

CITY OF FORTUNA

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

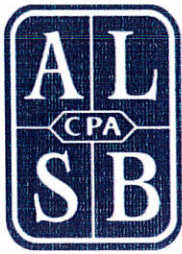
For the Year Ended June 30, 2019

CITY OF FORTUNA

TABLE OF CONTENTS

June 30, 2019

	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



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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 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, 2019 and 2018, 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 Senior Bus Fund, Transportation Fund and Transportation 2% Set-Aside Fund of the City of Fortuna as of June 30, 2019 and 2018, 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 Senior Bus Fund, Transportation Fund and Transportation 2% Set-Aside Fund and do not purport to, and do not present fairly the financial position of the City of Fortuna as of June 30, 2019 and 2018, 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 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

January 6, 2020
Fortuna, California

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
COMPARATIVE STATEMENT OF NET ASSETSPertaining to Section 99260 of the Public Utilities Code
Recorded in the Senior Bus Fund

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
<u>Current Assets</u>		
Cash (Overdraft)	\$ 122,840	\$ (128,236)
TDA funds receivable	<u>0</u>	<u>276,886</u>
<u>Total Current Assets</u>	<u>122,840</u>	<u>148,650</u>
<u>Property, Plant and Equipment</u>		
Property, plant and equipment	310,870	310,870
Less: Accumulated depreciation	<u>(132,612)</u>	<u>(104,361)</u>
<u>Total Property, Plant and Equipment</u>	<u>178,258</u>	<u>206,509</u>
<u>Deferred Outflows of Resources</u>		
Deferred Outflows Related to Pensions (Net)	<u>39,610</u>	<u>21,964</u>
TOTAL ASSETS	<u>\$ 340,708</u>	<u>\$ 377,123</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 2,393	\$ 1,302
Payroll payable	0	0
Vacation payable	<u>1,219</u>	<u>1,613</u>
<u>Total Current Liabilities</u>	<u>\$ 3,612</u>	<u>\$ 2,915</u>
<u>Other Liabilities</u>		
Net Pension Liability	<u>161,863</u>	<u>141,403</u>
<u>Net Assets:</u>		
Retained Earnings:		
Undesignated	\$ 92,457	\$ 122,369
LTF capital reserve	77,072	104,732
STAF capital reserve	<u>5,704</u>	<u>5,704</u>
<u>Total Net Assets</u>	<u>\$ 175,233</u>	<u>\$ 232,805</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 340,708</u>	<u>\$ 377,123</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 633,105	\$ 432,771
TDA funds receivable	0	111,338
Accounts receivable loans-current	0	0
Accounts receivable loans-non-current	<u>12,900</u>	<u>13,060</u>
TOTAL ASSETS	<u>\$ 646,005</u>	<u>\$ 557,169</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accrued expenses	\$ 0	\$ 0
Vouchers payable	14,569	55,518
Deferred revenues	<u>12,900</u>	<u>13,060</u>
<u>Total Liabilities</u>	<u>\$ 27,469</u>	<u>\$ 68,578</u>
Fund Balance:		
Restricted:		
Streets	\$ 605,636	\$ 475,531
Nonspendable:		
Reserved for non-current loans	<u>12,900</u>	<u>13,060</u>
<u>Total Fund Balance</u>	<u>\$ 618,536</u>	<u>\$ 488,591</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 646,005</u>	<u>\$ 557,169</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$137,031	\$115,076
TDA funds receivable	<u> 0</u>	<u> 7,923</u>
TOTAL ASSETS	<u>\$137,031</u>	<u>\$122,999</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ <u> 0</u>	\$ <u> 0</u>
<u>Total Liabilities</u>	\$ <u> 0</u>	\$ <u> 0</u>
Fund Balance:		
Restricted:		
TDA 2% Set-Aside Projects	\$ <u>137,031</u>	\$ <u>122,999</u>
<u>Total Fund Balance</u>	\$ <u>137,031</u>	\$ <u>122,999</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$137,031</u>	<u>\$122,999</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, 2019

With Comparative Amounts for the Year Ended June 30, 2018

	<u>2019</u>		Variance	
	<u>Budget</u>	<u>2019 Actual</u>	Favorable (Unfavorable)	<u>2018 Actual</u>
OPERATING REVENUES				
Passenger fares	\$ 15,000	\$ 16,195	\$ 1,195	\$ 16,639
Other income	<u>0</u>	<u>0</u>	<u>0</u>	<u>751</u>
<u>Total Operating Revenues</u>	<u>\$ 15,000</u>	<u>\$ 16,195</u>	<u>\$ 1,195</u>	<u>\$ 17,390</u>
OPERATING EXPENSES				
Personal services, salaries and benefits	\$142,892	\$121,999	\$ 20,893	\$100,301
Supplies	1,200	417	783	699
Vehicle fuel and oil	12,000	11,172	828	9,452
Repairs and maintenance	5,500	1,906	3,594	3,077
Depreciation	0	28,251	(28,251)	30,797
Advertising and personnel	600	0	600	259
Insurance	3,400	3,400	0	3,400
Telephone and other	<u>3,700</u>	<u>1,196</u>	<u>2,504</u>	<u>1,977</u>
<u>Total Operating Expenses</u>	<u>\$169,292</u>	<u>\$168,341</u>	<u>\$ 951</u>	<u>\$149,962</u>
NON-OPERATING REVENUES				
Government allocations -				
Local Transportation Fund	\$247,807	\$247,807	\$ 0	\$276,886
State Transit Assistance Fund	0	0	0	0
Interest income	<u>400</u>	<u>3,191</u>	<u>2,791</u>	<u>307</u>
<u>Total Non-Operating Revenues</u>	<u>\$248,207</u>	<u>\$250,998</u>	<u>\$ 2,791</u>	<u>\$277,193</u>
NON-OPERATING EXPENSES				
HTA assessment	\$157,441	\$157,441	\$ 0	\$151,386
Bus shelters	0	0	0	0
GASB 68 pension liability	<u>0</u>	<u>(10,751)</u>	<u>10,751</u>	<u>0</u>
<u>Total Non-Operating Expenses</u>	<u>\$157,441</u>	<u>\$146,690</u>	<u>\$ 10,751</u>	<u>\$151,386</u>
INCOME (LOSS) BEFORE ADJUSTMENTS	<u>\$(63,526)</u>	<u>\$(47,838)</u>	<u>\$ 15,688</u>	<u>\$(6,765)</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, 2019

With Comparative Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018 Actual
	Budget	2019 Actual		
INCOME (LOSS) BEFORE ADJUSTMENTS				
Balances Forward	\$ (63,526)	\$ (47,838)	\$ 15,688	\$ (6,765)
FUND TRANSFERS - Measure E	<u>15,000</u>	<u>3,831</u>	<u>(11,169)</u>	<u>10,000</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (48,526)	\$ (44,007)	\$ 4,519	\$ 3,235
RETAINED EARNINGS - BEGINNING OF YEAR	232,805	232,805	0	229,570
PRIOR PERIOD ADJUSTMENT PENSION LIABILITY	<u>0</u>	<u>(13,565)</u>	<u>(13,565)</u>	<u>0</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 184,279</u>	<u>\$ 175,233</u>	<u>\$ (9,046)</u>	<u>\$ 232,805</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, 2019

With Comparative Amounts for the Year Ended June 30, 2018

	<u>2019</u>			
	<u>Budget</u>	<u>2019 Actual</u>	Variance Favorable (Unfavorable)	<u>2018 Actual</u>
REVENUES				
Intergovernmental:				
Allocations	\$ 222,640	\$ 222,640	\$ 0	\$ 111,768
Miscellaneous:				
Interest	4,000	13,879	9,879	4,300
Other	<u>0</u>	<u>245</u>	<u>245</u>	<u>3,538</u>
<u>Total</u>	<u>\$ 226,640</u>	<u>\$ 236,764</u>	<u>\$ 10,124</u>	<u>\$ 119,606</u>
EXPENDITURES AND TRANSFERS				
Street and road projects	\$ 433,000	\$ 112,217	\$ 320,783	\$ 142,848
Interfund transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Total</u>	<u>\$ 433,000</u>	<u>\$ 112,217</u>	<u>\$ 320,783</u>	<u>\$ 142,848</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (206,360)	\$ 124,547	\$ 330,907	\$ (23,242)
FUND BALANCE - BEGINNING OF YEAR	488,591	488,591	0	511,833
PRIOR PERIOD ADJUSTMENTS	<u>0</u>	<u>5,398</u>	<u>5,398</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 282,231</u>	<u>\$ 618,536</u>	<u>\$ 336,305</u>	<u>\$ 488,591</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, 2019

With Comparative Amounts for the Year Ended June 30, 2018

	<u>2019</u>		Variance	
	<u>Budget</u>	<u>2019 Actual</u>	Favorable (Unfavorable)	<u>2018 Actual</u>
REVENUES				
Intergovernmental:				
Allocations - TDA	\$ 10,624	\$ 10,624	\$ 0	\$ 7,923
County of Humboldt	0	0	0	47,022
Miscellaneous:				
Interest	<u>0</u>	<u>3,408</u>	<u>3,408</u>	<u>738</u>
<u>Total</u>	<u>\$ 10,624</u>	<u>\$ 14,032</u>	<u>\$ 3,408</u>	<u>\$ 55,683</u>
EXPENDITURES				
Street and road projects	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>32,041</u>
<u>Total</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,041</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 10,624	\$ 14,032	\$ 3,408	\$ 23,642
FUND BALANCE - BEGINNING OF YEAR	122,999	122,999	0	99,357
PRIOR PERIOD ADJUSTMENT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$133,623</u>	<u>\$137,031</u>	<u>\$ 3,408</u>	<u>\$122,999</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, 2019

With Comparative Amounts for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 16,195	\$ 16,639
Cash received from other income	0	750
Cash disbursed for operating activities	<u>(296,834)</u>	<u>(314,835)</u>
NET CASH PROVIDED (USED) BY OPERATING2 ACTIVITIES	\$ <u>(280,639)</u>	\$ <u>(297,446)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from transfers	\$ 3,831	\$ 10,000
Cash received from other governments	<u>0</u>	<u>0</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	\$ <u>3,831</u>	\$ <u>10,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received (expense)	\$ <u>3,191</u>	\$ <u>308</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ <u>3,191</u>	\$ <u>308</u>
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES:		
Capital grants received	\$ 524,693	\$ 0
Purchase of property and equipment	0	(2,007)
Proceeds from sale of equipment	<u>0</u>	<u>0</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	\$ 524,693	\$ <u>(2,007)</u>
NET (DECREASE) INCREASE IN CASH	\$ 251,076	\$ (289,145)
CASH BALANCE - BEGINNING OF YEAR	<u>(128,236)</u>	<u>160,909</u>
CASH BALANCE (OVERDRAFT) - END OF YEAR	\$ <u>122,840</u>	\$ <u>(128,236)</u>

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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, 2019 and 2018, 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, 2019

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, 2019 and 2018 was as follows:

	Balance June 30, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2019</u>
Vehicles	\$ 179,117	\$ 0	\$ 0	\$ 179,117
Other improvements	131,753	0	0	131,753
Accumulated depreciation	<u>(104,361)</u>	<u>(28,251)</u>	<u> </u>	<u>(132,612)</u>
Net property, plant and equipment	<u>\$ 206,509</u>	<u>\$ (28,251)</u>	<u>\$ 0</u>	<u>\$ 178,258</u>

	Balance June 30, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2018</u>
Vehicles	\$ 227,431	\$ 0	\$ (48,314)	\$ 179,117
Other improvements	129,746	2,007	0	131,753
Accumulated depreciation	<u>(121,879)</u>	<u>(30,797)</u>	<u>(48,314)</u>	<u>(104,361)</u>
Net property, plant and equipment	<u>\$ 235,298</u>	<u>\$ (28,790)</u>	<u>\$ 0</u>	<u>\$ 206,509</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, 2019 and 2018 was \$28,251 and \$30,797 respectively.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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, 2019 and 2018, the calculations are as follows:

	<u>2019</u>	<u>2018</u>
Operating Costs:		
Salary	\$ 95,742	\$ 80,973
Benefits	26,257	19,328
Supplies	417	699
Vehicle fuel & oil	11,172	9,452
Vehicle repair & maintenance	1,906	3,077
Advertising & personnel	0	259
Insurance	3,400	3,400
Telephone & other	<u>1,196</u>	<u>1,977</u>
Net operating costs	\$140,090	\$119,165
Less: DAR Fares received	<u>(16,195)</u>	<u>(16,639)</u>
Maximum TDA Fund Eligibility	\$123,895	\$102,526
TDA Funds received	<u>140,000</u>	<u>125,000</u>
Excess TDA Allocation	<u>\$ 16,105</u>	<u>\$ 22,474</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, 2019

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, 2019 and 2018. The calculation of this compliance was as follows:

	<u>Section 6633.5</u>	
	<u>2019</u>	<u>2018</u>
Total operating costs	\$140,090	\$119,165
Less: Insurance premiums per Section 99268.17	<u>0</u>	<u>0</u>
Net operating costs	<u>\$140,090</u>	<u>\$119,165</u>
Required fare box recovery ratio %	10.00%	10.00%
Required minimum fares	\$ 14,009	\$ 11,917
Actual fares collected	\$ 16,195	\$ 16,639
Actual fare box recovery ratio achieved	11.6%	13.9%

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>2019</u>	<u>2018</u>
Income (loss) from operations	\$ (47,838)	\$ (6,765)
Add (deduct):		
Depreciation	28,251	30,797
Operating grants received	(247,807)	(276,886)
Interest (income) expense	(3,191)	(307)
Capital grants received	0	0
Sale of property	0	0
GASB 68 pension	(10,751)	0
(Decrease) Increase in accounts payable and other accrued expenses	<u>697</u>	<u>(44,285)</u>
Net cash provided (used) by operating activities	<u>\$ (280,639)</u>	<u>\$ (297,446)</u>

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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.

NOTE 11 - GRANT REVENUES

PTMISEA

In November 2006, California voters passes 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, 2016, the City applied for and received proceeds of \$171,281 from the State's PTMISEA account for the procurement of a new bus and other capital expenditures. As of June 30, 2019, qualifying expenditures were incurred as follows:

Proceeds received:	
PMTISEA: 2015-2016	\$ 171,281
Expenditures incurred:	
Bus and other capital improvements	<u>(171,281)</u>
Unexpended proceeds at June 30, 2019	\$ <u> 0</u>