

CITY OF FERNDALE, CALIFORNIA

**Transportation Development Act
Article 8 Funds**

Financial Statements

For the Fiscal Year Ended June 30, 2025

CITY OF FERNDALE, CALIFORNIA

**Transportation Development Act
Article 8 Funds**

Financial Statements

For the Fiscal Year Ended June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Humboldt County Association of Governments
Eureka, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 8 Funds ("TDA Funds") of the City of Ferndale, California ("City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the TDA Funds as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds of the City and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025, the changes in its financial position, for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 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.

In performing an audit in accordance with GAAS, we:

- 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.

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.

Report on Summarized Comparative Information

The financial statements of the TDA Funds for the year ended June 30, 2024 were audited by other auditors whose report dated November 19, 2024 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
Humboldt County Association of Governments
Eureka, California

Required Supplemental Information

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds of the City. The *Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual*, listed as Supplemental Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such 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 supplementary schedules are 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 25, 2026 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 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.



Irvine, California
March 25, 2026

CITY OF FERNDALE, CALIFORNIA

**Transportation Development Act
Article 8 Funds**

Balance Sheet

June 30, 2025

(with Comparative Information for the Prior Year)

| | <u>TDA Article 8</u> | |
|------------------------------------|----------------------|----------------|
| | <u>2025</u> | <u>2024</u> |
| Assets: | | |
| Cash and investments (Note 3) | <u>\$ 245,381</u> | <u>240,778</u> |
| Total assets | <u>\$ 245,381</u> | <u>240,778</u> |
| Liabilities and Fund Balance: | | |
| Liabilities: | | |
| Accounts payable | <u>\$ -</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>-</u> |
| Fund balance: | | |
| Restricted | <u>245,381</u> | <u>240,778</u> |
| Total fund balance | <u>245,381</u> | <u>240,778</u> |
| Total liabilities and fund balance | <u>\$ 245,381</u> | <u>240,778</u> |

See notes to financial statements

CITY OF FERNDALE, CALIFORNIA

**Transportation Development Act
Article 8 Funds**

Statement of Revenues, Expenditures and Changes in Net Position

**For the Fiscal Year Ended June 30, 2025
(with Comparative Information for the Prior Year)**

| | TDA Article 8 | |
|-----------------------------------|-------------------|----------------|
| | <u>2025</u> | <u>2024</u> |
| Revenues: | | |
| TDA funds | \$ 50,056 | 62,284 |
| Interest income | <u>6,104</u> | <u>4,846</u> |
| Total revenues | <u>56,160</u> | <u>67,130</u> |
| Expenditures: | | |
| Street and road maintenance | <u>51,557</u> | <u>52,179</u> |
| Total expenditures | <u>51,557</u> | <u>52,179</u> |
| Change in fund balance | 4,603 | 14,951 |
| Fund balance at beginning of year | <u>240,778</u> | <u>225,827</u> |
| Fund balance at end of year | <u>\$ 245,381</u> | <u>240,778</u> |

See notes to financial statements

CITY OF FERNDALE, CALIFORNIA

**Transportation Development Act
Article 8 Funds**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

(1) General Information

The financial statements of the Transportation Development Act Article 8 Funds Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of Ferndale, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99400 of the California Public Utilities Code, Article 8 monies may be used for the participation and support of an ongoing road maintenance and repair program which is partially funded with TDA monies. Funding for this program was authorized by the Humboldt County Association of Governments (HCAOG).

(2) Summary of Significant Accounting Policies

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, reserves and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The TDA Funds are accounted for as Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

Measurement Focus and Basis of Accounting

Special Revenue Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

CITY OF FERNDALE, CALIFORNIA

**Transportation Development Act
Article 8 Funds**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 8 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 8 are recognized in the period when all eligibility requirements have been met.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that time. The TDA Fund currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The TDA Fund has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, and is reported as unavailable revenue. The unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Fund Equity

The components of the fund balances of governmental funds reflect the classifications described below.

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

CITY OF FERNDALE, CALIFORNIA

**Transportation Development Act
Article 8 Funds**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes the remaining spendable amounts which are not included in one of the other classifications, plus any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. The information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's prior year TDA Fund financial statements from which this selected data was derived.

(3) Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

The TDA Fund's cash is deposited in the City's internal investment pool, which is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the TDA Program are those of the City and are included in the City's basic financial statements.

See the City's basic financial statements for disclosures related to cash and investments including those disclosures relating to interest rate risk, credit rate risk, custodial credit risk and concentration risk.

CITY OF FERNDALE, CALIFORNIA

**Transportation Development Act
Article 8 Funds**

Notes to Financial Statements

(Continued)

(4) Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

(5) Restrictions

Funds received pursuant to the California Public Utilities Code §99400 (TDA Article 8) may be used for:

- (a) Local streets and roads, and projects, which are provided for use by pedestrians and bicycles;
- (b) Passenger rail service operations and capital improvements;
- (c) Payment to any entity, which is under contract with a county, city, or transit district for public transportation or for transportation services for any group, as determined by the transportation planning agency, requiring special transportation assistance; or
- (d) Administrative and planning costs with respect to transportation services.

(6) Contingencies

Disclosures related to contingencies including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

SUPPLEMENTARY INFORMATION

CITY OF FERNDALE, CALIFORNIA

**Transportation Development Act
Article 8 Fund**

**Schedule of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

For the Fiscal Year Ended June 30, 2025

| | Budget | | Actual | Variance From Final Budget Favorable (Unfavorable) |
|-----------------------------------|------------------------|----------------------|-------------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| TDA funds | \$ 52,686 | 52,686 | 50,056 | 2,630 |
| Interest income | <u> -</u> | <u> -</u> | <u> 6,104</u> | <u> 6,104</u> |
| Total revenues | <u> 52,686</u> | <u> 52,686</u> | <u> 56,160</u> | <u> 2,630</u> |
| Expenditures: | | | | |
| Streets and road maintenance | <u> 52,503</u> | <u> 52,503</u> | <u> 51,557</u> | <u> 946</u> |
| Total expenditures | <u> 52,503</u> | <u> 52,503</u> | <u> 51,557</u> | <u> 946</u> |
| Change in fund balance | <u> \$ 183</u> | <u> 183</u> | 4,603 | <u> 1,684</u> |
| Fund balance at beginning of year | | | <u> 240,778</u> | |
| Fund balance at end of year | | | <u> \$ 245,381</u> | |

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Humboldt County Association of Governments
Eureka, California

We have audited, in accordance with the 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 Transportation Development Act (TDA) Article 8 Funds (TDA Funds) of the City of Ferndale, California (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated March 25, 2026.

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 the 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 entity'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 in the first paragraph of this section 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.

Board of Directors
Humboldt County Association of Governments
Eureka, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements of the TDA Funds are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including §6666 of Part 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*, including §6666 of Part 21 of the California Code of Regulations.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Irvine, California
March 25, 2026