

CITY OF ARCATA
REPORT ON AUDIT OF THE ARCATA AND MAD RIVER/DIAL-A-RIDE
TRANSIT SYSTEMS

For the Year Ended June 30, 2023

CITY OF ARCATA
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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 Arcata as of and for the years ended June 30, 2023 and 2022, 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 Arcata as of June 30, 2023 and 2022, 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 Arcata as of June 30, 2023 and 2022, 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, except as discussed in Note 11, 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

April 26, 2024
Fortuna, California

CITY OF ARCATA
ARCATA AND MAD RIVER/DIAL-A-RIDE TRANSIT SYSTEM

COMPARATIVE STATEMENT OF NET ASSETS

Pertaining to Section 99260 of the Public Utilities Code

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
<u>Current Assets</u>		
Cash - General	\$ (34,408)	\$ (830)
Cash - Restricted for bus replacement	0	649,801
Cash - Greyhound account	34,608	35,439
STAF receivable	253,740	0
Due from other governments	<u>232,928</u>	<u>396,877</u>
<u>Total Current Assets</u>	<u>\$ 486,868</u>	<u>\$ 1,081,287</u>
<u>Property, Plant and Equipment</u>		
Vehicles	\$ 4,798,973	\$ 2,937,079
Building and structures	939,572	939,572
Other improvements	772,262	578,802
Furniture and equipment	<u>416,667</u>	<u>395,955</u>
	\$ 6,927,474	\$ 4,851,408
Less: Accumulated depreciation	<u>(3,790,788)</u>	<u>(3,442,697)</u>
<u>Total Property, Plant and Equipment</u>	<u>\$ 3,136,686</u>	<u>\$ 1,408,711</u>
<u>Deferred Outflows of Resources</u>		
Deferred Outflows Related to Pensions	<u>\$ 268,600</u>	<u>\$ 129,004</u>
TOTAL ASSETS	<u>\$ 3,892,154</u>	<u>\$ 2,619,002</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts payable and other expenses	59,841	\$ 26,513
Accrued vacation	<u>9,005</u>	<u>18,464</u>
<u>Total Current Liabilities</u>	<u>\$ 68,846</u>	<u>\$ 44,977</u>
<u>Other Liabilities</u>		
Net Pension Liability	712,093	597,441
Due to other governments (cash overdraft)	<u>190,439</u>	<u>287,848</u>
<u>Total Liabilities</u>	<u>\$ 902,532</u>	<u>\$ 930,266</u>
<u>Deferred Inflows of Resources</u>		
Deferred Inflows Related to Pensions	<u>\$ 65,370</u>	<u>\$ 38,521</u>
<u>Net Assets</u>		
Contributed capital:		
Contributions from other funds	<u>\$ 1,521,151</u>	<u>\$ 671,151</u>
	<u>\$ 1,521,151</u>	<u>\$ 671,151</u>
Retained earnings:		
Unreserved	\$ 1,379,535	\$ 305,697
Reserved for capital assets-City	0	649,801
LTF Capital Reserve	<u>23,566</u>	<u>23,566</u>
	<u>\$ 1,403,101</u>	<u>\$ 979,064</u>
<u>Total Net Assets</u>	<u>\$ 2,924,252</u>	<u>\$ 1,650,215</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,892,154</u>	<u>\$ 2,619,002</u>

See accompanying notes to financial statements.

CITY OF ARCATA
ARCATA AND MAD RIVER/DIAL-A-RIDE TRANSIT SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Pertaining to Section 99260 of the Public Utilities Code

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Passenger fares	\$ 240,247	\$ 173,149
Dial-A-Ride/Dial-A-Lift ticket sales	16,037	1,122
Other revenue	1,407	776
Greyhound program (net)	<u>(709)</u>	<u>(3,387)</u>
<u>Total</u>	<u>\$ 256,982</u>	<u>\$ 171,660</u>
OPERATING EXPENSES		
Labor and benefits	\$ 317,535	\$ 388,199
Services and overhead	72,452	82,264
Materials and supplies	2,902	3,219
Insurance	71,446	67,555
Repairs and maintenance	28,990	26,081
Vehicle maintenance & fuel	261,131	210,008
Depreciation	348,091	191,869
Dial-A-Lift expenses	<u>24,300</u>	<u>18,984</u>
<u>Total</u>	<u>\$1,126,847</u>	<u>\$ 988,179</u>
NON-OPERATING REVENUES		
Operating grant (LTF)	\$ 529,842	\$ 355,594
Capital grant (STAF)	271,997	500,655
Operating grant (STAF)	150,000	0
CARES operating grant	0	309,000
LCTOP operating grant	27,595	11,531
LCTOP capital grant	0	149,146
SGR grant	37,090	18,084
DAR/DAL allocation	108,612	99,603
HTA/RTS allocation	243,783	236,682
HTA capital grant reimbursement	274,387	0
Interest income (expense)	<u>230</u>	<u>(8,977)</u>
<u>Total</u>	<u>\$1,643,536</u>	<u>\$1,671,318</u>
NON-OPERATING EXPENSES		
HTA/RTS assessment	\$ 243,783	\$ 236,682
DAR/DAL operating assessment	<u>83,312</u>	<u>79,281</u>
<u>Total</u>	<u>\$ 327,095</u>	<u>\$ 315,963</u>
INCOME BEFORE ADJUSTMENTS	<u>\$ 446,576</u>	<u>\$ 538,836</u>

See accompanying notes to financial statements.

CITY OF ARCATA
ARCATA AND MAD RIVER/DIAL-A-RIDE TRANSIT SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Pertaining to Section 99260 of the Public Utilities Code

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
INCOME BEFORE TRANSFERS AND ADJUSTMENTS	\$ 446,576	\$ 538,836
Operating Transfers (Note 5)	0	0
Prior Period Adjustment of Pension Liability and other	<u>(22,539)</u>	<u>(51,566)</u>
INCREASE IN NET ASSETS	\$ 424,037	\$ 487,270
RETAINED EARNINGS - BEGINNING OF YEAR	<u>979,064</u>	<u>491,794</u>
RETAINED EARNINGS - END OF YEAR	<u>\$1,403,101</u>	<u>\$ 979,064</u>

See accompanying notes to financial statements.

CITY OF ARCATA
ARCATA AND MAD RIVER/DIAL-A-RIDE TRANSIT SYSTEM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services	\$ 260,869	\$ 184,265
Cash paid for operations	(1,175,496)	(1,152,962)
Cash received operating transfers (net)	(97,409)	287,848
Cash from prior year adjustment	<u>0</u>	<u>9,085</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$(1,012,036)</u>	<u>\$(671,764)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from other governments	\$ 1,111,018	\$ 1,148,364
Operating grants received	<u>0</u>	<u>0</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>\$ 1,111,018</u>	<u>\$ 1,148,364</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received (paid)	\$ <u>230</u>	\$ <u>(8,977)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ 230</u>	<u>\$(8,977)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received	\$ 442,644	\$ 649,801
Purchase of property and equipment	(1,226,066)	(40,667)
Capital outlay	<u>0</u>	<u>0</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$(783,422)</u>	<u>\$ 609,134</u>
NET INCREASE (DECREASE) IN CASH	<u>\$ (684,210)</u>	<u>\$ 1,076,757</u>
CASH AT BEGINNING OF YEAR	<u>684,410</u>	<u>(392,347)</u>
CASH AT END OF YEAR	<u><u>\$ 200</u></u>	<u><u>\$ 684,410</u></u>

See accompanying notes to financial statements.

**CITY OF ARCATA
ARCATA AND MAD RIVER/DIAL-A-RIDE TRANSIT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 1 - REPORTING ENTITY:

These financial statements consist only of the Transit Fund of the City of Arcata. This Fund accounts for the various transit activities provided by the City, and is financed with Transportation Development Act monies.

NOTE 2 - BASIS OF ACCOUNTING:

The Transit Fund of the City of Arcata is accounted for as an Enterprise Fund, 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 Arcata and Mad River Transit System was initiated by the Arcata City Council to provide an alternative form of transportation within the City limits for all citizens, with the objectives of saving energy and serving groups such as senior citizens, young people, and others without automobile transportation.

To accomplish these objectives, a variety of services are provided as follows:

1. Fixed-route bus service provided by the Arcata and Mad River Transit Service;
2. Demand-responsive Dial-a-Lift service for handicapped passengers provided by the Arcata and Mad River Transit System (until September, 1999) and through a contract with Humboldt Transit Authority thereafter.
3. Demand-responsive Dial-a-Ride service provided through a contract with Humboldt Transit Authority, who in turn contracts for actual services with Yellow Cab.
4. 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 - 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 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.

**CITY OF ARCATA
ARCATA AND MAD RIVER/DIAL-A-RIDE TRANSIT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 5 - OPERATING TRANSFERS:

The following prior period adjustments and transfers were made during the indicated years:

	<u>2023</u>	<u>2022</u>
a. Transfers - Streets allocation	\$ 0	\$ 0
b. Transfers - Other	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

The changes in property, plant and equipment for the years ended June 30, 2023 and 2022 were as follows:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2023</u>
Vehicles	\$ 2,937,079	\$ 1,861,894	\$ 0	\$ 4,798,973
Buildings and structures	939,572	0	0	939,572
Other improvements	578,802	193,460	0	772,262
Furniture and equipment	395,955	20,712	0	416,667
Accumulated depreciation	<u>(3,442,697)</u>	<u>(348,091)</u>	<u>0</u>	<u>(3,790,788)</u>
Net property, plant and equipment	<u>\$ 1,408,711</u>	<u>\$ 1,727,975</u>	<u>\$ 0</u>	<u>\$ 3,136,686</u>

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2022</u>
Vehicles	\$ 2,937,079	\$ 0	\$ 0	\$ 2,937,079
Buildings and structures	939,572	0	0	939,572
Other improvements	560,719	18,084	0	578,802
Furniture and equipment	373,371	22,584	0	395,955
Accumulated depreciation	<u>(3,250,828)</u>	<u>(191,869)</u>	<u>0</u>	<u>(3,442,697)</u>
Net property, plant and equipment	<u>\$ 1,559,913</u>	<u>\$ (151,201)</u>	<u>\$ 0</u>	<u>\$ 1,408,711</u>

Property, plant and equipment is recorded at cost and depreciated using the straight-line method over useful lives of five to forty years. Depreciation expense charged to operations for the years ended June 30, 2023 and 2022 was \$348,091 and \$191,869 respectively.

**CITY OF ARCATA
ARCATA AND MAD RIVER/DIAL-A-RIDE TRANSIT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 7 - ELIGIBILITY FOR FUNDS:

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 year ended June 30, 2023, the City of Arcata's calculation of any excess Transportation Development Act funds, as determined under Section 6634, is calculated as follows:

<u>Combined Transit Services</u>	
<u>2023</u>	
Operating costs	\$ 862,068
Less: Fare revenues	(256,284)
Less: Federal and other Operating assistance	(0)
Maximum fund eligibility	\$ 605,785
STA funds received	150,000
TDA funds received	<u>638,454</u>
Excess funds received	<u>\$ 182,669</u>

In accordance with the rules and regulations of the Transportation Planning Agency, these amounts, if any, 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.

NOTE 8 - 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 years ended June 30, 2023 and 2022. The calculation of this compliance was as follows:

<u>Section 6633.2</u>		
	<u>2023</u>	<u>2022</u>
Total operating costs	\$754,456	\$777,326
Less: Insurance premiums per Section 99268.17	<u>0</u>	<u>0</u>
Net operating costs	<u>\$754,456</u>	<u>\$777,326</u>
Prior required fare box recovery ratio %	18.8%	18.8%
Required fare box recovery ratio % (7/1/16)	10.0%	10.0%
Required minimum fares	\$ 75,446	\$ 77,733
Actual fares collected	\$240,247	\$173,149
Actual fare box recovery ratio % achieved	31.84%	22.28%

**CITY OF ARCATA
ARCATA AND MAD RIVER/DIAL-A-RIDE TRANSIT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 9 - ACCRUED VACATION AND SICK LEAVE:

The City of Arcata 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>2023</u>	<u>2022</u>
Accrued vacation and comp	\$ 9,005	\$18,464
Accrued sick leave	<u>11,191</u>	<u>23,029</u>
<u>Total</u>	<u>\$20,196</u>	<u>\$41,493</u>

NOTE 10 - STATEMENT OF CASH FLOWS:

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

	<u>2023</u>	<u>2022</u>
Income (loss) from operations	\$ 446,576	\$ 538,836
Add (deduct):		
Depreciation	348,091	191,869
Interest income (expense)	(230)	8,977
Capital grants received	(442,644)	(649,801)
Operating grants received	(1,111,018)	(1,148,364)
(Increase) decrease in accounts receivable	163,949	117,870
Increase (decrease) in accounts payable and other liabilities, including prior year adjustment	<u>(416,760)</u>	<u>268,849</u>
Net cash (used) by operating activities	<u>\$ (1,012,036)</u>	<u>\$ (671,764)</u>

NOTE 11 - GREYHOUND BUS PROGRAM:

During the years ended June 30, 2002 through 2005, and 2009 through 2015, the Greyhound program operated at a loss. In order to ensure that TDA funds have not been used to subsidize this program, the City has established the portion of the fund balance which related to prior year surpluses generated by the Greyhound program, as well as other non-TDA revenue sources. As of June 30, 2017, such surpluses were in excess of accumulated losses in the amount of \$0.

During the years ended June 30, 2018 through June 30, 2023, the program once again operated at a deficit, in the amount of \$7,168, \$46,308, \$34,426, \$14,175, \$3,387 and \$709 respectively. After accounting for current year additional revenue sources, there is an overall deficit for the program of \$136,798 as of June 30, 2023.

The City will need to evaluate and review their expenditure allocation to this program, as well as consider requesting an increase in the commission rate paid by Greyhound in order to fully cover their ongoing expected program costs. Or, alternatively, they would need to consider subsidies from other funds or sources in order to offset the higher costs. They need to establish a plan for generating sufficient additional revenues to offset the current deficit balance.

**CITY OF ARCATA
ARCATA AND MAD RIVER/DIAL-A-RIDE TRANSIT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 12 - CAPITAL GRANTS:

During the years ended June 30, 2023 and 2022, the City received the following capital grants:

	<u>2023</u>	<u>2022</u>
A&MRTS Capital Reserves (New Bus)	\$ 0	500,655
LCTOP Electric Bus Partial Funding	0	149,146
STAF Capital Grant - Electric Buses	271,997	0
HTA Grant Reimbursement (New Bus-Partial Funding)	92,927	0
HTA Grant Reimbursement (EV Charging Statrion)	181,460	0
Total Capital Grants	<u>\$ 546,384</u>	<u>\$ 649,801</u>

NOTE 13 - 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.