

COUNTY OF HUMBOLDT
REPORT ON AUDIT OF THE
TRANSPORTATION DEVELOPMENT ACT FUNDS
(ARTICLES 4 AND 8)
FOR THE YEAR ENDED
June 30, 2014

COUNTY OF HUMBOLDT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Humboldt County Association
of Governments
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We have audited the accompanying financial statements of the Transportation Services Fund and portions of the Road Fund of the County of Humboldt as of and for the years ended June 30, 2014 and 2013, 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.

As described in Note 4, the accompanying statement of revenues and expenditures of Section 99400(a), recorded in the Road Fund of the County of Humboldt for the year ended June 30, 2014 does not include a comparison with a formal budget, as required by accounting principles generally accepted in the United States of America.

Opinion

In our opinion, except as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Services Fund and portions of the Road Fund of the County of Humboldt as of June 30, 2014 and 2013, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Transportation Services Fund and portions of the Road Fund and do not purport to, and do not present fairly the financial position of the County of Humboldt as of June 30, 2014 and 2013, 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.

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 disclosed in Notes 5, 6 and 9, 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

October 3, 2014
Fortuna, California

COUNTY OF HUMBOLDT
TRANSPORTATION DEVELOPMENT ACT FUNDS

COMPARATIVE BALANCE SHEET

Pertaining to Section 99400(a) of the Public Utilities Code
Recorded in the Transportation Services Fund

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$479,898	\$610,955
Interest receivable	<u> 0</u>	<u> 0</u>
TOTAL ASSETS	<u>\$479,898</u>	<u>\$610,955</u>
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 9,155	\$ 74,483
Fund balance:		
Restricted:		
Bicycle & Trailways Program	<u>470,743</u>	<u>536,472</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$479,898</u>	<u>\$610,955</u>

See accompanying notes to financial statements.

COUNTY OF HUMBOLDT
TRANSPORTATION DEVELOPMENT ACT FUNDS

COMPARATIVE BALANCE SHEET

Pertaining to Section 99400(a) of the Public Utilities Code
Recorded in the Road Fund

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 00	\$ 00
TDA receivable	<u>00</u>	<u>00</u>
TOTAL ASSETS	<u>\$ 00</u>	<u>\$ 00</u>
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 00	\$ 00
Fund balance		
Restricted:		
Streets Program	<u>00</u>	<u>00</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 00</u>	<u>\$ 00</u>

See accompanying notes to financial statements.

COUNTY OF HUMBOLDT
TRANSPORTATION DEVELOPMENT ACT FUNDS

COMPARATIVE BALANCE SHEET

Pertaining to Sections 99260(a) and 99260.7 of the Public Utilities Code
Recorded in the Transportation Services Fund

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$161,002	\$161,002
Prepaid ADHC fees	<u> 00</u>	<u> 00</u>
TOTAL ASSETS	<u>\$161,002</u>	<u>\$161,002</u>
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 00	\$ 00
Deferred transit revenues	00	00
Fund balance		
Restricted:		
Transportation Services	<u>161,002</u>	<u>161,002</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$161,002</u>	<u>\$161,002</u>

See accompanying notes to financial statements.

COUNTY OF HUMBOLDT
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Pertaining to Section 99400(a) of the Public Utilities Code
Recorded in the Transportation Services Fund

For the Year Ended June 30, 2014
With Comparative Amounts for the Year Ended June 30, 2013

	2014		Variance	2013
	Budget	2014 Actual	Favorable (Unfavorable)	
REVENUES				
Intergovernmental:				
TDA Allocation	\$ 65,000	\$ 65,000	\$ 0	\$124,472
Interest income	3,000	4,382	1,382	4,495
Other governmental agencies	215,000	140,802	(74,198)	13,868
Charges for current services	<u>0</u>	<u>34,500</u>	<u>34,500</u>	<u>874</u>
<u>Total</u>	<u>\$ 283,000</u>	<u>\$244,684</u>	<u>\$ (38,316)</u>	<u>\$143,709</u>
EXPENDITURES				
County Parks administration maintenance and capital outlay	\$ 14,000	\$ 8,890	\$ 5,110	\$ 11,222
Professional and special service	50,000	3,330	46,670	35,223
Project expenditures:				
Hammond Trail Bridge	393,000	37,910	355,090	947
Glendale Bridge	0	0	0	1,113
Annie & Mary Trail	22,000	18,433	3,567	18,388
Trinidad Pier	50,000	90,323	(40,323)	67,145
Humboldt Rail Trail	135,000	105,154	29,846	0
Expense transfers	<u>50,000</u>	<u>46,373</u>	<u>3,627</u>	<u>35,050</u>
<u>Total</u>	<u>\$ 714,000</u>	<u>\$310,413</u>	<u>\$ 403,587</u>	<u>\$169,088</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (431,000)	\$ (65,729)	\$ 365,271	\$ (25,379)
FUND BALANCE BEGINNING OF YEAR	<u>536,472</u>	<u>536,472</u>	<u>00</u>	<u>561,851</u>
FUND BALANCE END OF YEAR	<u>\$ 105,472</u>	<u>\$470,743</u>	<u>\$365,271</u>	<u>\$536,472</u>

COUNTY OF HUMBOLDT
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Pertaining to Section 99400(a) of the Public Utilities Code
Recorded in the Road Fund

For the Year Ended June 30, 2014
With Comparative Amounts for the Year Ended June 30, 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Intergovernmental:		
TDA Allocation (Note 4)	\$ <u>433,033</u>	\$ <u>22,359</u>
<u>Total</u>	\$ <u>433,033</u>	\$ <u>22,359</u>
 EXPENDITURES		
Road maintenance (Note 4)	\$ <u>433,033</u>	\$ <u>22,359</u>
<u>Total</u>	\$ <u>433,033</u>	\$ <u>22,359</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 \$ 00	 \$ 00
FUND BALANCE - BEGINNING OF YEAR	 _____ 00	 _____ 00
 FUND BALANCE - END OF YEAR	 \$ <u>_____ 00</u>	 \$ <u>_____ 00</u>

See accompanying notes to financial statements.

COUNTY OF HUMBOLDT
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Pertaining to Sections 99260(a) and 99260.7 of the Public Utilities Code
Recorded in the Transportation Services Funds

For the Year Ended June 30, 2014
With Comparative Amounts for the Year Ended June 30, 2013

	2014		Variance	
	Budget	2014 Actual	Favorable (Unfavorable)	2013
REVENUES				
Intergovernmental:				
TDA Allocations (99260a)	\$2,021,064	\$2,021,064	\$ 00	\$2,021,597
STAF Allocations (99313)	<u>13,255</u>	<u>13,255</u>	<u>00</u>	<u>00</u>
Total	<u>\$2,034,319</u>	<u>\$2,034,319</u>	<u>\$ 00</u>	<u>\$2,021,597</u>
EXPENDITURES				
New Service Southern				
Humboldt	\$ 310,239	\$ 310,239	\$ 00	\$ 440,000
Adult Day Health Care	36,024	36,024	00	34,975
Humboldt Senior Resource				
Center	41,734	41,734	00	40,518
Dial-A-Ride/Lift				
Arcata/McKinleyville	78,397	78,397	00	74,917
Humboldt Transit Authority-				
Redwood Transit System	711,095	711,095	00	593,783
Transit Set-Aside	200,000	200,000	00	200,000
Eureka Transit Service-				
(Note 5)	361,315	361,315	00	348,213
Willow Creek Extension	187,458	187,458	00	197,150
Klamath-Trinity NET				
Operations	94,802	94,802	00	92,041
Capital	<u>13,255</u>	<u>13,255</u>	<u>00</u>	<u>00</u>
Total	<u>\$2,034,319</u>	<u>\$2,034,319</u>	<u>\$ 00</u>	<u>\$ 2,021,597</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 00	\$ 00	\$ 00	\$ 00
FUND BALANCE - BEGINNING OF YEAR	<u>161,002</u>	<u>161,002</u>	<u>00</u>	<u>00</u>
FUND BALANCE - END OF YEAR	<u>\$ 161,002</u>	<u>\$ 161,002</u>	<u>\$ 00</u>	<u>\$ 161,002</u>

See accompanying notes to financial statements.

COUNTY OF HUMBOLDT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

NOTE 1 - REPORTING ENTITY:

These financial statements consist only of the Transportation Services Fund and portions of Road Fund of the County of Humboldt. These governmental-type Special Revenue Funds account for various transit and street-related activities provided in part by the County, and are financed with Transportation Development Act monies.

NOTE 2 - BASIS OF ACCOUNTING:

The Transportation Services Fund and Road Fund 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 SERVICES:

Under Sections 99234 and 99400(a) of the Transportation Development Act, the County of Humboldt claims and expends funds in order to provide the following services and programs:

1. Park maintenance and repair as part of the overall County trails program;
2. An ongoing road maintenance and repair program which is partially funded with TDA monies.

Under Sections 99260(a) and 99260.7, the County of Humboldt, as a member of the Joint Powers Agency creating the Humboldt Transit Authority, contributes to the operation of the Redwood Transit System. The Redwood Transit System is a general public use transit system operated between the Cities of Trinidad and Scotia. Also, the County contracts with the Humboldt Transit Authority, the City of Eureka, the Adult Day Health Care Center and Klamath-Trinity Non-Emergency Transportation for other transportation services. The contract with Humboldt Transit Authority provides for general public use and specialized transportation services for handicapped individuals in certain corridors in Humboldt County. The contract with the City of Eureka provides for the City to extend its public transit system into the County in those areas immediately adjacent to the City. The contract with the Adult Day Health Care Center provides funding of transportation costs for the Humboldt Senior Resource Center and Mad River's Adult Day Health Care programs. The contract with Klamath-Trinity Non-Emergency Transportation provides funding for transportation costs in the eastern portion of the county (Willow Creek and the Hoopa Valley).

COUNTY OF HUMBOLDT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

NOTE 4 - BUDGET INFORMATION:

Transportation Development Act funds claimed and expended for road maintenance are a small part of the County's road maintenance program. Budget information was available only for the total road maintenance program and would not provide a meaningful comparison with actual TDA revenues and expenditures. Therefore, budget information is not presented for road maintenance revenues and expenditures.

NOTE 5 - TRANSIT CLAIMS - EUREKA TRANSIT SYSTEM:

The County's 2013-2014 and 2012-2013 claims for Transportation Development Act funds included claims for \$361,315 and \$348,213 respectively, for the County's share of the cost of operating the Eureka Transit System and the Eureka Dial-A-Ride Service. The subsidy, paid to the City of Eureka represents 27 percent of the estimated cost of operating the services plus or minus 27 percent of certain prior year's difference between estimated and actual operating costs. For 2013-2014 and 2012-2013, the claims were computed as follows:

	<u>2013-2014</u>	<u>2012-2013</u>
Estimated costs eligible for subsidy	\$1,223,150	\$1,289,678
Percent of County subsidy	27%	27%
County share of ETS and Dial-A-Ride	\$ 330,251	\$ 348,213
Plus adjustment from: 2010-2011 (Pending)	00	00
2011-2012	31,064	00
2012-2013 (Pending)	<u>00</u>	<u>00</u>
Amount claimed	<u>\$ 361,315</u>	<u>\$ 348,213</u>

COUNTY OF HUMBOLDT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

NOTE 5 - TRANSIT CLAIMS - EUREKA TRANSIT SYSTEM: (Continued)

The difference between estimated and actual operating costs for the years ended June 30, 2013 and 2011 will be adjusted as part of the County of Humboldt's annual TDA claim for the 2014-15 fiscal year.

NOTE 6 - FARE RECOVERY RATIOS:

As explained at Notes 1 and 8, the County of Humboldt claims their TDA transit funds under Article 4, Section 99260, even though they are not considered an operator under Section 99210 of the TDA code. The County contributes TDA transit funds for the ongoing operations of several different transit systems, including Humboldt Transit Authority, Redwood Transit System, and the Eureka Transit System. In all cases, however, the required Farebox Recovery Ratios are computed by the Operators. The County receives no information on fares, nor would it be proper or necessary to calculate such ratios, as the requirements of Section 6667 apply only to operators.

NOTE 7 - 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 for those estimates.

NOTE 8 - STATEMENT OF CASH FLOWS:

As explained at Note 1, the Transportation Development Act activities of the County of Humboldt are accounted for in a Governmental-type fund. Even though the County claims their TDA transit funds under Article 4, Section 99260, they are not considered an operator as defined by Section 99210 of the TDA code, and thus do not report their transit activities in an Enterprise Fund. Thus, there is no requirement for a Statement of Cash Flows under current governmental accounting and reporting guidelines.

NOTE 9 - TRANSIT FUNDS REPORTED IN ROAD FUND:

During the 2010-11 year, Humboldt Transit Authority remitted funds totaling \$161,002 to the County. These monies represented refunds of prior year transit program excesses. During the year ended June 30, 2012, these funds were returned to the transit fund and are to be used for future transit purposes.