

CITY OF FORTUNA

REPORT ON AUDIT OF THE
TRANSPORTATION DEVELOPMENT ACT FUNDS
(ARTICLES 3, 4 & 8)

For the Year Ended June 30, 2013

CITY OF FORTUNA

TABLE OF CONTENTS

June 30, 2013

	PAGE
Independent Auditors' Report	1-2
Comparative Statement of Net Assets - Sections 99260(a) and 99260.7 and Recorded in the Senior Bus Fund	3
Comparative Balance Sheet - Section 99400(a) and Recorded in the Transportation Fund	4
Comparative Balance Sheet - Section 99234 and Recorded in the Transportation 2% Set-Aside Fund 4	5
Statement of Revenues, Expenses and Changes in Net Assets - Sections 99260(a) and 99260.7 and Recorded in the Senior Bus Fund	6-7
Statement of Revenues, Expenditures and Changes in Fund Balance - Section 99400(a) and Recorded in the Transportation Fund	8
Statement of Revenues, Expenditures and Changes in Fund Balance - Section 99234 and Recorded in the Transportation 2% Set-Aside Fund	9
Statement of Cash Flows - Sections 99260(a) and 99260.7 and Recorded in the Senior Bus Fund	10
Notes to Financial Statements	11 - 15



ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

ART STEWART (1945-1964)
RICHARD RODRIGUEZ (1950-1985)
DAVID I. SOMERVILLE (1971-1982)
DONALD J. HARRIS (1962-1994)
EUGENE B. LUCAS (1930-2013)

1338 MAIN STREET
FORTUNA, CALIFORNIA 95540
(707)725-4483 & (707) 725-4442

Toll Free: 800-794-1643

FAX: (707) 725-6340

E-mail: team@alsb.com

www.alsb.com

DAVID A. SOMERVILLE, II
KEITH D. BORGES
BARBARA J. GUEST

RITA CHISSM
VANESSA ANDERSON, L.A.

JAMES M. ANDERSON, *barthe*

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 Senior Bus Fund, Transportation Fund and Transportation 2% Set-Aside Fund of the City of Fortuna as of and for the years ended June 30, 2013 and 2012, 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.

Auditor's 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 opinions.

Basis for Adverse Opinion

As discussed in Note 1, the financial statements present only the Senior Bus Fund, Transportation Fund and Transportation 2% Set-Aside Fund of the City of Fortuna. Accounting principles generally accepted in the United States of America require that the City of Fortuna's financial statements present the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fortuna.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion" paragraph, the financial statements referred to above do not present fairly, the financial position of the City of Fortuna as of June 30, 2013 and 2012, or the changes in financial position or cash flows thereof for the year then ended.

Unmodified Opinion

In our opinion, except as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Senior Bus Fund, Transportation Fund and Transportation 2% Set-Aside Fund of the City of Fortuna as of June 30, 2013 and 2012, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, except as discussed in Note 6, 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

October 31, 2013
Fortuna, California

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
COMPARATIVE STATEMENT OF NET ASSETS

Pertaining to Section 99260 of the Public Utilities Code
Recorded in the Senior Bus Fund

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 93,954	\$ 89,183
Bus deposit - local match	0	0
Property, plant and equipment	156,149	203,548
Less: Accumulated depreciation	<u>(110,581)</u>	<u>(146,241)</u>
TOTAL ASSETS	<u>\$ 139,522</u>	<u>\$ 146,490</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,044	\$ 3,052
Payroll payable	2,874	2,872
Vacation payable	<u>211</u>	<u>463</u>
<u>Total Liabilities</u>	<u>\$ 4,129</u>	<u>\$ 6,387</u>
Net Assets:		
Investment in property, plant and equipment:		
Government contribution for fixed assets	\$ 149,496	\$ 195,476
Less: Capital grant amortization	(109,155)	(144,347)
Retained earnings - Undesignated	78,204	75,247
Retained earnings - Capital reserve	13,122	13,122
Retained earnings - STAF reserve	<u>3,726</u>	<u>605</u>
<u>Total Net Assets</u>	<u>\$ 135,393</u>	<u>\$ 140,103</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 139,522</u>	<u>\$ 146,490</u>

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
COMPARATIVE BALANCE SHEET

Pertaining to Section 99400(a) of the Public Utilities Code
Recorded in the Transportation Fund

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$1,132,735	\$1,120,977
TDA funds receivable	0	0
Accounts receivable loans-current	1,711	1,890
Accounts receivable loans-non-current	<u>25,995</u>	<u>26,775</u>
TOTAL ASSETS	<u>\$1,160,441</u>	<u>\$1,149,642</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accrued expenses	\$ 1,177	\$ 0
Vouchers payable	252	0
Deferred revenues	<u>27,706</u>	<u>28,665</u>
<u>Total Liabilities</u>	<u>\$ 29,135</u>	<u>\$ 28,665</u>
Fund Balance:		
Restricted:		
Streets	\$1,105,311	\$1,094,202
Nonspendable:		
Reserved for non-current loans	<u>25,995</u>	<u>26,775</u>
<u>Total Fund Balance</u>	<u>\$1,131,306</u>	<u>\$1,120,977</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$1,160,441</u>	<u>\$1,149,642</u>

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
COMPARATIVE BALANCE SHEET

Pertaining to Section 99234 of the Public Utilities Code
Recorded in the Transportation 2% Set-Aside Fund

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ <u>112,997</u>	\$ <u>105,702</u>
TOTAL ASSETS	\$<u>112,997</u>	\$<u>105,702</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ _____ 0	\$ _____ 0
<u>Total Liabilities</u>	<u>\$ _____ 0</u>	<u>\$ _____ 0</u>
Fund Balance:		
Restricted:		
TDA 2% Set-Aside Projects	\$ <u>112,997</u>	\$ <u>105,702</u>
<u>Total Fund Balance</u>	<u>\$112,997</u>	<u>\$105,702</u>
TOTAL LIABILITIES AND FUND BALANCE	\$<u>112,997</u>	\$<u>105,702</u>

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Pertaining to Sections 99260 of the Public Utilities Code
Recorded in the Senior Bus Fund

For the Year Ended June 30, 2013

With Comparative Amounts for the Year Ended June 30, 2012

	<u>2013</u>		Variance	
	<u>Budget</u>	<u>2013 Actual</u>	Favorable (Unfavorable)	<u>2012 Actual</u>
OPERATING REVENUES				
Passenger fares	\$ 18,790	\$ 12,787	\$ (6,003)	\$ 10,572
Other income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Total Operating Revenues</u>	<u>\$ 18,790</u>	<u>\$ 12,787</u>	<u>\$ (6,003)</u>	<u>\$ 10,572</u>
OPERATING EXPENSES				
Personal services, salaries and benefits	\$ 76,828	\$ 70,839	\$ 5,989	\$ 70,297
Supplies	1,650	1,302	348	923
Vehicle fuel and oil	11,000	11,536	(536)	11,869
Repairs and maintenance	2,500	1,365	1,135	5,247
Depreciation	0	11,739	(11,739)	11,046
Advertising and personnel	200	285	(85)	813
Insurance	3,400	3,400	0	3,400
Telephone and other	<u>555</u>	<u>558</u>	<u>(3)</u>	<u>535</u>
<u>Total Operating Expenses</u>	<u>\$ 96,133</u>	<u>\$101,024</u>	<u>\$ (4,891)</u>	<u>\$104,130</u>
NON-OPERATING REVENUES				
Government allocations -				
Local Transportation Fund	\$187,899	\$197,217	\$ 9,318	\$181,016
State Transit Assistance Fund	0	3,121	3,121	605
Cal-Trans 5310 Grant	0	0	0	51,347
Interest income (expense)	23	(376)	(399)	24
Gain on sale of property	<u>0</u>	<u>1,520</u>	<u>1,520</u>	<u>0</u>
<u>Total Non-Operating Revenues</u>	<u>\$187,922</u>	<u>\$201,482</u>	<u>\$ 13,560</u>	<u>\$232,992</u>
NON-OPERATING EXPENSES				
HTA assessment	\$107,168	\$117,925	\$ (10,757)	\$ 87,448
Bus shelters	<u>1,950</u>	<u>21</u>	<u>1,929</u>	<u>24</u>
<u>Total Non-Operating Expenses</u>	<u>\$109,118</u>	<u>\$117,946</u>	<u>\$ (8,828)</u>	<u>\$ 87,472</u>
INCOME (LOSS) BEFORE ADJUSTMENTS	<u>\$ 1,461</u>	<u>\$ (4,701)</u>	<u>\$ (6,162)</u>	<u>\$ 51,962</u>

(Continued on following page)

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Pertaining to Sections 99260 of the Public Utilities Code
Recorded in the Senior Bus Fund

For the Year Ended June 30, 2013

With Comparative Amounts for the Year Ended June 30, 2012

	2013		Variance Favorable (Unfavorable)	2012 Actual
	Budget	2013 Actual		
INCOME (LOSS) BEFORE ADJUSTMENTS				
Balances Forward	\$ 1,461	\$ (4,701)	\$ (6,162)	\$ 51,962
CAPITAL GRANT	0	0	0	(51,347)
DEPRECIATION ON FIXED ASSETS	<u>10,788</u>	<u>10,788</u>	<u>0</u>	<u>10,570</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 12,249	\$ 6,087	\$ (6,162)	\$ 11,185
RETAINED EARNINGS - BEGINNING OF YEAR	88,974	88,974	0	77,789
PRIOR PERIOD ADJUSTMENT	<u>0</u>	<u>(9)</u>	<u>(9)</u>	<u>(0)</u>
RETAINED EARNINGS - END OF YEAR	<u>\$101,223</u>	<u>\$ 95,052</u>	<u>\$ (6,171)</u>	<u>\$ 88,974</u>

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Pertaining to Sections 99400(a) of the Public Utilities Code
Recorded in the Transportation Fund

For the Year Ended June 30, 2013

With Comparative Amounts for the Year Ended June 30, 2012

	2013		Variance	
	<u>Budget</u>	<u>2013 Actual</u>	Favorable (Unfavorable)	<u>2012 Actual</u>
REVENUES				
Intergovernmental:				
Allocations	\$ 163,583	\$ 154,838	\$ (8,745)	\$ 167,497
Miscellaneous:				
Interest	6,482	1,859	(4,623)	4,309
Other	<u>0</u>	<u>2,536</u>	<u>2,536</u>	<u>3,788</u>
<u>Total</u>	<u>\$ 170,065</u>	<u>\$ 159,233</u>	<u>\$ (10,832)</u>	<u>\$ 175,594</u>
EXPENDITURES AND TRANSFERS				
Street and road projects	\$ 45,000	\$ 47,198	\$ (2,198)	\$ 55,567
Interfund transfers out	<u>0</u>	<u>101,732</u>	<u>(101,732)</u>	<u>29,844</u>
<u>Total</u>	<u>\$ 45,000</u>	<u>\$ 148,930</u>	<u>\$ (103,930)</u>	<u>\$ 85,411</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 125,065	\$ 10,303	\$ (114,762)	\$ 90,183
FUND BALANCE - BEGINNING OF YEAR	1,120,977	1,120,977	0	1,030,794
PRIOR PERIOD ADJUSTMENTS	<u>0</u>	<u>26</u>	<u>26</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$1,246,042</u>	<u>\$1,131,306</u>	<u>\$ (114,736)</u>	<u>\$1,120,977</u>

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Pertaining to Sections 99234 of the Public Utilities Code
Recorded in the Transportation 2% Set-Aside Fund

For the Year Ended June 30, 2013

With Comparative Amounts for the Year Ended June 30, 2012

	<u>2013</u>		Variance	
	<u>Budget</u>	<u>2013 Actual</u>	Favorable (Unfavorable)	<u>2012 Actual</u>
REVENUES				
Intergovernmental: Allocations	\$ 7,173	\$ 7,185	\$ 12	\$ 7,113
Miscellaneous: Interest	<u>517</u>	<u>137</u>	<u>(380)</u>	<u>363</u>
<u>Total</u>	<u>\$ 7,690</u>	<u>\$ 7,322</u>	<u>\$ (368)</u>	<u>\$ 7,476</u>
EXPENDITURES				
Street and road projects	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<u>Total</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 7,690	\$ 7,322	\$ (368)	\$ 7,476
FUND BALANCE - BEGINNING OF YEAR	105,702	105,702	0	98,226
PRIOR PERIOD ADJUSTMENT	<u>0</u>	<u>(27)</u>	<u>(27)</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$113,392</u>	<u>\$112,997</u>	<u>\$ (395)</u>	<u>\$105,702</u>

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF CASH FLOWS

Pertaining to Sections 99260 of the Public Utilities Code
Recorded in the Senior Bus Fund

For the Year Ended June 30, 2013

With Comparative Amounts for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services and other income	\$ 12,787	\$ 10,572
Cash disbursed for operating activities	<u>(209,498)</u>	<u>(180,031)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (196,711)</u>	<u>\$ (169,459)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other governments	<u>\$ 200,338</u>	<u>\$ 181,016</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>\$ 200,338</u>	<u>\$ 181,016</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received (expense)	<u>\$ (376)</u>	<u>\$ 24</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ (376)</u>	<u>\$ 24</u>
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES:		
Capital grants received	\$ 0	\$ 51,952
Purchase of property and equipment	0	(51,347)
Proceeds from sale of equipment	1,520	0
Bus deposit - local match	<u>0</u>	<u>0</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>\$ 1,520</u>	<u>\$ 605</u>
NET INCREASE IN CASH	\$ 4,771	\$ 12,186
CASH BALANCE - BEGINNING OF YEAR	<u>89,183</u>	<u>76,997</u>
CASH BALANCE - END OF YEAR	<u>\$ 93,954</u>	<u>\$ 89,183</u>

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

NOTE 1 - REPORTING ENTITY:

These financial statements consist only of the Senior Bus Fund, Transportation Fund and Transportation 2% Set-Aside Fund of the City of Fortuna. The Senior Bus Fund, as an Enterprise Fund, accounts for the various transit activities provided by the City, and is financed with Transportation Development Act monies. The Transportation Fund and Transportation 2% Set-Aside Fund, as governmental-type Special Revenue Funds, account for various street related activities and bicycle and pedestrian pathway projects provided by the City, and are also financed with Transportation Development Act monies.

NOTE 2 - BASIS OF ACCOUNTING:

The Senior Citizen Bus Fund, an Enterprise Fund, is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Funds claimed and paid to the Humboldt Transit Authority are also accounted for in the Senior Bus Fund. This portion of the Senior Bus Fund uses the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

The Transportation Fund and the Transportation 2% Set-Aside Fund of the City of Fortuna are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

NOTE 3 - DESCRIPTION OF SERVICE:

The City of Fortuna supports specialized transportation to senior and handicapped citizens within the City of Fortuna. The service was provided by the Senior Citizen Center until April 1984 and directly by the City thereafter. The City also contributes funds for the operation of the Redwood Transit System, a county-wide operated service for the general public use, operated by the Humboldt Transit Authority.

The Transportation Fund is used to account for the City's ongoing street and road maintenance program funded in part by Transportation Development Act monies. During the years ended June 30, 2013 and 2012, this program included the various sidewalk and street reconstruction projects.

The Transportation 2% Set-Aside Fund is used to account for the City's bicycle and pedestrian pathway projects funded in part by Transportation Development Act monies.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

NOTE 4 - CAPITAL GRANT ASSETS:

The acquisition, disposal and depreciation of fixed assets acquired through grants or City contributions is offset against the appropriate contributed capital accounts. The statement of revenues, expenditures and changes in retained earnings is increased by the asset depreciation and decreased by the Capital Grant revenue.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT:

The change in property, plant and equipment for the year ended June 30, 2013 and 2012 was as follows:

	Balance June 30, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2013</u>
Vehicles	\$ 201,078	\$ 0	\$ (47,399)	\$153,679
Other improvements	2,470	0	0	2,470
Accumulated depreciation	<u>(146,241)</u>	<u>(11,739)</u>	<u>47,399</u>	<u>(110,581)</u>
Net property, plant and equipment	<u>\$ 57,307</u>	<u>\$ (11,739)</u>	<u>\$ 0</u>	<u>\$ 45,568</u>

	Balance June 30, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2012</u>
Vehicles	\$ 143,078	\$ 58,000	\$ 0	\$ 201,078
Other improvements	2,470	0	0	2,470
Accumulated depreciation	<u>(135,195)</u>	<u>(11,046)</u>	<u>0</u>	<u>(146,241)</u>
Net property, plant and equipment	<u>\$ 10,353</u>	<u>\$ 46,954</u>	<u>\$ 0</u>	<u>\$ 57,307</u>

Property, plant and equipment is recorded at cost and depreciated using the straight-line method over useful lives of five to seven years. Depreciation expense charged to operations for the years ended June 30, 2013 and 2012 was \$11,739 and \$11,046 respectively.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

NOTE 6 - ELIGIBILITY FOR FUNDS:

Pursuant to Section 6634 of the California Administrative Code relating to the Transportation Development Act, 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, 2013 and 2012, the calculations are as follows:

	<u>2013</u>	<u>2012</u>
Operating Costs:		
Salary	\$ 56,521	\$ 52,202
Benefits	14,318	18,095
Supplies	1,302	923
Vehicle fuel & oil	11,536	11,869
Vehicle repair & maintenance	1,365	5,247
Advertising & personnel	285	813
Insurance	3,400	3,400
Telephone & other	<u>579</u>	<u>559</u>
Net operating costs	\$ 89,306	\$ 93,108
Less: DAR Fares received	<u>(12,787)</u>	<u>(10,572)</u>
Maximum TDA Fund Eligibility	\$ 76,519	\$ 82,536
TDA Funds received	<u>77,342</u>	<u>93,568</u>
Excess TDA Allocation	<u>\$ 823</u>	<u>\$ 11,032</u>

In accordance with the rules and regulations of the Transportation Planning Agency, any excess amounts are required to be adjusted on a succeeding year's TDA claim. They can also be re-identified as monies claimed for capital purchases if sufficient reserves have been used to help purchase new capital assets.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

NOTE 7 - FARE BOX RECOVERY RATIO:

The City met its required Fare Box Recovery Ratio for general and specialized transit services as calculated under Section 6633.5 of the TDA code for the years ended June 30, 2013 and 2012. The calculation of this compliance was as follows:

	<u>Section 6633.5</u>	
	<u>2013</u>	<u>2012</u>
Total operating costs	\$ 89,306	\$ 93,108
Less: Insurance premiums per Section 99268.17	<u>0</u>	<u>0</u>
Net operating costs	<u>\$ 89,306</u>	<u>\$ 93,108</u>
Required fare box recovery ratio %	10.00%	10.00%
Required minimum fares	\$ 8,931	\$ 9,311
Actual fares collected	\$ 12,787	\$ 10,572
Actual fare box recovery ratio achieved	14.3%	11.4%

NOTE 8 - STATEMENT OF CASH FLOWS:

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

	<u>2013</u>	<u>2012</u>
Income (loss) from operations	\$ (4,701)	\$ 51,962
Add (deduct):		
Depreciation	11,739	11,046
Operating grants received	(197,217)	(181,016)
Interest (income) expense	376	(24)
Capital grants received	(3,121)	(51,952)
Prior period adjustment	(9)	0
(Decrease) Increase in accounts payable and other accrued expenses	(2,258)	525
Proceeds from sale of equipment	<u>(1,520)</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ (196,711)</u>	<u>\$ (169,459)</u>

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

NOTE 9 - 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 reporting period. Actual results could differ from those estimates.

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.