

**CITY OF ARCATA**

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

For the Year Ended June 30, 2024

**CITY OF ARCATA**  
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**June 30, 2024**

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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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 Notes 7 and 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*

March 24, 2025  
Fortuna, California

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

COMPARATIVE STATEMENT OF NET POSITION

Pertaining to Section 99260 of the Public Utilities Code

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash - General (overdraft)	\$ 208,751	\$ (34,408)
Cash - Restricted for bus replacement	0	0
Cash - Greyhound account	0	34,608
STAF receivable	0	253,740
Due from other governments	<u>302,560</u>	<u>232,928</u>
<u>Total Current Assets</u>	<u>\$ 511,311</u>	<u>\$ 486,868</u>
<u>Property, Plant and Equipment</u>		
Vehicles	\$ 4,798,973	\$ 4,798,973
Building and structures	939,572	939,572
Other improvements	809,146	772,262
Furniture and equipment	<u>416,667</u>	<u>416,667</u>
Less: Accumulated depreciation	<u>\$ 6,964,358</u> <u>(4,129,581)</u>	<u>\$ 6,927,474</u> <u>(3,790,788)</u>
<u>Total Property, Plant and Equipment</u>	<u>\$ 2,834,777</u>	<u>\$ 3,136,686</u>
<u>Deferred Outflows of Resources</u>		
Deferred Outflows Related to Pensions	<u>\$ 262,460</u>	<u>\$ 268,600</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,608,548</u></b>	<b><u>\$ 3,892,154</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<u>Current Liabilities</u>		
Accounts payable and other expenses	135,055	\$ 59,841
Accrued vacation	<u>11,127</u>	<u>9,005</u>
<u>Total Current Liabilities</u>	<u>\$ 146,182</u>	<u>\$ 68,846</u>
<u>Other Liabilities</u>		
Net Pension Liability	726,156	712,093
Due to other governments	<u>0</u>	<u>190,439</u>
<u>Total Liabilities</u>	<u>\$ 872,338</u>	<u>\$ 971,378</u>
<u>Deferred Inflows of Resources</u>		
Deferred Inflows Related to Pensions	<u>\$ 61,124</u>	<u>\$ 65,370</u>
<u>Net Assets</u>		
Contributed capital:		
Contributions from other funds	<u>\$ 1,521,151</u>	<u>\$ 1,521,151</u>
Retained earnings:	<u>\$ 1,521,151</u>	<u>\$ 1,521,151</u>
Unreserved	\$ 1,130,369	\$ 1,310,689
Reserved for capital assets-City	0	0
LTF Capital Reserve	<u>23,566</u>	<u>23,566</u>
<u>Total Net Assets</u>	<u>\$ 1,153,935</u>	<u>\$ 1,334,255</u>
<u>Total Net Assets</u>	<u>\$ 2,675,086</u>	<u>\$ 2,855,406</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,608,548</u></b>	<b><u>\$ 3,892,154</u></b>

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>		
Passenger fares	\$ 59,853	\$ 54,733
Special transit fares-HSU	480,952	185,514
Dial-A-Ride/Dial-A-Lift ticket sales	48	16,037
Other revenue	263	1,407
Greyhound program (net)	<u>(3,538)</u>	<u>(709)</u>
<u>Total</u>	<u>\$ 537,578</u>	<u>\$ 256,982</u>
<b>OPERATING EXPENSES</b>		
Labor and benefits	\$ 159,209	\$ 317,535
Services and overhead	52,568	72,452
Materials and supplies	17,221	2,902
Insurance	73,849	71,446
Repairs and maintenance	20,172	28,990
Vehicle maintenance & fuel	798,052	261,131
Depreciation	338,793	348,091
Dial-A-Lift expenses	<u>6,067</u>	<u>24,300</u>
<u>Total</u>	<u>\$1,465,931</u>	<u>\$1,126,847</u>
<b>NON-OPERATING REVENUES</b>		
Operating grant (LTF)	\$ 758,750	\$ 529,842
Capital grant (STAF)	0	271,997
Operating grant (STAF)	250,000	150,000
LCTOP grant	28,712	27,595
SGR grant	43,484	37,090
DAR/DAL allocation	0	108,612
HTA/RTS allocation	0	243,783
HTA capital grant reimbursement	0	274,387
Interest income (expense)	<u>12,241</u>	<u>230</u>
<u>Total</u>	<u>\$1,093,187</u>	<u>\$1,643,536</u>
<b>NON-OPERATING EXPENSES</b>		
HTA/RTS assessment	\$ 255,980	\$ 243,783
DAR/DAL operating assessment	<u>89,174</u>	<u>83,312</u>
<u>Total</u>	<u>\$ 345,154</u>	<u>\$ 327,095</u>
<b>INCOME BEFORE ADJUSTMENTS</b>	<b><u>\$ (180,320)</u></b>	<b><u>\$ 446,576</u></b>

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
INCOME BEFORE TRANSFERS AND ADJUSTMENTS	\$ (180,320)	\$ 446,576
Prior Period Adjustment of Pension Liability and other	0	(91,385)
CHANGE IN NET ASSETS	\$ (180,320)	\$ 355,191
NET ASSETS-BEGINNING OF YEAR	<u>2,855,406</u>	<u>2,500,515</u>
NET ASSETS-END OF YEAR	<u>\$2,675,086</u>	<u>\$2,855,406</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received for services	\$ 378,591	\$ 260,869
Cash paid for operations	(1,382,537)	(1,175,496)
Cash received operating transfers (net)	(190,439)	(97,409)
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$(1,194,385)</u></b>	<b><u>\$(1,012,036)</u></b>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from other governments	\$ 1,177,579	\$ 1,111,018
Operating grants received	<u>250,000</u>	<u>0</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b><u>\$ 1,427,579</u></b>	<b><u>\$ 1,111,018</u></b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	\$ <u>12,241</u>	\$ <u>230</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>\$ 12,241</u></b>	<b><u>\$ 230</u></b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants received	\$ 0	\$ 442,644
Purchase of property and equipment	(36,884)	(1,226,066)
Capital outlay	<u>0</u>	<u>0</u>
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<b><u>\$(36,884)</u></b>	<b><u>\$(783,422)</u></b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ 208,551</b>	<b>\$ (684,210)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<u>200</u>	<u>684,410</u>
<b>CASH AT END OF YEAR</b>	<b><u>\$ 208,751</u></b>	<b><u>\$ 200</u></b>

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, 2024

**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, 2024

**NOTE 5 - OPERATING TRANSFERS:**

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

	<u>2024</u>	<u>2023</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, 2024 and 2023 were as follows:

	Balance June 30, <u>2023</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	Balance June 30, <u>2024</u>
Vehicles	\$ 4,798,973	\$ 0	\$ 0	\$ 4,798,973
Buildings and structures	939,572	0	0	939,572
Other improvements	772,262	36,884	0	809,146
Furniture and equipment	416,667	0	0	416,667
Accumulated depreciation	<u>(3,790,788)</u>	<u>(338,793)</u>	<u>0</u>	<u>(4,129,581)</u>
Net property, plant and equipment	<u>\$ 3,136,686</u>	<u>\$ (301,909)</u>	<u>\$ 0</u>	<u>\$ 2,834,777</u>

	Balance June 30, <u>2022</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	Balance June 30, <u>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>

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, 2024 and 2023 was \$338,793 and \$348,091 respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2024

**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, 2024, 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>2024</u>	
Operating costs	\$1,216,312
Less: Fare revenues	(124,688)
Less: HSU subsidy for extended operational hours of service	<u>(416,165)</u>
Maximum fund eligibility	\$ 675,459
STA funds received	250,000
TDA funds received	<u>466,170</u>
Excess funds received	<u>\$ 40,711</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, 2024 and 2023. The calculation of this compliance was as follows:

<u>Section 6633.2</u>		
	<u>2024</u>	<u>2023</u>
Total operating costs	\$1,121,071	\$754,456
Less: Insurance premiums per Section 99268.17	<u>0</u>	<u>0</u>
Net operating costs	<u>\$1,121,071</u>	<u>\$754,456</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	\$ 112,107	\$ 75,446
Actual fares collected	\$ 124,640	\$240,247
Actual fare box recovery ratio % achieved	11.11%	31.84%

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

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2024

**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>2024</u>	<u>2023</u>
Accrued vacation and comp	\$11,128	\$ 9,005
Accrued sick leave	<u>14,117</u>	<u>11,191</u>
<u>Total</u>	<u>\$25,245</u>	<u>\$20,196</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>2024</u>	<u>2023</u>
Income (loss) from operations	\$ (180,320)	\$ 446,576
Add (deduct):		
Depreciation	338,793	348,091
Interest income (expense)	(12,241)	(230)
Capital grants received	0	(442,644)
Operating grants received	(1,427,579)	(1,111,018)
(Increase) decrease in accounts receivable	184,108	163,949
Increase (decrease) in accounts payable and other liabilities, including prior year adjustment	<u>(97,146)</u>	<u>(416,760)</u>
Net cash (used) by operating activities	<u>\$ (1,194,385)</u>	<u>\$ (1,012,036)</u>

**NOTE 11 - GREYHOUND BUS PROGRAM:**

During numerous prior years, 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.

During the years ended June 30, 2018 through June 30, 2024, the program once again operated at a cumulative deficit of \$109,711. After accounting for current year additional revenue sources, there was an overall deficit for the program of \$140,073 as of June 30, 2024.

The City has recently reviewed and evaluated their expenditure allocation to this program in prior years. The methodology used in years prior to June 30, 2021 was determined to have been inappropriate and not evaluated regularly. A revision of such labor allocations has recently been prepared based on the supportable time properly changeable to the Greyhound program. Such revision has determined that approximately \$192,000 in excess labor costs had been allocated to the program in the years prior to 2021. With these modifications, the cumulative deficit noted about would be eliminated and no further tracking or adjustments are needed. Further, the calculations relating to Fund Eligibility and Farebox Ratio compliance were determined to not have been impacted by these changes.

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

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2024

**NOTE 12 - CAPITAL GRANTS:**

During the years ended June 30, 2024 and 2023, the City received the following capital grants:

	<u>2024</u>	<u>2023</u>
STAF Capital Grant-Electric Buses	\$ 0	271,997
HTA Grant Reimbursement (New Bus-Partial Funding)	0	92,927
HTA Grant Reimbursement (EV Charging Statrion)	0	181,460
	<hr/>	<hr/>
Total Capital Grants	\$ <u>0</u>	\$ <u>546,384</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.

**NOTE 14 - TRANSIT SYSTEM OPERATIONS AND SUBSEQUENT EVENTS**

Effective with the fiscal year beginning July 1, 2023, the City contracted with Humboldt Transit Authority to expand their operational duties for the Arcata and Mad River Transit System. These duties now include the staffing and personnel services to operate the transit system. These services are in addition to the previously contracted bus maintenance services, including fuel and other operating costs. These services are provided at a monthly cost of \$50,324. This arrangement has been continued for the current July 1, 2024-June 30, 2025 fiscal year, with a monthly cost of \$63,546.

Effective July 1, 2025, the City of Arcata effectively transferred its Arcata and Mad River Transit System operations and assets, including busses and rolling stock to the Humboldt Transit Authority, which will assume all responsibilities and ownership of the transit system.