

CITY OF EUREKA

REPORT ON AUDIT OF THE LOCAL TRANSPORTATION FUND

For the Year Ended June 30, 2014

CITY OF EUREKA

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June 30, 2014

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Transit Fund of the City of Eureka as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility 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; this includes 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transit Fund of the City of Eureka as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Transit Fund, and do not purport to, and do not present fairly the financial position of the City of Eureka as of June 30, 2014 and 2013, the changes in its financial position, and, 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.

**Other**

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*

November 21, 2014  
Fortuna, California

CITY OF EUREKA  
TRANSIT FUND

STATEMENT OF NET ASSETS

Pertaining to Section 99260 of the Public Utilities Code

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash	\$ 0	\$ 0
Ticket Inventory	2,520	1,663
Accounts Receivable	102,581	70,537
TDA Funds Receivable	954,446	818,331
STAF Funds Receivable	82,000	0
Capital Grants Receivable	440,658	32,567
GASB 31 FMV Adjustment	<u>1,114</u>	<u>1,114</u>
<u>Total Current Assets</u>	<u>1,583,319</u>	<u>924,212</u>
<u>Property, Plant and Equipment</u>		
Transportation Equipment	3,155,460	3,462,569
Less: Accumulated Depreciation	<u>(2,082,544)</u>	<u>(1,833,927)</u>
<u>Net Property, Plant and Equipment</u>	<u>1,072,916</u>	<u>1,628,642</u>
<b>TOTAL ASSETS</b>	<u><b>2,656,235</b></u>	<u><b>2,552,854</b></u>
<b>LIABILITIES</b>		
<u>Current Liabilities</u>		
Checks Drawn in Excess of Cash Balance	1,308,717	690,715
Accounts Payable and Other Accrued Expenses	25,395	4,611
Due to Other Funds	<u>0</u>	<u>0</u>
<u>Total Current Liabilities</u>	<u>1,334,112</u>	<u>695,326</u>
<u>Other Liabilities</u>		
Deferred Revenue (PTMISEA Program)	<u>0</u>	<u>0</u>
<u>Total Liabilities</u>	<u>1,334,112</u>	<u>695,326</u>
<b>NET ASSETS</b>		
Restricted - GASB 31	26,277	26,277
Restricted - Equipment Reserve	327,129	143,463
Unrestricted	<u>968,717</u>	<u>1,687,788</u>
<u>Total Net Assets</u>	<u><b>\$ 1,322,123</b></u>	<u><b>\$ 1,857,528</b></u>

The accompanying notes are an integral part of these financial statements.

CITY OF EUREKA  
TRANSIT FUND

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS**  
Pertaining to Section 99260 of the Public Utilities Code

For the Year Ended June 30, 2014

With Comparative Amounts for the Year Ended June 30, 2013

	2014		Variance	
	Budget	2014 Actual	Favorable (Unfavorable)	2013 Actual
<b>OPERATING REVENUES</b>				
Passenger Fares	\$ 263,000	\$ 274,156	\$ 11,156	\$ 269,430
DAR/DAL Fares	50,000	57,105	7,105	45,666
Refunds and Advertising	9,000	9,000	0	7,650
<u>Total</u>	322,000	340,261	18,261	322,746
<b>OPERATING EXPENSES</b>				
Professional and Technical Services	885,883	885,883	0	851,820
DAR/DAL Services and Expenses	444,077	451,757	(7,680)	454,944
Salaries	551	0	551	35,428
Cost Allocation	23,490	23,490	0	20,448
Supplies, Printing and Other	4,200	295	3,905	4,481
Repairs and Maintenance	150,000	0	150,000	10,636
Depreciation	0	261,809	(261,809)	275,000
Insurance	30,000	33,923	(3,923)	29,850
<u>Total</u>	1,538,201	1,657,157	(118,956)	1,682,607
<u>Operating Loss</u>	(1,216,201)	(1,316,896)	(100,695)	(1,359,861)
<b>NON-OPERATING REVENUES</b>				
Operating Grant - LTF	541,392	355,954	(185,438)	254,214
Operating Subsidy - County	350,517	361,315	10,798	348,213
Capital Grants - STAF	30,000	30,000	0	64,000
TDA Allocation - RTS	321,553	321,553	0	268,509
TDA Allocation - DAR	276,939	276,939	0	295,608
Operating Grant - STAF	134,709	52,000	(82,709)	174,858
Capital Grant - Other	235,380	236,038	658	173,284
Capital Grants - Federal	204,620	204,620	0	0
PTMISEA Prop 1B - Capital	0	450,519	450,519	0
Interest Income	0	0	0	(33)
<u>Total</u>	2,095,110	2,288,938	193,828	1,578,653
<b>NON-OPERATING EXPENSES (INCOME)</b>				
HTA Assessment - RTS	276,564	276,564	0	268,510
HTA Assessment - RTS Sunday	44,989	44,989	0	0
Capital Outlay - Buses	517,019	889,964	(372,945)	0
GASB 31 Change in FMV	0	0	0	0
<u>Total</u>	838,572	1,211,517	(372,945)	268,510
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 40,337</b>	<b>\$ (239,475)</b>	<b>\$ (279,812)</b>	<b>\$ (49,718)</b>

The accompanying notes are an integral part of these financial statements.

CITY OF EUREKA  
TRANSIT FUND

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
Pertaining to Section 99260 of the Public Utilities Code

For the Year Ended June 30, 2014

With Comparative Amounts for the Year Ended June 30, 2013

	2014		Variance	
	Budget	2014 Actual	Favorable (Unfavorable)	2013 Actual
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>				
Balance forward	\$ 40,337	\$ (239,475)	\$ (279,812)	\$ (49,718)
<b>NET ASSETS - BEGINNING OF YEAR</b>	1,857,528	1,857,528	0	1,907,246
Prior Period Adjustments and Transfers	<u>(295,930)</u>	<u>(295,930)</u>	<u>0</u>	<u>0</u>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$1,601,935</u></b>	<b><u>\$1,322,123</u></b>	<b><u>\$ (279,812)</u></b>	<b><u>\$ 1,857,528</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF EUREKA  
TRANSIT FUND**

**STATEMENT OF CASH FLOWS**

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received for Services	\$ 307,360	\$ 358,393
Cash Disbursed for Goods and Services	(756,562)	(707,109)
Cash Disbursed for Salaries and Benefits	<u>(2,013)</u>	<u>(35,428)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(451,215)</u>	<u>(384,144)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating Grants Received	1,212,213	663,788
Cash Paid for Non-operating Expenses	(321,553)	(268,510)
Other Income Received	<u>0</u>	<u>0</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>890,660</u>	<u>395,278</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants Received	450,519	216,442
Purchase of Property and Equipment	0	(228,426)
Cash Paid For Capital Outlay	(889,964)	0
Cash Paid to Other Funds	<u>0</u>	<u>0</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(439,445)</u>	<u>(11,984)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>0</u>	<u>850</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>0</u>	<u>850</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	0	0
<b>CASH - BEGINNING OF YEAR</b>	<u>0</u>	<u>0</u>
<b>CASH - END OF YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF EUREKA  
TRANSIT FUND**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2014

**NOTE 1 - REPORTING ENTITY**

These financial statements consist only of the Transit Fund of the City of Eureka. This Enterprise Fund accounts for the various transit activities provided by the City, and is financed with Transportation Development Act, State Transit Assistance Fund, and various other Federal transportation monies.

**NOTE 2 - BASIS OF ACCOUNTING**

The Transit Fund is accounted for as an enterprise fund using the accrual basis of accounting and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller.

**NOTE 3 - DESCRIPTION OF TRANSIT SYSTEM**

The Eureka Transit System (ETS) is a fixed route public transportation system serving the Eureka community and adjoining unincorporated areas within the County. ETS is controlled and owned by the City of Eureka which contracts with the Humboldt Transit Authority to provide managerial and operational services. The city provides for door-to-door transportation service for the elderly and handicapped through contracts with the Humboldt Senior Resource Center and City Cab. The City also contributes funds for the operation of the Redwood Transit System, a regional system operated by the Humboldt Transit Authority for general public use.

**NOTE 4 - STATEMENT OF CASH FLOWS**

To comply with GASB Statement 9, Cash Flows Statement, the following reconciliation of loss from operations to net cash used by operating activities is presented:

	<u>2014</u>	<u>2013</u>
Loss from operations	\$(1,316,896)	\$(1,359,861)
Add (deduct):		
Depreciation	261,809	275,000
Change in operating receivables, inventories and prepaid expenses	(32,901)	35,647
Change in accounts payable and accrued expenses	<u>636,773</u>	<u>665,070</u>
Net cash used by operating activities	<u>\$ (451,215)</u>	<u>\$ (384,144)</u>

**NOTE 5 - ACCRUED VACATION AND SICK LEAVE**

The City of Eureka does not accrue sick leave. Since this form of compensated absence does not meet all four requirements of GASB 16 for mandatory accrual, it is only necessary to be disclosed in the footnotes.

	<u>2014</u>	<u>2013</u>
Accrued vacation and holiday	\$ 0	\$ 0
Accrued sick leave	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF EUREKA  
TRANSIT FUND

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

**NOTE 6 - FARE BOX RECOVERY RATIO**

The City met its required Fare Box Recovery Ratio for general and specialized transit services as calculated under Sections 6633.2 and 6633.5 of the TDA code for the year ended June 30, 2014, as well as the year ended June 30, 2013. The calculation of this compliance was as follows:

	<u>General Services</u>	
	<u>2014</u>	<u>2013</u>
Total operating costs	\$ 943,591	\$ 952,663
Less: Insurance premiums per Section 99268.17	<u>0</u>	<u>0</u>
Net operating costs	<u>\$ 943,591</u>	<u>\$ 952,663</u>
Required fare box recovery ratio %	22.4%	22.4%
Required minimum fares	<u>\$ 211,364</u>	<u>\$ 213,397</u>
Actual fares collected	\$ 274,156	\$ 269,430
Reclassify year-end fares	<u>0</u>	<u>0</u>
Adjusted fares collected	<u>\$ 274,156</u>	<u>\$ 269,430</u>
Actual fare box recovery ratio % achieved	29.1%	28.6%

	<u>Specialized Services</u>	
	<u>2014</u>	<u>2013</u>
Total operating costs	\$ 451,754	\$ 454,944
Less: Insurance premiums per Section 99268.17	<u>0</u>	<u>0</u>
Net operating costs	<u>\$ 451,754</u>	<u>\$ 454,944</u>
Required fare box recovery ratio %	10%	10%
Required minimum fares	\$ 45,176	\$ 45,494
Actual fares collected	\$ 57,105	\$ 45,666
Actual fare box recovery ratio % achieved	12.6%	10.0%

**CITY OF EUREKA  
TRANSIT FUND**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2014

**NOTE 7 - FUND ELIGIBILITY**

Pursuant to Section 6634 of the California Administrative Code, a transit claimant is eligible to receive monies from the Local Transportation Fund in an amount which does not exceed the claimant's operating costs, less actual fare revenues received. For the fiscal years ended June 30, 2014 and June 30, 2013, the City of Eureka received excess Transportation Development Act funds, identified and calculated, if applicable, as follows:

	<u>General Services</u>	
	<u>2014</u>	<u>2013</u>
Operating costs	\$ 943,591	\$ 952,663
Less: Fare revenues	(274,156)	(269,430)
Federal operating assistance	0	(173,284)
County operating subsidy	<u>(252,920)</u>	<u>(220,942)</u>
Maximum fund eligibility	416,515	289,007
STA funds received	52,000	160,000
TDA funds received	<u>355,954</u>	<u>254,214</u>
Excess funds received	<u>\$ 0</u>	<u>\$ 125,207</u>
	<u>Specialized Services</u>	
	<u>2014</u>	<u>2013</u>
Operating costs	\$ 451,757	\$ 454,944
Less: Fare revenues	(57,105)	(45,666)
County operating subsidy	<u>(108,395)</u>	<u>(127,271)</u>
Maximum fund eligibility	286,257	282,007
STA funds received	0	14,858
TDA funds received	<u>276,339</u>	<u>295,608</u>
Excess funds received	<u>\$ 0</u>	<u>\$ 28,459</u>

In accordance with existing HCAOG guidelines, any excess should be adjusted on a succeeding year's TDA claim. It can be re-identified as monies claimed for capital purposes if sufficient TDA reserves have been used to help purchase new capital assets, as well as other reclassification alternatives that may be agreed upon with HCAOG.

**NOTE 8 - USE OF ESTIMATES**

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

CITY OF EUREKA  
TRANSIT FUND

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

**NOTE 9 - HUMBOLDT TRANSIT AUTHORITY CONTRACT SURPLUS**

The City's contract with the Humboldt Transit Authority (HTA) to operate the Eureka Transit System contains a provision that allows any surplus generated by HTA to be used to reduce a subsequent year's contract costs.

As of July 1, 2012, the City and HTA entered into a new operating agreement covering the 2-year period ending June 30, 2014. Any agreed-upon adjustment for the years ended June 30, 2013 and 2014 will be made at the end of the contract at June 30, 2014, or as part of any subsequent contract arrangement.

**NOTE 10- TRANSIT OPERATOR VEHICLE CODE COMPLIANCE**

Section 99251 of the Transportation Development Act requires operators submitting claims for TDA funds to provide evidence of compliance with Section 1808.1 of the Vehicle Code, regarding participation in the Department of Motor Vehicles Pull Notice Program. Such compliance is generally provided by the routine inspections performed by the California Highway Patrol on transit operator vehicles.

The City currently participates in the Pull Notice Program and is otherwise deemed compliant in this area.

**NOTE 11 - GRANT REVENUES:**

**PTMISEA**

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the fiscal years ended June 30, 2011, 2012, and 2014 the City, through the administrative workings of the Humboldt Transit Authority (HTA), applied for and received proceeds of \$696,381 from the State's PTMISEA account for the procurement of a GPS Tracking System and various bus stop and bus shelter improvements. As of June 30, 2014, qualifying expenditures were incurred as follows:

Proceeds received:	
PMTISEA: 2010-11	\$ 22,880
PMTISEA: 2011-12	222,982
PMTISEA: 2013-14	450,519
Expenditures incurred:	
Bus Stop and Bus Shelters	(71,802)
GPS Tracking System	(148,589)
Bus	<u>(450,519)</u>
Unexpended proceeds at June 30, 2014	\$ <u>25,471</u>

CITY OF EUREKA  
TRANSIT FUND

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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