

CITY OF EUREKA

REPORT ON AUDIT OF THE LOCAL TRANSPORTATION FUND

For the Year Ended June 30, 2020

CITY OF EUREKA

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June 30, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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

December 17, 2020
Fortuna, California

**CITY OF EUREKA
TRANSIT FUND**

STATEMENT OF NET ASSETS

Pertaining to Section 99260 of the Public Utilities Code

June 30, 2020 and 2018

	<u>2020</u>	<u>2019</u>
ASSETS		
<u>Current Assets</u>		
Cash	\$ 0	\$ 0
Ticket Inventory	0	0
Accounts Receivable	0	0
TDA Funds Receivable	0	0
STAF Funds Receivable	0	0
Federal Operating Grant Receivable	0	0
GASB 31 FMV Adjustment	0	1,114
<u>Total Current Assets</u>	0	1,114
<u>Property, Plant and Equipment</u>		
Transportation Equipment	0	0
Less: Accumulated Depreciation	0	0
<u>Net Property, Plant and Equipment</u>	0	0
TOTAL ASSETS	0	1,114
LIABILITIES		
<u>Current Liabilities</u>		
0 Checks Drawn in Excess of Cash Balance	0	205,343
Accounts Payable and Other Accrued Expenses	0	0
<u>Total Current Liabilities</u>	0	205,343
<u>Other Liabilities</u>		
Deferred Revenue (PTMISEA Program)	0	0
<u>Total Liabilities</u>	0	205,343
NET ASSETS		
Restricted - GASB 31	0	26,277
Restricted - Equipment Reserve	0	0
Contributed by General Fund	0	0
Unrestricted (Deficit)	0	(230,506)
<u>Total Net Assets (Deficit)</u>	<u>\$ 0</u>	<u>\$ (204,229)</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, 2020

With Comparative Amounts for the Year Ended June 30, 2019

	2020		Variance	2019
	<u>Budget</u>	<u>2020 Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
OPERATING REVENUES				
Passenger Fares	\$ 0	\$ 0	\$ 0	\$ 0
DAR/DAL Fares	0	0	0	540
Refunds and Advertising	<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>540</u>
OPERATING EXPENSES				
Professional and Technical Services	0	0	0	0
DAR/DAL Services and Expenses	0	0	0	0
Supplies, Printing and Other	0	0	0	0
Repairs and Maintenance	0	0	0	0
Depreciation	0	0	0	0
Insurance	<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>
<u>Operating Income (Loss)</u>	0	0	0	540
NON-OPERATING REVENUES				
Operating Grant - LTF	0	0	0	0
Operating Subsidy - County	0	0	0	0
TDA Allocation - RTS	0	0	0	0
TDA Allocation - DAR	0	0	0	0
Operating Grant - STAF	0	0	0	0
Operating Grants - Federal	0	0	0	0
Interest Income	<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>
NON-OPERATING EXPENSES (INCOME)				
HTA Assessment - RTS	0	0	0	0
HTA Assessment - RTS Sunday	0	0	0	0
Capital Outlay - Other	<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>
NET INCREASE (DECREASE) IN NET ASSETS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 540</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, 2020

With Comparative Amounts for the Year Ended June 30, 2019

	2020		Variance	2019
	<u>Budget</u>	<u>2020 Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
NET INCREASE (DECREASE) IN NET ASSETS				
Balance forward	\$ 0	\$ 0	\$ 0	\$ 540
NET ASSETS - BEGINNING OF YEAR	(204,229)	(204,229)	0	622,124
Contribution by General Fund	204,229	204,229	0	0
Transfer Capital Reserve Funds to HTA	0	0	0	(444,181)
Transfer Capital Assets to HTA	0	0	0	(165,687)
Loss on Scrapped Assets	0	0	0	(11,256)
Prior Period Adjustments			0	
DAR Ticket inventory	0	0	0	(9,000)
FTA 5311 Grant	0	0	0	(196,769)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>(196,769)</u>
NET ASSETS - END OF YEAR	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(204,229)</u>

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received for Services	\$ 0	\$ 50,563
Cash Disbursed for Goods and Services	0	(1,773,279)
Cash Disbursed for Salaries and Benefits	<u>0</u>	<u>0</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>0</u>	<u>(1,722,716)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants Received	0	2,166,897
Cash Paid for Non-operating Expenses	0	0
Prior Period Adjustment	<u>0</u>	<u>0</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>0</u>	<u>2,166,897</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Reserves to HTA	0	(444,181)
Cash Paid For Capital Outlay	0	0
Contribution by General Fund	<u>0</u>	<u>0</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>0</u>	<u>(444,181)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>0</u>	<u>0</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>0</u>	<u>0</u>
NET (DECREASE) INCREASE IN CASH	0	0
CASH - BEGINNING OF YEAR	<u>0</u>	<u>0</u>
CASH - END OF YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></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, 2020

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. See Note 9.

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. See Note 9.

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. See Note 9.

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>2020</u>	<u>2019</u>
Income (Loss) from operations	\$ 0	\$ 540
Add (deduct):		
Depreciation	0	0
Change in operating receivables, inventories and prepaid expenses	0	50,023
Change in bank overdraft, accounts payable and accrued expenses	<u>0</u>	<u>(1,773,279)</u>
Net cash used by operating activities	<u>\$ 0</u>	<u>\$(1,722,716)</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>2020</u>	<u>2019</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, 2020

NOTE 6 - 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.

NOTE 7 - 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, 2016, the City and HTA entered into a new operating agreement covering the two year period ended June 30, 2019. Any agreed-upon adjustment for the year will be made at the end of the contract, or as part of any subsequent contract arrangement. **See Note 9.**

NOTE 8 - 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. **See Note 9.**

NOTE 9 - SUBSEQUENT EVENT

Effective July 1, 2019, the City of Eureka formally transferred its Eureka Transit System operations and assets to the Humboldt Transit Authority, which will assume all responsibilities and ownership of the transit system.

During the previous year, the City also transferred \$444,181 of capital reserves to HTA.