGO	Debt service	519
301 Real Estate Excise - 1st 1/4%	RCW - real estate excise tax	1,221,180
302 Real Estate Excise - 2nd 1/4%	RCW - real estate excise tax	2,877,775
310 Metalworks Skate Park	Donations	20,000
401 Water	Bond reserve - per bond covenants	418,875
402 Sewer	Bond reserve - per bond covenants	733,617
407 Storm & Flood Control	Bond reserve - per bond covenants	40,953
Total		12,585,070

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, 2022 were as follows:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
001 Current Expense	11,900,689	9,849,355	2,051,334
002 General Fund Contingency	-	-	-
003 Facilities Capital Reserve	-	-	-
004 LEOFF 1 Retiree	70,000	39,740	30,260
005 Solid Waste Utility Tax	2,372,932	1,163,977	1,208,955
007 Pioneer Pavilion Community Center	46,423	45,197	1,226
Allocated portion 403/404/408 utility debt service	15,550	15,780	(230)
Total 001 Current Expense	14,405,594	11,114,049	3,291,545
101 Street	4,415,153	1,665,911	2,749,242
102 Park Mitigation	245,489	195,489	50,000
104 Traffic Mitigation	905,000	127,066	777,934
106 Criminal Justice	25,000	25,000	-
107 Local Criminal Justice	270,000	270,000	-
113 Transportation Benefit	660,000	600,000	60,000
115 American Rescue Plan Act	2,000,000	1,898,061	101,939
198 Hotel Motel	78,025	56,772	21,253
214 Streets/Parks/Land Debt Service	119,697	119,697	-
215 LaBounty LID 2006-1 Bond	30,902	30,902	-
217 LaBounty GO Bond Debt Service	-	-	-
218 2010 Limited Tax General	315,906	315,205	701
219 2011 Limited Tax General	163,950	163,600	350
220 2013 Library LTGO	186,073	186,072	1
301 Real Estate Excise Tax - 1st 1/4%	420,809	308,563	112,246
302 Real Estate Excise Tax - 2nd 1/4%	985,000	2,632	982,368
310 Metalworks Skate Park	1,000,000	197,754	802,246
370 Thornton Road Construction	14,520,000	6,430,909	8,089,091
401 Water	6,129,015	3,227,824	2,901,191
409 Water - CCWA Water Conversion Debt	81,319	81,315	4
413 Water Treatment Plant Upgrade	4,150,000	32,016	4,117,984
414 Shop Well	36,518	335,528	(299,010)
Allocated portion 403/404/408 utility debt service	926,100	925,713	387
401 Water Total	11,322,952	4,602,396	6,720,556
402 Sewer	7,056,704	2,610,047	4,446,657
415 Waste Water Treatment Plant	4,235,000	2,890,411	1,344,589
Allocated portion 403/404/408 utility debt service	706,669	706,873	(204)
402 Sewer Total	11,998,373	6,207,331	5,791,042
407 Storm & Flood	6,786,736	1,402,709	5,384,027
Allocated portion 403/404/408 utility debt service	79,479	78,801	678
407 Storm & Flood Total	6,866,215	1,481,510	5,384,705
510 Computer Repair & Replacement	408,500	233,179	175,321
550 Equipment Repair & Replacement	1,460,066	1,140,400	319,666
Total	72,802,704	37,372,498	35,430,206

Note 3 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2022 are as follows:

<u>Type of Deposit</u>	<u>City of Ferndale's own deposits</u>	<u>Deposits held by the City as a</u> <u>custodian for other</u> <u>governments, individuals or</u> <u>private organizations</u>
Bank deposits	22,427,633	1,545
Local Government Investment Pool (LGIP)	33,867,391	-
Total	56,295,024	1,545

It is the City of Ferndale's policy to invest all temporary cash surpluses.

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.

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			12/31/2022
GASB Statement No. 14			
Calculation of Joint Venture Equity Interest			
Assets			
A/P Checking (Key Bank)		\$ 11,226	
General Fund (Whatcom County)		10,225	
Petty Cash (Key Bank)		2,750	
Investment Pool (Whatcom County)		254,808	
Postage Meter prepaid postage		1,200	
Building Lease Security Deposit		2,500	
Accounts Receivable		311,250	
Furniture & Equipment (FMV)		20,000	
Total Assets			\$ 613,959
Liabilities			
Accounts Payable		\$ 11,380	
Accrued Vacation Leave		53,534	
Payroll Liabilities		2,864	
Office Space Lease (remaining term)	6/30/2024	104,307	
Total Liabilities			172,085
Net Equity			\$ 441,874

Current Year Voting Member Entities		Year Ended Dues	% of Dues	Share of Net Equity
	Bellingham	\$ 57,061	32.88%	\$ 145,288
	Blaine	3,823	2.20%	9,721
	Everson	1,864	1.07%	4,728
	Ferndale	9,887	5.70%	25,187
	Lake Whatcom Water & Sewer District	239	0.14%	619
	Lummi Nation	3,376	1.95%	8,617
	Lynden	10,116	5.83%	25,761
	Nooksack	962	0.55%	2,430
	Sumas	1,105	0.64%	2,828
	Whatcom County (unincorporated)	58,884	33.93%	149,928
	Port of Bellingham	26,210	15.10%	66,723
	Total Dues Received	\$ 173,527	100.00%	\$ 441,830

Note 5 – Leases

During the year ended 2022, 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	Total
2023	46,667
2024	43,007
2025	18,030
Total	107,704

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, 2022

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

	General Obligation	General Obligation	General Obligation
	Bonds	Bonds	Bonds
Year(s)	Principal	Interest	Total D/S
2023	832,745	102,811	935,556
2024	677,657	75,809	753,466
2025	703,637	57,420	761,057
2026	556,731	38,346	595,077
2027-2031	1,716,557	58,574	1,775,131
TOTALS	4,487,327	\$332,961	4,820,288
	Revenue	Revenue	Revenue
	Debt	Debt	Debt
Year(s)	Principal	Interest	Total D/S
2023	2,676,411	1,029,298	3,705,708
2024	2,599,880	1,057,047	3,656,926
2025	2,662,902	992,244	3,655,146
2026	2,736,511	925,695	3,662,206
2027-2031	14,709,026	3,565,314	18,274,340
2032-2036	11,569,196	1,821,852	13,391,048
2037-2041	9,706,124	750,993	10,457,118
2042-2046	2,060,338	31,086	2,091,424
TOTALS	48,720,387	10,173,528	58,893,915
	Other	Other	Other
	Debt	Debt	Debt
Year(s)	Principal	Interest	Total D/S
2023	88,847	10,325	99,172
2024	76,227	9,033	85,260
2025	24,820	5,339	30,159
2026	28,487	1,963	30,450
2027-2031	18,235	877	19,112
2032-2036			0
2037-2041			0
2042-2046			0
TOTALS	\$236,616	\$27,536	\$264,152

Note 7 – Other Disclosures

A. Contingencies and Litigations

The City is involved in a number of litigation matters as of December 31, 2022 however does think any individual claim is material or would not be covered by the City's insurance.

B. Construction Commitment

The City has active construction projects as of December 31, 2022 with the following commitments:

1. Thornton Street Overpass

At year-end, the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Thornton Street Overpass	\$ 22,350,084	\$ 4,727,807

Of the committed balance of \$4,727,807, for the Thornton Street Overpass, the City has received a grant for the full amount from the Connecting Washington Program.

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, 2022, the plan had three members, all retirees. As of December 31, 2022, the City's total OPEB liability was \$1,269,071, as calculated using the alternative measurement method. For the year ended December 31, 2022, the City paid \$39,740 in benefits.

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.

At June 30, 2022 (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	\$173,050	0.028236%	\$786,194
PERS 2/3	\$289,947	0.036091%	(\$1,338,536)
PSERS 2	\$5,971	0.013498%	(\$9,651)
LEOFF 1		0.004998%	(\$143,373)
LEOFF 2	\$127,585	0.061626%	(\$1,674,809)

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 2021 the City of Ferndale contributed \$120,990 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 2022 was \$.83 per \$1,000 on an assessed valuation of \$2,324,817,102 for a total regular levy of \$1,932,235.

In 2022, the City levied also \$.028 per \$1,000 on assessed valuation of \$2,297,881,554 for City of Ferndale's library for a total additional levy of \$63,910.

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 166 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 [1]. 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, 2022, 262 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.

City of Ferndale
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.91	Whatcom Co. Public Util. Impr. Fund Parks Loan	8/30/2027	400,332	-	64,267	336,065
263.96	Water Booster Pump Station Bond	6/1/2028	465,000	-	60,000	405,000
263.96	Land Purchase	12/1/2028	315,000	-	40,000	275,000
263.96	Heavy Equipment	6/1/2026	199,093	-	36,031	163,062
251.11	Facilities BAB Bonds - 2020 LTGO Refunding	12/1/2030	2,649,000	-	276,000	2,373,000
251.11	Facilities LTGO BQ Bonds 2011	12/1/2025	590,000	-	140,000	450,000
263.81	PWTF LOAN-STORM	6/1/2032	337,967	-	30,724	307,243
251.11	Facilities LTGO BQ Bonds 2013A	11/1/2023	119,799	-	58,056	61,743
251.11	Facilities LTGO BQ Bonds 2013B	11/1/2023	227,282	-	111,068	116,214
263.83	DWSRF CCWA	10/1/2036	131,525	-	80,000	51,525
263.56	Copier Leases	5/30/2025	143,861	-	42,106	101,755
Total General Obligation Debt/Liabilities:			5,578,859	-	938,252	4,640,607
Revenue and Other (non G.O.) Debt/Liabilities						
263.84	Department of Ecology WWTP Construction	4/30/2043	29,880,828	4,514,157	-	34,394,985
252.11	Water & Sewer Bonds 2011B Refunding	11/1/2031	3,868,000	-	348,000	3,520,000
252.11	Sewer & Storm Bonds 2014	11/1/2033	6,265,000	-	425,000	5,840,000
252.11	Rev Bonds Water & Sewer - WTP & Shop Well #2	6/1/2035	5,245,000	-	332,000	4,913,000
259.12	Compensated Absences	12/31/2022	512,707	502,414	533,323	481,798
264.30	Pension Liabilities	12/31/2022	325,031	461,163	-	786,194
264.40	OPEB Liabilities	12/31/2022	1,728,644	-	459,573	1,269,071
263.52	Police Car Leases	4/30/2027	-	269,162	51,249	217,913
Total Revenue and Other (non G.O.) Debt/Liabilities:			47,825,210	5,746,896	2,149,145	51,422,961
Assessment Debt/Liabilities (with commitments)						
253.11	LaBounty Road LID Bonds	12/1/2025	46,703	-	28,000	18,703
Total Assessment Debt/Liabilities (with commitments):			46,703	-	28,000	18,703
Total Liabilities:			53,450,772	5,746,896	3,115,397	56,082,271

ABOUT THE STATE AUDITOR'S OFFICE

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.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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