

**REDWOOD COAST TRANSIT AUTHORITY
TRANSPORTATION DEVELOPMENT ACT FUNDS**

CRESCENT CITY, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Redwood Coast Transit Authority
Crescent City, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the major fund of Redwood Coast Transit Authority as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Redwood Coast Transit Authority's basic 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 respective financial position of the business-type activities and the major fund of Redwood Coast Transit Authority, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Audit of the Financial Statements section of our report. We are required to be independent of Redwood Coast Transit Authority, 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Redwood Coast Transit Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities 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 opinions. 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 in the United States of America 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.

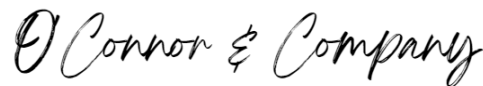
In performing an audit in accordance with generally accepted auditing standards in the United States of America, we:

- 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 Redwood Coast Transit Authority'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Redwood Coast Transit Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



O'Connor & Company

Novato, California
June 20, 2024

Redwood Coast Transit Authority
 Transportation Development Act Funds
MANAGEMENT'S DISCUSSION & ANALYSIS
 June 30, 2023

This section of Redwood Coast Transit Authority's (the Authority's) financial statements presents management's overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023. The Authority is a joint powers authority entered into by the County of Del Norte and the City of Crescent City. The Authority administers transportation programs to the public including local and regional bus routes, specialized transportation services for seniors and disabled, and intercity bus routes that connect to national carriers, Greyhound and Amtrak Thruway.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's audited financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The required financial statements include the Statement of Net Position - Proprietary Fund; Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund; and Statement of Cash Flows - Proprietary Fund.

Statement of Net Position

This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the classifications is represented as "Net Position"; this section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of the Authority.

Statement of Revenues, Expenses and Changes in Net Position

This statement presents the revenues earned and expenses incurred during the year using the accrual basis of accounting. Under the accrual basis of accounting, all changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the cash flow.

Statement of Cash Flows

This statement reflects the inflows and outflows of cash, summarized by type of activity. The direct method was used to prepare information for the reporting period activities. This means the gross rather than net amounts were presented for the year's activities.

These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Authority.

Proprietary Fund Analytical Overview

Table 1
Proprietary Fund Net Position on June 30

	2023	2022
Current assets	\$ 922,496	\$ 640,865
Capital assets	1,386,124	1,493,253
Total assets	2,308,620	2,134,118
Current liabilities	302,756	197,905
Long-term liabilities	808,547	836,810
Total liabilities	1,111,303	1,034,715
Net position:		
Net investment in capital assets	549,314	629,136
Restricted	199,964	127,358
Unrestricted	448,039	342,909
Total net position	\$ 1,197,317	\$ 1,099,403

Redwood Coast Transit Authority
Transportation Development Act Funds
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2023

The Authority's cash balance increased partly due to the timing of FTA grant receipts. The Authority's account receivable balance was \$12,500, which is included with the cash balance in current assets. The Authority's net position amounted to \$1,197,317 as of June 30, 2023, a change of \$97,914 from the June 30, 2022 balance. This change in net position is reflected in Table 2, the Statement of Changes in Proprietary Fund Net Position.

The Authority's programs are financed through a combination of passenger fares, federal and state grants, and Local Transportation Funds derived from 1/4 cent of the state sales tax collected per dollar in Del Norte County. Since most state and federal grant funds are received on a reimbursement basis, the Authority may have significant Accounts Receivable at the conclusion of each fiscal year. The reliance on reimbursement of grant funds affects available cash, and could result in a significant Accounts Payable balance.

Table 2
Changes in Proprietary Fund Net Position

	2023	2022
<u>Expenses</u>		
Services and supplies	\$ 2,107,346	\$ 1,718,582
Total expenses	2,107,346	1,718,582
<u>Revenues</u>		
Program revenues:		
Charges for services	107,069	81,680
Government grants	783,285	346,398
Total program revenues	890,354	428,078
General revenues:		
Interest and other income	48,565	10,873
Taxes	1,266,341	1,250,157
Total general revenues	1,314,906	1,261,030
Total revenues	2,205,260	1,689,108
<u>Change in net position</u>	\$ 97,914	\$ (29,474)

As shown in Table 2 above, \$890,354 or 40% of the Authority's 2023 revenue, came from operating revenues which consisted of passenger fares and government grants. \$1,314,906, or 60% of the Authority's 2023 revenue, came from non-operating revenues consisting of sales taxes, gas taxes, local transportation funds, and other revenue.

Government grants increased to \$436,887 in 2023. This change is due to a variety of factors including timing of federal operating assistance grants, and the use of federal capital grants for the purchase of equipment and vehicles.

Capital Assets

GASB Statement No. 34 requires the Authority to record all its capital assets that were not recorded in prior years. Detail on capital assets can be found in Note 3 of the financial statements.

Debt Administration

The Authority does not utilize long-term debt to fund operations or growth. Please refer to note 7 of the financial statements.

Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various communities served by the Authority.

Redwood Coast Transit Authority
Transportation Development Act Funds
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2023

Statement of Cash Flows

The Authority cash and cash equivalent at the end of the period is \$891,731, which is synonymous with "reserves" and is used by the Authority to buffer against funding fluctuations and provide the required local match to capital grant funded projects.

In addition, the Authority anticipates receiving an estimated \$400,000 per year in FTA pandemic funds through 2029.

Contacting the Authority's Financial Management

These financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of the Authority's finances. Questions about this Report should be directed to Redwood Coast Transit Authority, c/o TMTP Consulting LLC, 900 Northcrest Drive #134, Crescent City, CA 95531.

Redwood Coast Transit Authority
Transportation Development Act Funds
STATEMENT OF NET POSITION
Public Transit Fund
June 30, 2023

ASSETS

Current assets:

Cash	\$ 891,731
Prepaid items	18,265
Accounts receivable	<u>12,500</u>
Total current assets	<u>922,496</u>

Long-term assets:

Right to use leased asset, net of accumulated amortization	836,810
Capital assets, net of accumulated depreciation	<u>549,314</u>
Total long-term assets	<u>1,386,124</u>

Total assets	<u>2,308,620</u>
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LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	274,493
Lease payable	<u>28,263</u>
Total current liabilities	<u>302,756</u>

Long-term liabilities:

Lease payable	<u>808,547</u>
Total liabilities	<u>1,111,303</u>

Net Position:

Net investment in capital assets	549,314
Restricted	199,964
Unrestricted	<u>448,039</u>
Total net position	<u>\$ 1,197,317</u>

The accompanying notes are an integral part of these financial statements.

Redwood Coast Transit Authority
Transportation Development Act Funds
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
Public Transit Fund
For the Fiscal Year Ended June 30, 2023

Operating revenue:	
Fares	\$ 107,069
Total operating revenue	<u>107,069</u>
Operating expenses:	
Purchased transportation	1,464,511
Administrative services and supplies	535,329
Amortization	27,307
Depreciation	<u>79,822</u>
Total operating expenses	<u>2,106,969</u>
Net operating income (loss)	<u>(1,999,900)</u>
Other revenues and (expenses):	
Local Transportation Funds	931,648
State Transit Assistance Funds	265,609
Intergovernmental revenue	783,285
LCTOP	69,084
Other income	43,567
Interest expense	(377)
Interest	<u>4,998</u>
Total other revenues and expenses	<u>2,097,814</u>
Change in net position	97,914
Net position, beginning of period	<u>1,099,403</u>
Net position, end of period	<u>\$ 1,197,317</u>

The accompanying notes are an integral part of these financial statements.

Redwood Coast Transit Authority
Transportation Development Act Funds
STATEMENT OF CASH FLOWS
Public Transit Fund
For the Year Ended June 30, 2023

Cash flows from operating activities:	
Receipts from customers	\$ 368,465
Payments to suppliers	<u>(1,911,981)</u>
Net cash provided (used) by operating activities	<u>(1,543,516)</u>
Cash flows from non-capital financing activities:	
Taxes and aid from other governments	<u>2,093,193</u>
Net cash provided (used) by non-capital financing activities	<u>2,093,193</u>
Cash flows from capital and related financing activities:	
Current lease principal payments	(27,307)
Interest expense	<u>(377)</u>
Net cash provided (used) by capital and related financing activities	<u>(27,684)</u>
Cash flows from investing activities:	
Interest earned	<u>4,998</u>
Net cash provided by investing activities	<u>4,998</u>
Net increase (decrease) in cash and cash equivalents	526,991
Cash and cash equivalents - beginning of period	<u>364,740</u>
Cash and cash equivalents - end of period	<u><u>\$ 891,731</u></u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:	
Operating income (loss)	<u>\$ (1,999,900)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	79,822
Amortization expense	27,307
Changes in certain assets and liabilities:	
Prepaid	(16,036)
Accounts receivable	261,396
Accounts payable	<u>103,895</u>
Total adjustments	<u>456,384</u>
Net cash provided (used) by operating activities	<u><u>\$ (1,543,516)</u></u>

The accompanying notes are an integral part of these financial statements.

Redwood Coast Transit Authority
Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements are intended to present the financial position and results of operations of only those transactions attributable to the Transportation Development Act Funds used by the Redwood Coast Transit Authority (the Authority).

This summary of significant accounting policies of the Authority is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of financial statements.

The Authority owns buses and related equipment, and contracts with a third party, First Transit, Inc., for the operations of the bus routes in Del Norte County and surrounding areas. The financial statements are intended to present the financial position and results of operations of only those transactions attributable to the Authority. The Authority does not exercise control over any other governmental agency. Criteria used in determining the reporting entity was based on control or dependence determined based on budget adoption, funding, and appointment of the respective governing board.

B. Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled. In the financial statements in this report, the various funds are grouped into two generic fund types and one broad fund category as described below:

Proprietary Funds:

Enterprise Funds (Public Transit Fund) - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred.

Redwood Coast Transit Authority
Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (concluded)

The fixed assets of the Proprietary Fund are recorded on a historical cost basis. Depreciation is provided for on the straight-line method over the remaining useful life of the asset, which ranges from five to forty years. The threshold for capitalizing capital expenses is \$5,000.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The Authority may fund programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Authority's policy is to first apply restricted grant resources to such programs, followed by other revenues if necessary.

D. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

Cash and investments are used in preparing the statement of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

F. Fair Value Hierarchy

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties.

The Authority did not have any investments subject to the recurring fair value measurements as of June 30, 2023

G. Contingencies

The Authority receives revenue from Federal, State and Local agencies that have requirements to be followed when expending these revenues. If the requirements are not followed, the unauthorized expenditure would be a liability to be refunded to the appropriate agency. Although that is a possibility, management currently deems the contingency remote based upon their knowledge of the objectives of the grantors and the provisions of the grants. Accordingly, no amount has been accrued as a contingent liability in the accompanying financial statements.

Redwood Coast Transit Authority
Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

H. Leases

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases. If the District does not have an incremental borrowing rate the Authority uses the risk free 52-week treasury bill rate.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

I. Net Position

In the financial statements, fund net position is reported in three categories as follows:

- Net investment in capital assets - This category of net position reports the net book value of capital assets used in Authority operations including construction in progress all net of related accumulated depreciation and reduced by the carrying value of related long-term debt issued to finance the acquisition of such assets.
- Restricted for debt service and capital projects - This category of net position reports all unspent proceeds from the issuance of long-term debt restricted for capital asset improvement, replacement, or construction net of the related long-term debt. It also includes funds restricted for debt service payment and reserve requirements.
- Unrestricted - Unrestricted net position represents all other assets net of related liabilities available for use by the Authority.

Net Position Flow Assumption - Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Redwood Coast Transit Authority
 Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 2 - CASH & INVESTMENTS

The Treasurer of Del Norte County (the County) is responsible for maintaining the cash and investment pool. The total cash deposited with the County was \$891,731 as of June 30, 2023.

Credit Risk, Carrying Amount and Market Value of Investments:

The Authority maintains specific cash deposits with the County and involuntarily participates in the external investment pool of the County. The County is restricted by state code in the types of investments it can make. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than the state code as to terms of maturity and type of investment. Also, the County has an investment committee that performs regulatory oversight for its pool as required by California Government Code Section 27134.

The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2023, the Authority's cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors.

NOTE 3 - FIXED ASSETS

A summary of changes in fixed assets of the Proprietary Fund is as follows:

	Balance 6/30/22	Additions	Deletions	Balance 6/30/23
Vehicles	\$ 1,772,570	\$ -	\$ -	\$ 1,772,570
Buildings	1,032,198	-	-	1,032,198
Subtotal	2,804,768	-	-	2,804,768
Less accumulated depreciation	(2,175,632)	(79,822)	-	(2,255,454)
Total fixed assets	<u>\$ 629,136</u>	<u>\$ (79,822)</u>	<u>\$ -</u>	<u>\$ 549,314</u>

Redwood Coast Transit Authority
Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - FIXED ASSETS (concluded)

Depreciation was \$79,822 for the year ended June 30, 2023. Depreciation was calculated using the straight-line method over the useful life of the asset. The useful lives of the assets range from five to ten years.

<u>Right To Use Asset</u>	Balance 7/1/22	Additions	Deletions	Balance 6/30/23
Right to use land space	\$ 890,501	\$ -	\$ -	\$ 890,501
Less accumulated amortization	(26,384)	(27,307)	-	(53,961)
Total net Right To Use Asset	<u>\$ 864,117</u>	<u>\$ (27,307)</u>	<u>\$ -</u>	<u>\$ 836,810</u>

NOTE 4 - FARE REVENUE RATIO

The Authority is required under the Transportation Development Act to maintain a fare revenue to operating expenses ratio of 10%. Governor Newsom signed AB 149 into law on July 16, 2021, which suspends the Fare Box Recovery Ration requirements through June 30, 2023. The calculation of the fare revenue ratio for the year ending June 30, 2023 is as follows:

Fare revenues	\$ 107,069
Total	<u>\$ 107,069</u>
Operating expenses	\$ 2,106,969
Less: Depreciation	(79,822)
Amortization	(27,307)
Capital outlay	-
Exempted services	-
Total	<u>\$ 1,999,840</u>
Fare revenue ratio	<u>5%</u>

The Authority has not met the required farebox revenue ratio. In response to the COVID-19 pandemic crisis, relief measures have been put in place for transit agencies statewide. The following TDA regulations have been temporarily eliminated and noted for reference purposes only. The TDA regulations allow a grace year for the first year an operator does not meet the required farebox revenue ratio. The second year the ratio is not met is the noncompliance year. Failure to meet the ratio during these two years does not result in any penalties to the Authority. However, if the Authority does not meet the required ratio for a third year (determination year) the Authority would be subjected to reduced funding in the fourth year (penalty year). Funding for the fourth year would be reduced by the difference between the required 10 percent farebox ratio revenue amount and the actual farebox revenues received, per Section 6633.9 of the TDA. The amount of reduced TDA funding, if any, cannot be determined at this time.

NOTE 5 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority engages contractors for its operations and management services and requires all these contractors to provide commercial insurance covering such risks of loss.

Redwood Coast Transit Authority
Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - CONCENTRATIONS

The Authority receives a substantial amount of its support from Transportation Development Act funding as well as Federal Transit Administration Grants. A reduction in the level of support may have a significant effect on the Authority's activities.

NOTE 7 - LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2023, are as follows:

	Beginning	Additions	Retirements	Balance	Due in one Year
Leases payable	\$ -	\$ 864,117	\$ 27,307	\$ 836,810	\$ 28,263

NOTE 8 - LEASES

The Authority leases ground space with the State of California located on the Del Norte County Fair Grounds through February 28, 2024. The lease has an option for an additional 20 years through February 28, 2044, which the Authority intends to execute. The Authority uses the estimated incremental borrowing rate of 3%. The Authority has recorded a right to use asset with a net book value of \$836,810 at June 30, 2023. Future minimum payments required under the above lease are as follows:

Year End June 30	Principal	Interest	Total
2024	\$ 28,263	\$ 390	\$ 28,653
2025	29,249	403	29,652
2026	30,278	418	30,696
2027	31,332	432	31,764
2028	32,433	447	32,880
2029	33,557	463	34,020
2030	34,741	479	35,220
2031	35,948	496	36,444
2032	37,203	513	37,716
2033	38,505	531	39,036
2034	39,854	550	40,404
2035	41,251	569	41,820
2036	42,695	589	43,284
2037	44,187	609	44,796
2038	45,737	631	46,368
2039	47,347	653	48,000
2040	49,004	676	49,680
2041	50,721	699	51,420
2042	52,496	724	53,220
2043	54,331	749	55,080
2044	37,678	330	38,008
Totals	\$ 836,810	\$ 11,351	\$ 848,161

NOTE 9 - SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued.

REDWOOD COAST TRANSIT AUTHORITY

BOARD & MANAGEMENT REPORT

**For the Year Ended
JUNE 30, 2023**



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Board of Directors
Redwood Coast Transit Authority
Crescent City, California

In planning and performing our audit of the basic financial statements of Redwood Coast Transit Authority for the fiscal year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of Redwood Coast Transit Authority's internal control.

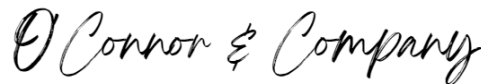
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Redwood Coast Transit Authority in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors and management of the Redwood Coast Transit Authority and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank Redwood Coast Transit Authority's staff for its cooperation during our audit.



O'Connor & Company

San Rafael, California
June 20, 2024

Board of Directors
Redwood Coast Transit Authority
Crescent City, California

We have audited the basic financial statements of Redwood Coast Transit Authority for the year ended June 30, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 26, 2023, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Redwood Coast Transit Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Redwood Coast Transit Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered by Redwood Coast Transit Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 91 – Conduit Debt Obligations

GASB 94 – Public-Private and Public-Public and Availability Payment Arrangements

GASB 93 – Omnibus 2022, paragraphs 11-25

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole. The most sensitive estimates affecting the basic financial statements were:

- Capital asset lives and depreciation expense.
- Fair value of investments and financial instruments.
- Accrual and disclosure of leases.

We identified the following significant risk(s) of material misstatement as part of our audit planning: management override of controls, improper revenue recognition, and unallowable and fraudulent expenses.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Of the 8 audit adjustments detected because of audit procedures and corrected by management most were material, either individually or in aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, like obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Redwood Coast Transit Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Redwood Coast Transit Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of the Redwood Coast Transit Authority and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Redwood Coast Transit Authority
BOARD & MANAGEMENT REPORT
For the Year Ended June 30, 2023

Current Year Observations

There are no current year observations.

Prior Year Observations

1. Lease Capitalization Policy

Observation:

As discussed in Notes 1H and 8 to the financial statements, Redwood Coast Transit Authority (the Authority) implemented Governmental Accounting Standards Board Statement No. 87, *Leases*, which became effective for the year ended June 30, 2022, and had material effects on the financial statements. This new standard requires leases to be capitalized as intangible assets. In compliance with the new accounting statement the Authority should consider formalizing a capitalization policy for leases similar to their capitalization policy for capital assets.

Recommendation:

We recommended the Authority consider formalizing a capitalization policy for leases over \$30,000.

Status:

This recommendation has not been implemented.