

COUNTY OF HUMBOLDT
REPORT ON AUDIT OF THE
TRANSPORTATION DEVELOPMENT ACT FUNDS
(ARTICLES 4 AND 8)
FOR THE YEAR ENDED
June 30, 2019

COUNTY OF HUMBOLDT

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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 Transportation Services Fund, and portions of the Road Fund and the Forest Resources and Recreation Fund of the County of Humboldt as of and for the years ended June 30, 2019 and 2018, 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, 2019 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 and the Forest Resources and Recreation Fund of the County of Humboldt as of June 30, 2019 and 2018, 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 the Forest Resources and Recreation Fund and do not purport to, and do not present fairly the financial position of the County of Humboldt as of June 30, 2019 and 2018, 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, and 6, 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

COUNTY OF HUMBOLDT
TRANSPORTATION DEVELOPMENT ACT FUNDS

COMPARATIVE BALANCE SHEET

Pertaining to Section 99234 of the Public Utilities Code
Recorded in the Transportation Services Fund

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 1,958	\$ 1,751
Interest receivable	0	0
Accounts receivable	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$ <u>1,958</u>	\$ <u>1,751</u>
<u>310</u>		
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 0	\$ 0
Fund balance:		
Restricted:		
Bicycle & Trailways Program	<u>1,958</u>	<u>1,751</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>1,958</u>	\$ <u>1,189</u>

See accompanying notes to financial statements.

COUNTY OF HUMBOLDT
TRANSPORTATION DEVELOPMENT ACT FUNDS

COMPARATIVE BALANCE SHEET

Pertaining to Section 99234 of the Public Utilities Code
Recorded in the Forest Resources and Recreation Services Fund

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 0	\$192,559
Interest receivable	0	0
TDA receivable	<u>0</u>	<u>294,548</u>
TOTAL ASSETS	<u>\$ 0</u>	<u>\$487,107</u>
 LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 0	\$276,697
Fund balance:		
Restricted:		
Bicycle & Trailways Program	<u>0</u>	<u>210,410</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 0</u>	<u>\$487,107</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 0	\$ 0
TDA receivable	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 0	\$ 0
Fund balance		
Restricted:		
Streets Program	<u>0</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 0	\$ 0
TDA receivable	<u>246,284</u>	<u>246,284</u>
TOTAL ASSETS	<u>\$246,284</u>	<u>\$246,284</u>
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 0	\$ 0
Deferred transit revenues	0	0
Fund balance		
Restricted:		
Transportation Services Unmet Needs	<u>246,284</u>	<u>246,284</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$246,284</u>	<u>\$246,284</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 99234 of the Public Utilities Code
Recorded in the Transportation Services Fund

For the Year Ended June 30, 2019
With Comparative Amounts for the Year Ended June 30, 2018

	2019		Variance	2018
	Budget	2019 Actual	Favorable (Unfavorable)	
REVENUES				
Intergovernmental:				
TDA Allocation	\$ 0	\$ 0	\$ 0	\$ 0
Interest income	10	207	197	562
Other governmental agencies	0	0	0	0
Charges for current services	0	0	0	0
Donations and other	0	0	0	0
<u>Total</u>	\$ 10	\$ 207	\$ 197	\$ 562
EXPENDITURES				
County Parks administration maintenance and capital outlay	\$ 0	\$ 0	\$ 0	\$ 0
Professional and special service	0	0	0	0
Project expenditures:				
Hammond Trail Bridge	0	0	0	0
Annie & Mary Trail	0	0	0	0
Humboldt Bay Trail	0	0	0	0
Expense transfers	0	0	0	0
<u>Total</u>	\$ 0	\$ 0	\$ 0	\$ 0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 10	\$ 207	\$ 197	\$ 562
FUND BALANCE BEGINNING OF YEAR	1,751	1,751	00	1,189
TRANSFER TO FOREST RESOURCES AND RECREATION FUND	0	0	0	0
FUND BALANCE END OF YEAR	\$ 1,761	\$ 1,958	\$ 197	\$ 1,751

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 99234 of the Public Utilities Code
 Recorded in the Forest Resources and Recreation Fund

For the Year Ended June 30, 2019
 with Comparative amounts for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Intergovernmental:		
TDA Allocation	\$ 65,000	0
Interest income	<u>0</u>	<u>5,539</u>
<u>Total</u>	<u>\$ 65,000</u>	<u>\$ 5,539</u>
 EXPENDITURES		
County Parks administration maintenance and capital outlay (Note 4)	\$ <u>65,000</u>	<u>13,428</u>
<u>Total</u>	<u>\$ 65,000</u>	<u>\$ 13,428</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES		
	\$ 0	\$ (94,914)
 FUND BALANCE		
BEGINNING OF YEAR	210,410	407,590
PRIOR PERIOD ADJUSTMENT	<u>(210,410)</u>	<u>(63,977)</u>
FUND BALANCE END OF YEAR	<u>\$ 0</u>	<u>\$ 210,410</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, 2019
With Comparative Amounts for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Intergovernmental:		
TDA Allocation (Note 4)	\$ <u>265,537</u>	\$ <u>0</u>
<u>Total</u>	\$ <u>265,537</u>	\$ <u>0</u>
EXPENDITURES		
Road maintenance (Note 4)	\$ <u>265,537</u>	\$ <u>0</u>
<u>Total</u>	\$ <u>265,537</u>	\$ <u>0</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 0	\$ 0
FUND BALANCE - BEGINNING OF YEAR	<u>0</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u><u>0</u></u>	<u><u>0</u></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, 2019
With Comparative Amounts for the Year Ended June 30, 2018

	2019		Variance	
	Budget	2019 Actual	Favorable (Unfavorable)	2018
REVENUES				
Intergovernmental:				
TDA Allocations (99260a)	\$3,288,930	\$2,629,664	\$ (659,266)	\$2,730,419
FTA Allocations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$3,288,930</u>	<u>\$2,629,664</u>	<u>\$ (659,266)</u>	<u>\$2,730,419</u>
EXPENDITURES				
New Service Southern				
Humboldt	\$ 540,685	\$ 540,685	\$ 0	\$ 200,000
Adult Day Health Care	40,554	40,554	0	39,955
Humboldt Senior Resource				
Center	46,982	46,982	0	46,288
Dial-A-Ride/Lift				
Arcata/McKinleyville	81,815	81,263	552	81,263
Humboldt Transit Authority-				
Redwood Transit System	792,489	792,498	(9)	1,024,647
Transit Set-Aside	200,000	200,000	0	200,000
Eureka Transit Service-				
(Note 5)	342,288	354,039	(11,751)	362,475
Willow Creek Extension	267,351	267,351	0	267,351
Klamath-Trinity NET				
Operations	106,724	93,419	13,305	88,074
Tish Non Village Transit	177,873	177,873	0	183,430
Old Arcata Road	<u>35,000</u>	<u>35,000</u>	<u>0</u>	<u>0</u>
Total	<u>\$2,631,761</u>	<u>\$2,629,664</u>	<u>\$ 2,097</u>	<u>\$2,493,483</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 657,169	\$ 0	\$ (657,169)	\$ 236,936
FUND BALANCE - BEGINNING OF YEAR	246,284	246,284	0	9,348
TRANSFER TO BICYCLE & TRAILWAYS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 903,453</u>	<u>\$ 246,284</u>	<u>\$ (657,169)</u>	<u>\$ 246,284</u>

See accompanying notes to financial statements.

COUNTY OF HUMBOLDT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

NOTE 1 - REPORTING ENTITY:

These financial statements consist only of the Transportation Services Fund and portions of the Road Fund and the Forest Resources and Recreation 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, Road Fund and Forest Resources and Recreation 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 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).

If there are no unmet transit needs, and funds are available, the following uses are also allowed:

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, partially funded with TDA monies.

COUNTY OF HUMBOLDT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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.

Transportation Development Act funds claimed and expended for parks and trails are a small part of the County's overall Forest Resources and Recreation Fund activities. Budget information was available only for the total Forest Resources and Recreation Fund and would not provide a meaningful comparison with actual TDA revenues and expenditures. Therefore, budget information is not presented for park and trails revenues and expenditures.

NOTE 5 - TRANSIT CLAIMS - EUREKA TRANSIT SYSTEM:

The County's 2018-2019 and 2017-2018 claims for Transportation Development Act funds included claims for \$354,039 and \$362,475 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 18% for fiscal year 2018-19 and 27% for fiscal year 2017-18, of the estimated cost of operating the services plus or minus 18% or 27% of certain prior year's difference between estimated and actual operating costs. For 2018-2019 and 2017-2018, the claims were computed as follows:

	<u>2018-2019</u>	<u>2017-2018</u>
Estimated costs eligible for subsidy	\$1,966,883	\$1,342,500
Percent of County subsidy	18%	27%
County share of ETS and Dial-A-Ride	\$ 354,039	\$ 362,475
Plus adjustment from: 2014-2015 (Pending)	0	0
2015-2016 (Pending)	0	0
2016-2017 (Pending)	0	0
2017-2018 (Pending)	<u>0</u>	<u>0</u>
Amount claimed	<u>\$ 354,039</u>	<u>\$ 362,475</u>

COUNTY OF HUMBOLDT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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

The difference between estimated and actual operating costs for the years ended June 30, 2015, through June 30, 2018 will be adjusted as part of the County of Humboldt's annual TDA claim for a future 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.