

**CITY OF FERNDALE**

**REPORT ON AUDIT OF THE TRANSPORTATION FUND**

For the Year Ended June 30, 2022

**CITY OF FERNDALE**

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# ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

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### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Humboldt County Association  
of Governments  
611 I Street, Suite B  
Eureka, CA 95501

#### Opinion

We have audited the accompanying financial statements of the Transportation Fund of the City of Ferndale as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Fund of the City of Ferndale as of June 30, 2022 and 2021 and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the the Audit of the Financial Statements section of our report. We are required to be independent of the City of Ferndale, 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 opinion.

#### Emphasis of Matter

As discussed in Note 1, the financial statements present only the Transportation Fund and do not purport to, and do not, present fairly the financial position of the City of Ferndale as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

### **Auditors' Responsibility 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 opinion. 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 generally accepted 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.

In performing an audit in accordance with generally accepted auditing standards, 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 of Trinidad'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.

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.

**Other Information**

Our audit was also made for the purposes of determining compliance with the Transportation Development Act Sections 99234, 99400 (a), and 99260.7, the California Administrative Code and the rules and regulations of the Humboldt County Association of Governments. In our audit we performed to the extent applicable, the tasks contained in Sections 6666 and 6667 of the California Administrative Code.

In our opinion, the funds described above were expended in conformance with applicable laws, rules, and regulations of the Transportation Development Act and the allocation instructions of the Humboldt County Association of Governments.

*Anderson, Lucas, Somerville, & Borges*

December 30, 2022  
Fortuna, California

CITY OF FERNDALE

TRANSPORTATION DEVELOPMENT ACT FUNDS  
 COMPARATIVE STATEMENT OF ASSETS, LIABILITIES  
 AND FUND BALANCE - MODIFIED CASH BASIS

Pertaining to Section 99400(a) of the Public Utilities Code

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash	\$212,161	\$218,093
TDA claim receivable	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>\$212,161</u></b>	<b><u>\$218,093</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ <u>0</u>	\$ <u>0</u>
<u>Total Liabilities</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balance:		
Restricted:		
Other	\$ 9,531	\$ 9,531
Streets	<u>202,630</u>	<u>208,562</u>
<u>Total Fund Balance</u>	<u>\$212,161</u>	<u>\$218,093</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$212,161</u></b>	<b><u>\$218,093</u></b>

See accompanying notes to financial statements.

CITY OF FERNDALE

TRANSPORTATION DEVELOPMENT ACT FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS

Pertaining to Sections 99400(a) of the Public Utilities Code

For the Year Ended June 30, 2022

With Comparative Amounts for the Year Ended June 30, 2021

	<u>2022</u>		Variance	
	<u>Budget</u>	<u>2022 Actual</u>	Favorable (Unfavorable)	<u>2021 Actual</u>
<b>REVENUES</b>				
Intergovernmental:				
Allocations - TDA	\$ 44,740	\$ 44,740	\$ 0	\$ 47,391
Miscellaneous:				
Interest	<u>0</u>	<u>719</u>	<u>719</u>	<u>1,176</u>
<u>Total</u>	<u>\$ 44,740</u>	<u>\$ 45,459</u>	<u>\$ 719</u>	<u>\$ 48,567</u>
<b>EXPENDITURES</b>				
Street and road repairs	\$ 750	0	\$ 750	\$ 309
Vehicle operation and maintenance	6,850	14,600	(7,750)	5,949
Wages and benefits	31,269	29,998	1,271	29,811
Contractual services	0	0	0	71,850
Other maintenance and repairs	1,000	73	927	110
Utilities and other expenses	<u>7,215</u>	<u>6,720</u>	<u>495</u>	<u>6,268</u>
<u>Total</u>	<u>\$ 47,084</u>	<u>\$ 51,391</u>	<u>\$ (4,307)</u>	<u>\$114,297</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (2,344)</b>	<b>(5,932)</b>	<b>\$ (3,588)</b>	<b>\$ (65,730)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b><u>218,093</u></b>	<b><u>218,093</u></b>	<b><u>0</u></b>	<b><u>283,823</u></b>
<b>FUND BALANCE - END OF YEAR</b>	<b><u>\$215,749</u></b>	<b><u>\$ 212,161</u></b>	<b><u>\$ (3,588)</u></b>	<b><u>\$218,093</u></b>

See accompanying notes to financial statements.

**CITY OF FERNDALE**

**TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

**NOTE 1 - REPORTING ENTITY:**

These financial statements consist only of the Transportation Fund of the City of Ferndale. This governmental-type Special Revenue Fund accounts for various street-related activities provided by the City, and is financed with Transportation Development Act (TDA) monies.

**NOTE 2 - BASIS OF ACCOUNTING:**

The Transportation Fund of the City of Ferndale is accounted for using the modified cash basis of accounting whereby revenues are recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred, other than certain TDA receivables and payables.

**NOTE 3 - DESCRIPTION OF SERVICES:**

Under Section 99400(a) of the Transportation Development Act, the City of Ferndale claims and expends funds in order to provide an ongoing road maintenance and repair program which is partially funded with TDA monies.

**NOTE 4 - USE OF ESTIMATES:**

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.