

CITY OF FORTUNA

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

For the Year Ended June 30, 2022

CITY OF FORTUNA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Humboldt County Association
of Governments
611 I Street, Suite B
Eureka, CA 95501

Opinion

We have audited the accompanying financial statements of the Transportation Fund of the City of Fortuna as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Fund of the City of Fortuna as of June 30, 2022 and 2021 and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fortuna, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Transportation Fund and do not purport to, and do not, present fairly the financial position of the City of Fortuna as of June 30, 2022 and 2021, the changes in its financial position, or, 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.

Responsibilities of Management 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, and for 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Trinidad's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

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 Notes 6 and 7, 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 16, 2022
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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
<u>Current Assets</u>		
Cash	\$ 94,068	\$ 289,581
TDA funds receivable	<u>0</u>	<u>0</u>
<u>Total Current Assets</u>	<u>94,068</u>	<u>289,581</u>
<u>Property, Plant and Equipment</u>		
Property, plant and equipment	310,870	310,870
Less: Accumulated depreciation	<u>(200,179)</u>	<u>(180,862)</u>
<u>Total Property, Plant and Equipment</u>	<u>110,691</u>	<u>130,008</u>
<u>Deferred Outflows of Resources</u>		
Deferred Outflows Related to Pensions	<u>46,827</u>	<u>32,606</u>
TOTAL ASSETS	<u>\$ 251,586</u>	<u>\$ 452,195</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 1,734	\$ 166,397
Vacation payable	<u>61</u>	<u>859</u>
<u>Total Current Liabilities</u>	<u>\$ 1,795</u>	<u>\$ 167,256</u>
<u>Other Liabilities</u>		
Net Pension Liability	<u>106,342</u>	<u>184,553</u>
<u>Total Liabilities</u>	<u>\$ 108,137</u>	<u>\$ 351,809</u>
<u>Deferred Inflows of Resources</u>		
Deferred Inflows Related to Pensions	68,231	4,911
<u>Net Assets:</u>		
Retained Earnings:		
Undesignated	\$ 7,303	\$ 21,307
LTF capital reserve	62,211	68,464
STAF capital reserve	<u>5,704</u>	<u>5,704</u>
<u>Total Net Assets</u>	<u>\$ 75,218</u>	<u>\$ 95,475</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 251,586</u>	<u>\$ 452,195</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 562,287	\$ 506,816
TDA funds receivable	0	103,690
Accounts receivable loans-non-current	<u>11,050</u>	<u>11,126</u>
TOTAL ASSETS	<u>\$ 573,337</u>	<u>\$ 621,632</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accrued expenses	\$ 40,158	\$ 0
Deferred revenues	<u>11,050</u>	<u>11,126</u>
<u>Total Liabilities</u>	<u>\$ 51,208</u>	<u>\$ 11,126</u>
Fund Balance:		
Restricted:		
Streets	\$ 511,079	\$ 599,380
Nonspendable:		
Reserved for non-current loans	<u>11,050</u>	<u>11,126</u>
<u>Total Fund Balance</u>	<u>\$ 522,129</u>	<u>\$ 610,506</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 573,337</u>	<u>\$ 621,632</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$166,491	\$161,780
TDA funds receivable	<u> 0</u>	<u> 0</u>
TOTAL ASSETS	<u>\$166,491</u>	<u>\$161,780</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ <u> 0</u>	\$ <u> 53,892</u>
<u>Total Liabilities</u>	<u> 0</u>	<u> 53,892</u>
Fund Balance:		
Restricted:		
TDA 2% Set-Aside Projects	\$ <u>166,491</u>	\$ <u>107,888</u>
<u>Total Fund Balance</u>	<u>166,491</u>	<u>107,888</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$166,491</u>	<u>\$161,780</u>

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENSES AND

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

For the Year Ended June 30, 2022

With Comparative Amounts for the Year Ended June 30, 2021

	2022		Variance	2021
	<u>Budget</u>	<u>2022 Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
OPERATING REVENUES				
Passenger fares	\$ 16,000	\$ 12,943	\$ (3,057)	\$ 11,689
Other income	<u>2,000</u>	<u>2,434</u>	<u>434</u>	<u>5,985</u>
<u>Total Operating Revenues</u>	<u>\$ 18,000</u>	<u>\$ 15,377</u>	<u>\$ (2,623)</u>	<u>\$ 17,674</u>
OPERATING EXPENSES				
Personal services, salaries and benefits	\$175,572	\$194,760	\$ (19,188)	\$142,173
Supplies	800	255	545	729
Vehicle fuel and oil	11,300	15,959	(4,659)	10,543
Repairs and maintenance	4,600	4,538	62	7,622
Depreciation	0	19,317	(19,317)	24,125
Advertising and personnel	400	2,617	(2,217)	1,096
Insurance	11,190	10,500	690	9,710
Telephone and other	<u>3,800</u>	<u>2,743</u>	<u>1,057</u>	<u>803</u>
<u>Total Operating Expenses</u>	<u>\$207,662</u>	<u>\$250,689</u>	<u>\$ (43,027)</u>	<u>\$196,801</u>
NON-OPERATING REVENUES				
Government allocations - Local Transportation Fund	\$344,000	\$343,934	\$ (66)	\$316,695
Interest income	<u>400</u>	<u>119</u>	<u>(281)</u>	<u>0</u>
<u>Total Non-Operating Revenues</u>	<u>\$344,400</u>	<u>\$344,053</u>	<u>\$ (347)</u>	<u>\$316,695</u>
NON-OPERATING EXPENSES				
HTA assessment	\$168,600	\$163,697	\$ 4,903	\$163,697
GASB 68 pension liability	<u>0</u>	<u>(29,112)</u>	<u>29,112</u>	<u>8,586</u>
<u>Total Non-Operating Expenses</u>	<u>\$168,600</u>	<u>\$134,585</u>	<u>\$ 34,015</u>	<u>\$172,283</u>
INCOME (LOSS) BEFORE ADJUSTMENTS	<u>\$ (13,862)</u>	<u>\$ (25,844)</u>	<u>\$ (11,982)</u>	<u>\$ (34,715)</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, 2022

With Comparative Amounts for the Year Ended June 30, 2021

	2022		Variance Favorable (Unfavorable)	2021 Actual
	Budget	2022 Actual		
INCOME (LOSS) BEFORE ADJUSTMENTS				
Balances Forward	\$ (13,862)	\$ (25,844)	\$ (11,982)	\$ (34,715)
FUND TRANSFERS - Measure E	<u>5,000</u>	<u>5,535</u>	<u>535</u>	<u>4,431</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (8,862)	\$ (20,309)	\$ (11,447)	\$ (30,284)
RETAINED EARNINGS - BEGINNING OF YEAR	95,475	95,475	0	137,404
PRIOR PERIOD ADJUSTMENT (NOTE 11)	<u>52</u>	<u>52</u>	<u>52</u>	<u>(11,645)</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 86,613</u>	<u>\$ 75,218</u>	<u>\$ (11,395)</u>	<u>\$ 95,475</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, 2022

With Comparative Amounts for the Year Ended June 30, 2021

	<u>2022</u>		Variance	
	<u>Budget</u>	<u>2022 Actual</u>	Favorable (Unfavorable)	<u>2021 Actual</u>
REVENUES				
Intergovernmental:				
Allocations-TDA	\$ 53,000	\$ 52,941	\$ (59)	\$ 103,690
Reimbursements	0	59,035	59,035	654,147
Miscellaneous:				
Interest	4,000	2,092	(1,908)	0
Other	<u>0</u>	<u>105</u>	<u>105</u>	<u>315</u>
<u>Total</u>	<u>\$ 57,000</u>	<u>\$ 114,173</u>	<u>\$ 57,173</u>	<u>\$ 758,152</u>
EXPENDITURES AND TRANSFERS				
Street and road projects	\$ 293,000	\$ 205,638	\$ 87,362	\$ 964,497
Interfund transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Total</u>	<u>\$ 293,000</u>	<u>\$ 205,638</u>	<u>\$ 87,362</u>	<u>\$ 964,497</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (236,000)	\$ (91,465)	\$ 144,535	\$ (206,545)
FUND BALANCE - BEGINNING OF YEAR	610,506	610,506	0	803,847
PRIOR PERIOD ADJUSTMENTS (NOTE 11)	<u>0</u>	<u>3,088</u>	<u>3,088</u>	<u>13,204</u>
FUND BALANCE - END OF YEAR	<u>\$ 374,506</u>	<u>\$ 522,129</u>	<u>\$ 147,623</u>	<u>\$ 610,506</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, 2022

With Comparative Amounts for the Year Ended June 30, 2021

	<u>2022</u>		Variance	
	<u>Budget</u>	<u>2022 Actual</u>	Favorable (Unfavorable)	<u>2021 Actual</u>
REVENUES				
Intergovernmental:				
Allocations - TDA	\$ 8,100	\$ 8,099	\$ (1)	\$ 8,579
County of Humboldt	49,450	49,546	96	0
Miscellaneous:				
Interest	<u>0</u>	<u>569</u>	<u>569</u>	<u>0</u>
<u>Total</u>	<u>\$ 57,550</u>	<u>\$ 58,214</u>	<u>\$ 664</u>	<u>\$ 8,579</u>
EXPENDITURES				
Street and road projects	\$ <u>49,550</u>	\$ <u>0</u>	\$ <u>49,550</u>	\$ <u>53,892</u>
<u>Total</u>	<u>\$ 49,550</u>	<u>\$ 0</u>	<u>\$ 49,550</u>	<u>\$ 53,892</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 8,000	\$ 58,214	\$ 50,214	\$ (45,313)
FUND BALANCE - BEGINNING OF YEAR	107,888	107,888	0	150,751
PRIOR PERIOD ADJUSTMENT (NOTE 11)	<u>0</u>	<u>389</u>	<u>389</u>	<u>2,450</u>
FUND BALANCE - END OF YEAR	<u>\$115,888</u>	<u>\$166,491</u>	<u>\$ 50,603</u>	<u>\$107,888</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, 2022

With Comparative Amounts for the Year Ended June 30, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 12,943	\$ 11,689
Cash received from other income	2,434	5,985
Cash disbursed for operating activities	<u>(560,478)</u>	<u>(170,633)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (545,101)</u>	<u>\$ (152,959)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from transfers	\$ 5,535	\$ 4,431
Cash received from other governments	<u>343,934</u>	<u>316,695</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>\$ 349,469</u>	<u>\$ 321,126</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	\$ <u>119</u>	\$ <u>1,928</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 119</u>	<u>\$ 1,928</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	\$ 0	\$ 0
Purchase of property and equipment	0	0
Proceeds from sale of equipment	<u>0</u>	<u>0</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>\$ 0</u>	<u>\$ 0</u>
NET (DECREASE) INCREASE IN CASH	<u>\$ (195,513)</u>	<u>\$ 170,095</u>
CASH BALANCE - BEGINNING OF YEAR	<u>289,581</u>	<u>119,486</u>
CASH BALANCE (OVERDRAFT) - END OF YEAR	<u>\$ 94,068</u>	<u>\$ 289,581</u>

See accompanying notes to financial statements.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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, 2022 and 2021, 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, 2022

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, 2022 and 2021 was as follows:

	Balance June 30, <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2022</u>
Vehicles	\$ 179,117	\$ 0	\$ 0	\$ 179,117
Other improvements	131,753	0	0	131,753
Accumulated depreciation	<u>(180,862)</u>	<u>(19,317)</u>	<u>0</u>	<u>(200,179)</u>
Net property, plant and equipment	<u>\$ 130,008</u>	<u>\$ (19,317)</u>	<u>\$ 0</u>	<u>\$ 110,691</u>

	Balance June 30, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>
Vehicles	\$ 179,117	\$ 0	\$ 0	\$ 179,117
Other improvements	131,753	0	0	131,753
Accumulated depreciation	<u>(156,737)</u>	<u>(24,125)</u>	<u>0</u>	<u>(180,862)</u>
Net property, plant and equipment	<u>\$ 154,133</u>	<u>\$ (24,125)</u>	<u>\$ 0</u>	<u>\$ 130,008</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, 2022 and 2021 was \$19,317 and \$24,125 respectively.

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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, 2022 and 2021, the calculations are as follows:

	<u>2022</u>	<u>2021</u>
Operating Costs:		
Salary	\$100,810	\$ 76,520
Benefits & unfunded liability payments	93,950	65,653
Supplies	255	729
Vehicle fuel & oil	15,959	10,543
Vehicle repair & maintenance	4,538	7,622
Advertising & personnel	2,617	1,096
Insurance	10,500	9,710
Telephone & other	<u>2,743</u>	<u>803</u>
Net operating costs	\$231,372	\$172,676
Less: DAR Fares received	<u>(12,943)</u>	<u>(11,689)</u>
Maximum TDA Fund Eligibility	\$218,429	\$160,987
TDA Funds received (before prior year offset)	<u>193,600</u>	<u>168,600</u>
Excess TDA Allocation	\$ <u>0</u>	\$ <u>7,613</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, 2022

NOTE 7 - FARE BOX RECOVERY RATIO:

The City 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 years ended June 30, 2022 and 2021. The calculations for this fare box ratio compliance for each year was as follows:

	<u>Section 6633.5</u>	
	<u>2022</u>	<u>2021</u>
Total operating costs	\$231,372	\$172,676
Less: Insurance premiums per Section 99268.17	<u>0</u>	<u>0</u>
Net operating costs	<u>\$231,372</u>	<u>\$172,676</u>
Required fare box recovery ratio %	10.00%	10.00%
Required minimum fares	\$ 23,137	\$ 17,267
Actual fares collected	\$ 12,943	\$ 11,689
Actual fare box recovery ratio achieved	5.59%	6.77%

For the years ended June 30, 2021 and June 30, 2022, the compliance requirements were waived under the provisions of AB-90 due to COVID.

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>2022</u>	<u>2021</u>
Income (loss) from operations	\$ (25,843)	\$ (34,715)
Add (deduct):		
Depreciation	19,317	24,125
Operating grants received	(343,934)	(316,695)
Interest (income) expense	(119)	0
Capital grants received	0	0
Sale of property	0	0
GASB 68 pension	(29,112)	8,586
(Decrease) Increase in accounts payable and other accrued expenses	<u>(165,410)</u>	<u>165,740</u>
Net cash provided (used) by operating activities	<u>\$ (545,101)</u>	<u>\$ (152,959)</u>

CITY OF FORTUNA

TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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 - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were required in each of the funds to account for certain adjustments that were made to the records as of the prior June 30, 2021 fiscal year-end after the date of our prior audit. Those adjustment and amounts were as follows:

	<u>GASB 31 Adjustments</u>
Senior Bus Fund	\$ 52
Transportation Fund	\$ 3,088
Transportation 2% Set-Aside Fund	\$ 389