

COUNTY OF HUMBOLDT
REPORT ON AUDIT OF THE
TRANSPORTATION DEVELOPMENT ACT FUNDS
(ARTICLES 4 AND 8)
FOR THE YEAR ENDED
June 30, 2013

COUNTY OF HUMBOLDT

TABLE OF CONTENTS

June 30, 2013

	PAGE
Independent Auditors' Report	1 - 2
Comparative Balance Sheet - Section 99234 and Recorded in the Transportation Services Fund	3
Comparative Balance Sheet - Section 99400(a) and Recorded in the Road Fund	4
Comparative Balance Sheet - Sections 99260(a) and 99260.7 and Recorded in the Transportation Services Fund	5
Statement of Revenues, Expenditures and Changes in Fund Balance - Section 99234 and Recorded in the Transportation Services Fund	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Section 99400(a) and Recorded in the Road Fund	7
Statement of Revenues, Expenditures and Changes in Fund Balance - Sections 99260(a) and 99260.7 and Recorded in the Transportation Services Fund	8
Notes to Financial Statements	9 - 11



ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

ART STEWART (1945-1964)
RICHARD RODRIGUE (1950-1985)
DAVID J. SOMERVILLE (1971-1982)
DONALD L. HARRIS (1962-1994)
EUGENE B. LUCAS (1930-2013)

1338 MAIN STREET
FORTUNA, CALIFORNIA 95540
(707)725-4483 & (707) 725-4442

Toll Free: 800-794-1643

FAX: (707) 725-6340

E-mail: team@alsb.com

www.alsb.com

DAVID A. SOMERVILLE, II
KEITH D. BORGES
BARBARA J. GUEST

RITA CHISM
VANESSA ANDERSON, F.A.

JAMES M. ANDERSON, *Inactive*

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 Transportation Services Fund and portions of the Road Fund of the County of Humboldt as of and for the years ended June 30, 2013 and 2012, 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.

Auditor's 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 opinions.

Basis for Adverse Opinion

As discussed in Note 1, the financial statements present only the Transportation Services Fund and portions of the Road Fund of the County of Humboldt. Accounting principles generally accepted in the United States of America require that the County of Humboldt's financial statements present the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Humboldt.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion" paragraph, the financial statements referred to above do not present fairly, the financial position of the County of Humboldt as of June 30, 2013 and 2012, or the changes in financial position or cash flows thereof for the years then ended.

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, 2013 does not include a comparison with a formal budget, as required by accounting principles generally accepted in the United States of America.

Unmodified 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, 2013 and 2012, 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.

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 5 and 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

September 17, 2013
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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$610,955	\$563,864
Interest receivable	<u> 0</u>	<u> 0</u>
TOTAL ASSETS	<u>\$610,955</u>	<u>\$563,864</u>
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 74,483	\$ 2,013
Fund balance:		
Restricted:		
Bicycle & Trailways Program	<u>536,472</u>	<u>561,851</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$610,955</u>	<u>\$563,864</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, 2013 and 2012

	<u>2013</u>	<u>2012</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$161,002	\$211,002
Prepaid ADHC fees	<u>00</u>	<u>00</u>
TOTAL ASSETS	<u>\$161,002</u>	<u>\$211,002</u>
 LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 00	\$ 50,000
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>\$211,002</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 Transportation Services Fund

For the Year Ended June 30, 2013
With Comparative Amounts for the Year Ended June 30, 2012

	2013		Variance	
	Budget	2013 Actual	Favorable (Unfavorable)	2012
REVENUES				
Intergovernmental:				
TDA Allocation	\$ 300,000	\$124,472	\$(175,528)	\$398,333
Interest income	4,000	4,495	495	3,743
Other governmental agencies	305,000	13,868	(291,132)	5,501
Charges for current services	<u>0</u>	<u>874</u>	<u>874</u>	<u>5,845</u>
<u>Total</u>	<u>\$ 609,000</u>	<u>\$143,709</u>	<u>\$(465,291)</u>	<u>\$413,422</u>
EXPENDITURES				
County Parks administration maintenance and capital outlay	\$ 14,973	\$ 11,222	\$ 3,751	\$ 12,546
Professional and special service	49,625	35,223	14,402	20,421
Project expenditures:				
Hammond Trail Bridge	482,402	947	481,455	43,631
Glendale Bridge	15,000	1,113	13,887	43,839
Annie & Mary Trail	25,000	18,388	6,612	5,674
Trinidad Pier	155,000	67,145	87,855	0
Expense transfers	<u>47,000</u>	<u>35,050</u>	<u>11,950</u>	<u>51,084</u>
<u>Total</u>	<u>\$ 789,000</u>	<u>\$169,088</u>	<u>\$ 619,912</u>	<u>\$177,195</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (180,000)	\$ (25,379)	\$ 154,621	\$236,227
FUND BALANCE BEGINNING OF YEAR	<u>561,851</u>	<u>561,851</u>	<u>00</u>	<u>325,624</u>
FUND BALANCE END OF YEAR	<u>\$ 381,851</u>	<u>\$536,472</u>	<u>\$154,621</u>	<u>\$561,851</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 Road Fund

For the Year Ended June 30, 2013
With Comparative Amounts for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Intergovernmental:		
TDA Allocation (Note 4)	\$ <u>22,359</u>	\$ <u>44,492</u>
<u>Total</u>	\$ <u>22,359</u>	\$ <u>44,492</u>
 EXPENDITURES		
Road maintenance (Note 4)	\$ <u>22,359</u>	\$ <u>44,492</u>
<u>Total</u>	\$ <u>22,359</u>	\$ <u>44,492</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 \$ 00	 \$ 00
FUND BALANCE - BEGINNING OF YEAR	00	161,002
TRANSFER TO TRANSPORTATION FUND	<u>00</u>	<u>(161,002)</u>
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, 2013
With Comparative Amounts for the Year Ended June 30, 2012

	2013		Variance	
	Budget	2013 Actual	Favorable (Unfavorable)	2012
REVENUES				
Intergovernmental:				
TDA Allocations (99260a)	\$2,021,597	\$2,021,597	\$ 00	\$1,701,667
STAF Allocations (99313)	<u>00</u>	<u>00</u>	<u>00</u>	<u>48,535</u>
Total	<u>\$2,021,597</u>	<u>\$2,021,597</u>	<u>\$ 00</u>	<u>\$1,750,202</u>
EXPENDITURES				
New Service Southern				
Humboldt	\$ 440,000	\$ 440,000	\$ 00	\$ 400,000
Adult Day Health Care	34,975	34,975	00	33,956
Humboldt Senior Resource				
Center	40,518	40,518	00	39,338
Dial-A-Ride/Lift				
Arcata/McKinleyville	74,917	74,917	00	78,681
Humboldt Transit Authority-				
Redwood Transit System	593,783	593,783	00	539,803
Transit Set-Aside	200,000	200,000	00	200,000
Eureka Transit Service-				
(Note 5)	348,213	348,213	00	211,019
Willow Creek Extension	197,150	197,150	00	160,722
Klamath-Trinity NET				
Operations	92,041	92,041	00	68,148
Capital	<u>00</u>	<u>00</u>	<u>00</u>	<u>18,535</u>
Total	<u>\$2,021,597</u>	<u>\$2,021,597</u>	<u>\$ 00</u>	<u>\$ 1,750,202</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 00	\$ 00	\$ 00	\$ 00
FUND BALANCE - BEGINNING OF YEAR	161,002	161,002	00	00
TRANSFER FROM ROAD FUND	<u>00</u>	<u>00</u>	<u>00</u>	<u>161,002</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 161,002</u></u>	<u><u>\$ 161,002</u></u>	<u><u>\$ 00</u></u>	<u><u>\$ 161,002</u></u>

See accompanying notes to financial statements.

COUNTY OF HUMBOLDT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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, 2013

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 2012-2013 and 2011-2012 claims for Transportation Development Act funds included claims for \$348,213 and \$211,019 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 2012-2013 and 2011-2012, the claims were computed as follows:

	<u>2012-2013</u>	<u>2011-2012</u>
Estimated costs eligible for subsidy	\$1,289,678	\$1,053,033
Percent of County subsidy	27%	27%
County share of ETS and Dial-A-Ride	\$ 348,213	\$ 284,319
Plus adjustment from:		
2003-2004	00	(39,180)
2004-2005	00	(25,370)
2005-2006	00	39,964
2006-2007	00	28,737
2007-2008	00	18,913
2008-2009	00	(51,888)
2009-2010	00	(44,476)
2010-2011 (Pending)	00	00
2011-2012 (Pending)	<u>00</u>	<u>00</u>
Amount claimed	<u>\$ 348,213</u>	<u>\$ 211,019</u>

COUNTY OF HUMBOLDT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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

The difference between estimated and actual operating costs for the years ended June 30, 2012 and 2011 will be adjusted as part of the County of Humboldt's annual TDA claim for the 2013-14 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, 2013, these funds were returned to the transit fund and are to be used for future transit purposes.