

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER (HCAR)

REPORT ON AUDIT OF THE HCAR DIAL-A-RIDE  
AND CARE-A-VAN PROGRAM

For the Year Ended June 30, 2013

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER (HCAR)

HCAR DIAL-A-RIDE AND CARE-A-VAN PROGRAM

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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 HCAR Dial-A-Ride and Care-A-Van Program of the Humboldt Community Access and Resource Center (HCAR) 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 HCAR Dial-A-Ride and Care-A-Van Program. Accounting principles generally accepted in the United States of America require that HCAR'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 HCAR.

**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 HCAR 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 HCAR Dial-A-Ride and Care-A-Van Program 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 Section 99275, 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 Section 6666 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*

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER (HCAR)

HCAR DIAL-A-RIDE AND CARE-A-VAN PROGRAM

STATEMENT OF NET ASSETS

Pertaining to Section 99313 of the Public Utilities Code

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash	\$ 0	\$ 0
STAF funds receivable	<u>39,627</u>	<u>22,633</u>
<u>Total Current Assets</u>	<u>\$ 39,627</u>	<u>\$ 22,633</u>
<b>TOTAL ASSETS</b>	<u>\$ 39,627</u>	<u>\$ 22,633</u>
<b>LIABILITIES AND NET ASSETS</b>		
<u>Current Liabilities</u>		
Accounts payable	\$ 0	\$ 0
Due to HCAR General Fund	0	0
Deferred revenues	<u>0</u>	<u>0</u>
<u>Total Current Liabilities</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Net Assets</u>		
Retained earnings (deficit)	\$(291,860)	\$(274,372)
Contributed by HCAR (Note 5)	<u>331,487</u>	<u>297,005</u>
<u>Total Net Assets</u>	<u>\$ 39,627</u>	<u>\$ 22,633</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 39,627</u>	<u>\$ 22,633</u>

See accompanying notes to financial statements.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER (HCAR)

HCAR DIAL-A-RIDE AND CARE-A-VAN PROGRAM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Pertaining to Section 99313 of the Public Utilities Code

For the Year Ended June 30, 2013

With Comparative Amounts for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
DAR fares	\$ 40,930	\$ 25,788
STAF operating grant	149,098	143,261
Care-A-Van fares	3,144	1,950
Interest income	0	0
Federal 5310 Grant	36,305	0
Donations	<u>105</u>	<u>61</u>
<u>Total Revenues</u>	<u>\$ 229,582</u>	<u>\$ 170,999</u>
<b>EXPENSES</b>		
Salaries and wages	\$ 93,381	\$ 85,696
Fringe benefits	46,621	49,570
Supplies	270	166
Miscellaneous	3,389	5,473
Fuel	33,635	41,967
Repairs & maintenance	16,752	8,870
Tires & tubes	313	3,400
Insurance	11,066	8,512
Vehicle DMV fees	777	924
Depreciation	16,912	7,991
Utilities & telephone	5,397	3,523
Allocated interest expense	3,862	2,514
Program costs	4,378	0
Travel costs	10,317	0
Allocated administrative	<u>0</u>	<u>0</u>
<u>Total Expenses</u>	<u>\$ 247,070</u>	<u>\$ 218,606</u>
CONTRIBUTION BY HCAR (NOTE 6)	34,482	70,240
CHANGE IN NET ASSETS	\$ 16,994	\$ 22,633
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>22,633</u>	<u>0</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 39,627</u>	<u>\$ 22,633</u>

See accompanying notes to financial statements.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER (HCAR)

HCAR DIAL-A-RIDE AND CARE-A-VAN PROGRAM

STATEMENT OF CASH FLOWS

Pertaining to Section 99313 of the Public Utilities Code

For the Year Ended June 30, 2013

With Comparative Amounts for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fares income	\$ 44,074	\$ 27,738
Interest received	0	0
Operating grants received	132,104	120,628
Capital grants received	36,305	0
Donations and other income received	<u>105</u>	<u>0</u>
Total cash received from operations	\$ 212,588	\$ 148,366
Cash disbursed for operating activities	<u>(212,588)</u>	<u>(148,366)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b> (Note 4)	\$ <u>0</u>	\$ <u>0</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><u>0</u></u>	<u><u>0</u></u>

See accompanying notes to financial statements.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER (HCAR)

HCAR DIAL-A-RIDE AND CARE-A-VAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

**NOTE 1 - REPORTING ENTITY:**

These financial statements consist only of the HCAR Dial-A-Ride and Care-A-Van Programs of the Humboldt Community Access and Resource Center (HCAR). These programs account for specialized transit activities provided by HCAR and are financed with State Transit Assistance Fund monies.

**NOTE 2 - BASIS OF ACCOUNTING:**

The HCAR Dial-A-Ride and Care-A-Van Programs of the Humboldt Community Access and Resource Center (HCAR) are accounted for as Enterprise Funds, using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred regardless of the timing of the related cash flows.

**NOTE 3 - DESCRIPTION OF SERVICES:**

The HCAR Dial-A-Ride and Care-A-Van Programs were initiated by the Humboldt Community Access and Resource Center (HCAR) to provide for specialized transportation services within the outlying county areas for citizens in need of medical care with no other means of transportation available to achieve such services.

HCAR is providing these services under the designation as the local Consolidated Transportation Service Agency (CTSA) made by the Humboldt County Association of Governments (HCAOG). During a prior year, HCAR and HCAOG agreed to expand the program design for the Dial-A-Ride Program and included an increased level of funding. The expanded program will provide Dial-A-Ride/Lift service to eligible passengers outside the previous Dial-A-Ride/Lift service area.



HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER (HCAR)

HCAR DIAL-A-RIDE AND CARE-A-VAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

NOTE 4 - STATEMENT OF CASH FLOWS:

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

	<u>2013</u>	<u>2012</u>
Income (loss) from operations	\$(17,488)	\$(47,607)
Add (deduct):		
Decrease (increase) in receivables	(16,994)	(22,633)
Increase (decrease) in accounts payable	0	0
Change in payable to HCAR	0	0
Change in contribution from HCAR (Note 6)	<u>34,482</u>	<u>70,240</u>
Net cash flows from operating activities	\$ <u>0</u>	\$ <u>0</u>

NOTE 5 - FARE BOX RECOVERY RATIO:

The Agency did not meet its required Fare Box Recovery Ratio for specialized transit services as calculated under Section 6633.5 of the TDA code for the year ended June 30, 2009. In accordance with Code Section 6633(a), this is considered the one-time grace year and no eligibility recalculations are required. The Agency did meet the required ratio for the years ended June 30, 2013 and 2012. The compliance calculations for each year are as follows:

	<u>Section 6633.5</u>	
	<u>2013</u>	<u>2012</u>
Total operating costs	\$247,070	\$218,606
Less: depreciation expense (non-cash expense)	<u>(16,912)</u>	<u>(7,991)</u>
Net operating costs	<u>\$230,158</u>	<u>\$210,615</u>
Required fare box recovery ratio %	10.0%	10.0%
Required minimum fares	\$ 23,016	\$ 21,062
Actual fares collected	\$ 44,074	\$ 27,738
Actual fare box recovery ratio achieved	19.1%	13.2%

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER (HCAR)

HCAR DIAL-A-RIDE AND CARE-A-VAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

**NOTE 5 - FARE BOX RECOVERY RATIO (continued):**

As noted in the prior year's Performance Audit, HCAR was to seek an exemption of the 20% farebox recovery ratio for two prior fiscal years as allowed by PUC Section 99268.8 for an extension of service beginning in April 2006 to new areas of the County. For future years, HCAR was to request that the HCAOG Board adopt a change in HCAR's required farebox recovery ratio from 20% to 10% as allowed under PUC Section 99268.5

This request was submitted to the HCAOG Board in July, 2008 by HCAR officials. In September of 2008, both of the above noted requests were approved by action of the HCAOG Board.

**NOTE 6 - CONTRIBUTION BY HCAR:**

During the years ended June 30, 1995 through 2013, the operations of the HCAR Dial-A-Ride program have exceeded the funding levels provided by the State Transit Assistance Fund and other subsidies received from prior program partners. This has resulted in general operating funds of HCAR being used to supplement this program. A summary of the funds contributed by HCAR to the Dial-A-Ride and Care-A-Van Programs is as follows:

1. Fiscal year operating expenses for years 1995 through 2012 deemed paid by HCAR, in excess of State Transit Assistance Funds received from HCAOG through CTSA designation.	\$297,005
2. 2012-13 fiscal year operating expenses deemed paid by HCAR, less than State Transit Assistance Funds received from HCAOG through CTSA designation.	<u>34,482</u>
	<u>\$331,487</u>

**NOTE 7 - 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.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER (HCAR)

HCAR DIAL-A-RIDE AND CARE-A-VAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

NOTE 8 - ELIGIBILITY FOR FUNDS:

Pursuant to Section 99314.6 of the California Administrative Code relating to the Transportation Development Act, funds shall not be allocated for operating purposes to an operator unless the operator meets either of the following efficiency standards:

- (1) The operator's total operating cost per revenue vehicle hour in the latest year for which audited data are available does not exceed the sum of the preceding year's total operating cost per revenue vehicle hour and an amount equal to the product of the percentage change in the Consumer Price Index for the same period multiplied by the preceding year's total operating cost per revenue vehicle hour.
- (2) The operator's average total operating cost per revenue vehicle hour in the latest three years for which audited data are available does not exceed the sum of the average of the total operating cost per revenue vehicle hour in the three years preceding in the latest year for which audited data are available and an amount equal to the product of the average percentage change in the Consumer Price Index for the same period multiplied by the average total operating cost per revenue vehicle hour in the same three years. For the fiscal years ended June 30, 2011 through 2013, the calculations are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Costs	\$230,158	\$210,615	\$180,529
Revenue Service Hours	5,803	5,095	4,139
Cost/Revenue Service Hour	\$39.67	\$41.34	\$ 43.62
CPI Factor	2.6%	3.6%	2.9%
Maximum Cost/ Revenue Service Hour	\$42.41	\$45.19	\$ 53.81
Eligibility Requirement Met	YES	YES	YES

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER (HCAR)

HCAR DIAL-A-RIDE AND CARE-A-VAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

NOTE 8 - ELIGIBILITY FOR FUNDS (continued):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
3-Year Avg Cost/Hour	\$ 41.31	\$ 46.00	\$ 53.44
% Change CPI 3 Years	8.41%	7.12%	4.10%
Inflated 3-Year Avg Cost/Hr	\$ 44.78	\$ 60.55	\$ 55.01
Eligibility Requirement Met	YES	YES	YES

NOTE 9 - REQUIRED ANNUAL REPORT TO STATE CONTROLLER:

Section 99243 of the Public Utilities Code requires that entities file an annual report of expenditures of monies received for transportation purposes with the State Controller's Office by the annual filing deadline for each fiscal year.

The annual report for the year ended June 30, 2013 was filed timely with the State Controller's office.