

HUMBOLDT TRANSIT AUTHORITY
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2020

HUMBOLDT TRANSIT AUTHORITY

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June 30, 2020 and 2019

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ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

KEITH D. BORGES, CPA
BARBARA J. GUEST, CPA
RITA CHISM
VANESSA ANDERSON, EA

1338 MAIN STREET
FORTUNA, CALIFORNIA 95540
(707) 725-4483 & (707) 725-4442
FAX: (707) 725-6340

JAMES M. ANDERSON (1964-2001)
EUGENE B. LUCAS (1950-2013)
DAVID A. SOMERVILLE, INACTIVE

Email: team@alsb.com

www.alsb.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Humboldt Transit Authority

We have audited the accompanying financial statements of the business-type activities of Humboldt Transit Authority as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Board of Directors
Humboldt Transit Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Humboldt Transit Authority, as of June 30, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 6 to the financial statements, Subsequent Events, effective March 19, 2020 California Governor Newsom issued Executive Order N-33-20, a Public Health Order for all individuals living in the State of California to stay home in a response to the Covid-19 Pandemic threat. Humboldt Transit Authority is considered an essential transportation service. At this time, Management cannot reasonably estimate the duration or severity of this pandemic, which could have an adverse impact to the financial position, results of operations, and cash flows. Our opinion is not modified with respect to this matter.

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective for fiscal years beginning after June 30, 2017, that affected the financial reporting of postemployment benefits:

*Statement 75 – Accounting and Financial Reporting for Postemployment Benefits
Other than Pensions*

The emphasis of these matters does not constitute a modification to our opinion.

Other Matters

Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise Humboldt Transit Authority’s basic financial statements. The combining schedules in Exhibits E through H are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Contributions and Schedule of Proportionate Share of CalPERS, and the Schedule of Changes in Net OPEB Liability, in Exhibits I through K, are required supplementary information and is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Board of Directors
Humboldt Transit Authority

Other Information (Continued)

The combining schedules, and schedules required under GASB 68 and GASB 75 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules Exhibit E through Exhibit K are fairly stated in all material respects in relation to the basic financial statements as a whole, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was also made for the purpose of determining compliance with the Transportation Development Act Section 99260, 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 Section 6667 of the California Administrative Code.

In our opinion, except as discussed in Note 2 and 3, the funds described above were expended in conformity with the applicable laws, rules, and regulations of the Transportation Development Act and the allocation instructions of the Humboldt County Association of Governments.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2021, on our consideration of Humboldt Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Humboldt Transit Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humboldt Transit Authority's internal control over financial reporting and compliance.

Anderson, Lucas, Somerville, & Borges

ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

May 26, 2021
Fortuna, California

BASIC FINANCIAL STATEMENTS

HUMBOLDT TRANSIT AUTHORITY
Statements of Net Position
June 30, 2020 and 2019

EXHIBIT A

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
<u>Cash and Cash Equivalents</u>		
On Hand and in Deposit Accounts	\$ 810,025	\$ 739,148
Restricted Cash	1,213,842	1,649,074
<u>Total Cash and Cash Equivalents</u>	<u>2,023,867</u>	<u>2,388,222</u>
Accounts Receivable	1,198,352	978,353
Grants Receivable	446,075	283,186
Employee Advances	3	3
Materials and Supplies Inventory (at cost)	256,146	312,547
Prepaid Expenses	31,358	35,319
<u>Total Current Assets</u>	<u>3,955,801</u>	<u>3,997,630</u>
<u>Long-term Assets</u>		
Property, Plant and Equipment, Net	9,897,814	10,148,099
Work in Progress	1,008,735	911,270
<u>Total Long-term Assets</u>	<u>10,906,549</u>	<u>11,059,369</u>
<u>Deferred Outflows of Resources</u>	<u>2,194,796</u>	<u>980,861</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 17,057,146</u>	<u>\$ 16,037,860</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>Current Liabilities</u>		
Trade Payables	\$ 97,032	\$ 213,046
Insurance Payable	70,588	71,393
Deferred Income	301,306	721,648
DAR Liability	87,768	59,710
Unearned Fares	264,591	232,904
Accrued Payroll Liabilities	424,911	324,991
<u>Total Current Liabilities</u>	<u>1,246,196</u>	<u>1,623,692</u>
<u>Long-term Liabilities</u>		
Lease Deposit	3,000	3,000
Net Pension Liability	2,278,561	2,065,232
Net OPEB Obligation	7,089,861	6,676,764
<u>Total Long-term Liabilities</u>	<u>9,371,422</u>	<u>8,744,996</u>
<u>Total Liabilities</u>	<u>10,617,618</u>	<u>10,368,688</u>
<u>Deferred Inflows of Resources- Pension</u>	116,783	127,924
<u>Deferred Inflows of Resources - OPEB</u>	<u>1,337,259</u>	<u>-</u>
<u>Total Deferred Inflows of Resources</u>	<u>1,454,042</u>	<u>127,924</u>
<u>Net Position</u>		
Invested In Capital Assets, Net of Related Debt	<u>10,906,549</u>	<u>11,059,369</u>
<u>Restricted Net Position</u>		
Insurance Deductible Reserve	100,000	100,000
Equipment Acquisition	805,253	805,253
Retiree's Health Insurance	15,000	15,000
<u>Total Restricted Net Position</u>	<u>920,253</u>	<u>920,253</u>
<u>Unrestricted Net Position</u>	<u>(6,841,316)</u>	<u>(6,325,893)</u>
<u>Prior Period Adjustment</u>	-	(112,481)
<u>Total Net Position</u>	<u>4,985,486</u>	<u>5,541,248</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>	<u>\$ 17,057,146</u>	<u>\$ 16,037,860</u>

The accompanying notes and independent auditors' report are an integral part of these financial statements

HUMBOLDT TRANSIT AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020
With Comparative Amounts for the Year Ended June 30, 2019

	<u>Budget</u>	<u>2020 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2019 Actual</u>
<u>OPERATING REVENUES</u>				
Fares	\$ 1,327,105	\$ 1,137,054	(190,051)	\$ 1,363,323
Contract Transportation	692,164	961,790	269,626	1,088,114
Contract Adjustment - ETS	-	-	-	-
Contract Maintenance	-	1,891	1,891	159,171
Other Revenue	131,187	49,770	(81,417)	70,179
Total Operating Revenues	2,150,456	2,150,505	49	2,680,787
<u>OPERATING EXPENSES</u>				
Labor and Benefits	4,502,844	5,143,289	(640,445)	4,630,420
Professional Services	105,000	72,694	32,306	117,869
Purchased Transportation	800,440	790,686	9,754	790,535
Repairs, Supplies, & Maintenance	1,143,219	876,346	266,873	1,031,089
Casualty and Liability Insurance	500,805	463,285	37,520	457,089
Facility and Utilities	204,000	439,024	(235,024)	355,736
Leases and Rentals	10,350	13,076	(2,726)	12,688
Miscellaneous	110,975	79,586	31,389	107,178
Advertising	25,000	10,803	14,197	37,546
Travel and Transportation	12,000	8,556	3,444	14,565
Bad Debt	-	-	-	(197)
Depreciation	-	1,517,522	(1,517,522)	1,474,583
Total Operating Expenses	7,414,633	9,414,867	(2,000,234)	9,029,101
OPERATING INCOME (LOSS)	(5,264,177)	(7,264,362)	(2,000,185)	(6,348,314)
<u>NONOPERATING REVENUES</u>				
Advertising	45,600	48,705	3,105	50,058
Rents and Leases	132,000	135,228	3,228	133,825
Operating Grants				
TDA Assessments	3,370,341	2,903,657	(466,684)	3,080,821
Federal - FTA	624,654	719,000	94,346	525,466
State Operating - STAF	1,081,582	970,984	(110,598)	672,437
State Operating - SGR	-	146,706	146,706	-
Interest Income	10,000	30,157	20,157	30,010
Gain (Loss) on Disposal of Capital Assets	-	(65,193)	(65,193)	(46,444)
Donated Assets - Eureka	-	-	-	608,717
Grant Expenses	-	(94,604)	(94,604)	(102,002)
Total Nonoperating Revenues	5,264,177	4,794,640	(469,537)	4,952,888
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	-	(2,469,722)	(2,469,722)	(1,395,426)
<u>CAPITAL GRANTS</u>				
Federal Transportation (5311)	342,844	342,844	-	343,685
State - Adaptation Grant	71,167	71,167	-	-
State - LC TOP	-	-	-	137,647
State - Cal OES	-	(2,087)	(2,087)	-
State - STAF	-	603,884	603,884	610,126
State - SGR	53,970	53,970	-	21,240
City of Eureka Capital (LTF)	-	444,181	444,181	-
County	200,000	400,000	200,000	310,495
Total Capital Grants	667,981	1,913,959	1,245,978	1,423,193
Grant Expenditures	(667,981)	-	667,981	-
Net Capital Expenditures	-	1,913,959	1,913,959	1,423,193
CHANGE IN NET POSITION	-	(555,763)	(555,763)	27,767
NET POSITION, BEGINNING OF YEAR		\$ 5,653,729		\$ 5,625,962
PRIOR PERIOD ADJUSTMENT - AR Adj		(112,480)		-
NET POSITION, END OF YEAR		\$ 4,985,486		\$ 5,653,729

HUMBOLDT TRANSIT AUTHORITY
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash Received from Customers	\$ 692,542	\$ 1,747,981
Cash Paid for Goods and Services	(2,717,262)	(3,219,808)
Cash Paid for Employees	<u>(5,043,369)</u>	<u>(4,580,199)</u>
Net Cash (Used) by Operating Activities	(7,068,089)	(6,052,026)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
Operating Grant Revenue	4,764,483	4,922,878
Contract Transportation	961,790	1,088,114
Miscellaneous Revenue	<u>738,609</u>	<u>511,264</u>
Net Cash Provided by Non-Capital Financing Activities	6,464,882	6,522,256
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Capital Grant Revenue	1,751,070	1,140,007
Proceeds from sale of assets	4,402	-
Acquisition of Property, Plant, and Equipment	<u>(1,546,777)</u>	<u>(1,939,423)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	208,695	(799,416)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on Investments	<u>30,157</u>	<u>30,010</u>
Net Cash Provided by Investing Activities	<u>30,157</u>	<u>30,010</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(364,355)	(299,176)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>2,388,222</u>	<u>2,687,398</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u><u>\$ 2,023,867</u></u>	<u><u>\$ 2,388,222</u></u>

HUMBOLDT TRANSIT AUTHORITY
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
(USED) BY OPERATING ACTIVITIES**

	<u>2020</u>	<u>2019</u>
Operating Income (Loss)	\$ (7,264,362)	\$ (6,348,314)
Prior Period Adjustment to Accts Receivable	-	-
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities:		
Depreciation	1,517,522	1,474,583
Loss on Sale of Capital Assets	65,193	(46,444)
Nonoperating Revenue (Included in Operating Income Total)	(961,790)	(1,088,114)
Changes in Assets and Liabilities		
(Increase) Decrease in Assets		
Receivables	(107,518)	(124,464)
Materials and Supplies Inventory	56,401	6,430
Prepaid Expenses	3,961	2,212
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(88,761)	(257,908)
Deferred Income	(388,655)	279,772
Accrued Payroll Liabilities	99,920	50,221
Net Cash (Used) By Operating Activities	<u>\$ (7,068,089)</u>	<u>\$ (6,052,026)</u>

NOTES TO FINANCIAL STATEMENTS

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Humboldt Transit Authority (HTA) is a public agency created on January 28, 1975 by a joint exercise of powers agreement between Humboldt County and the cities of Arcata, Eureka and Fortuna, later amended to include Rio Dell and Trinidad. The local transportation revenues are claimed by the parties to the agreement and, when approved by the Humboldt County Association of Governments, are paid out of the County of Humboldt's Local Transportation Trust Fund to the parties. The City of Eureka contracts with HTA to administer and operate the Eureka Transit System and administer the Eureka Dial-a-Ride paratransit service. HTA also contracts with Humboldt County to provide service from Arcata to Willow Creek, and to the Southern Humboldt area. The City of Arcata contracts with HTA to administer its Dial-a-Ride paratransit service.

The parties to the agreement provided Local Transportation Funds to the Authority in the following ratio during the year ended June 30, 2020:

	<u>RTS</u>	<u>Willow Creek</u>	<u>So Humboldt InterCity</u>	<u>Eureka Transit</u>	<u>Old Arcata Road</u>
Arcata	14.4%				
Eureka	22.6%				
Fortuna	9.9%				
Rio Dell	2.8%				
Trinidad	0.3%				
Humboldt Co.	<u>50.0%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
	<u>100.0%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following is a schedule of Joint Powers Authority members' assessments:

	<u>RTS</u>	<u>Willow Creek</u>	<u>So Humboldt InterCity</u>	<u>Eureka Transit</u>	<u>Old Arcata Road</u>
Arcata	\$ 231,993				
Eureka	365,530				
Fortuna	160,590				
Rio Dell	45,298				
Trinidad	4,980				
Humboldt Co.	808,348	<u>272,698</u>	<u>556,906</u>	<u>449,992</u>	<u>10,000</u>
Reduced	<u>(2,678)</u>				
	<u>\$ 1,614,061</u>	<u>\$ 272,698</u>	<u>\$ 556,906</u>	<u>\$ 449,992</u>	<u>\$ 10,000</u>

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governmental entities are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Authority has elected to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds.

The Authority uses the accrual method of accounting. Under this method of accounting, revenues are recognized when they are earned and measurable and expenses are recognized when the related liabilities are incurred.

In June 1999, the Government Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statements include the following:

1. Financial statements prepared using full accrual accounting for all the Authority's activities;
2. A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Authority had elected to implement the general provisions of the Statement during the fiscal year ended June 30, 2005.

1. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector, namely the accrual method of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized when the related liabilities are incurred.

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or c) established fees and charges based on a pricing policy designed to recover similar costs.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

The Authority provides the following services which are accounted for in separate funds:

Transportation Services:

- Redwood Transit System
- Eureka Transit Service
- Willow Creek Intercity
- Southern Humboldt
- Old Arcata Road- Pilot program 2019

Maintenance and Administrative Services:

- CTSA Administration of Dial a Ride
- AMRTS Maintenance
- CAE Transport Inc. Maintenance for Dial a Ride
- Humboldt County Office of Education Maintenance

C. Description of Services

The Authority began operations of the Redwood Transit System in August of 1976. As of June 30, 2016, the Authority operated 5 systems, which cover the corridor between the cities of Trinidad to the North and Benbow to the South, and Willow Creek to the East. Redwood Transit System fares range from \$2.75 for senior citizens and the handicapped to \$3.00 for a basic fare. During 2019, a pilot program for Old Arcata Road was implemented. As of July 1, 2019, Tish Non Village (TNT) was discontinued due to low ridership and low farebox.

Effective July 1, 2016, HCAOG designated HTA as the Consolidated Transportation Services Agency (CTSA) for Humboldt County, with responsibility for administering a consolidated region-wide program to provide transportation for qualified elderly and disabled persons in the Cities of Arcata and Eureka and unmandated areas in the County. The balance of the cost for the DAR service is paid for by reserving \$11,362 in fares received from the Arcata/ Humboldt County DAR service. HTA has entered into a contract with CAE Transport, Inc. to provide Dial-A-Ride services effective July 1, 2017 totaling \$790,440. TDA Funding and STA funding for the CTSA includes the following:

Arcata	\$	79,281	
Eureka		425,533	
City of Eureka		32,685	STA funds
HCAOG DAR		107,737	STA funds
Humboldt Co.		145,204	
		\$ 790,440	

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Description of Services (continued)

On April 17, 2018 Eureka City Council adopted a resolution, effective July 1, 2019, to transfer and relinquish to HTA all management functions and assets of Eureka Transit. The Eureka City Council additionally authorized HTA to annually file a claim with HCAOG for all local, state and federal transit funds and to directly receive all local, state and federal annual appropriation allocated for ETS. In 2017-2018, City of Eureka transferred 3 DAR vehicles to HTA and 2018-2019 transferred 7 buses. The buses were transferred at fair market value and recognized as Donations.

In December 2001, HTA contracted with the AMRT&S (Arcata) system to provide bus maintenance, fueling and parking at the HTA facility. HTA is also contracted with CAE Transport, Inc. to provide regular preventive maintenance and repairs for 7 Dial-a-Ride vehicles.

D. Property, Plant, and Equipment

The following is a summary of property, plant, and equipment, at cost, less accumulated depreciation:

	2020	2019
Buses	\$ 12,782,740	\$ 12,642,107
Other Transportation Equipment	1,769,175	1,771,458
Office Equipment	205,398	192,960
Other Equipment	1,085,409	1,085,409
Real Property - Land	2,164,831	2,164,831
Buildings & Improvements	3,914,656	3,829,766
Subtotal	\$ 21,922,209	\$ 21,686,531
Less Accumulated Depreciation	(12,024,395)	(11,538,432)
Total Property, Plant & Equipment	<u>\$ 9,897,814</u>	<u>\$ 10,148,099</u>
Property, Plant & Equipment, Beginning	\$ 21,686,531	\$ 20,325,478
Capital Acquisitions	1,336,833	1,800,571
Sales/Dispositions	(1,101,155)	(439,518)
Property, Plant, & Equipment, Ending	<u>\$ 21,922,209</u>	<u>\$ 21,686,531</u>

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property, Plant, and Equipment (continued)

Depreciation is calculated using the straight-line method with useful lives as follows:

Buses	3 - 10 years
Other transportation equipment	3 - 15 years
Office equipment	3 - 15 years
Other equipment	3 - 15 years
Buildings	30 years

Construction in Progress at June 30, 2020 and 2019 amounted to \$1,008,735 and \$911,270, respectively. HTA has entered into a design/build agreement with McKeever Energy & Electric to design the Solar PV system funded by a grant provided by California Office of Emergency Services (Cal OES).

E. Compensated Absences

HTA has accrued a liability for vacation pay earned as of June 30, 2020 and 2019, in the amount of \$243,906 and \$193,134 respectively.

No liability is recorded for accumulated sick pay, which at June 30, 2020 and 2019, was \$24,311 and \$43,306, respectively.

F. Employee Retirement Plan

Plan Description

HTA contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the state of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. HTA selects optional benefits provisions from the benefit menu by contract with CalPERS and adopts those benefits through resolutions of its Board of Directors. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814. A full description of the pension plan benefit provisions, assumptions for funding purposes, and membership information is listed in the June 30, 2019 Annual Actuarial Valuation Report, the most recent available report. This report is publically available at CalPERS' website under Forms and Publications.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Employee Retirement Plan (Continued)

Funding Policy

Participants are required to contribute 7% of their annual covered salary, which HTA pays on their behalf. HTA is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate if established and may be amended by CalPERS. The Plan's share of the risk pool's unfunded liability (Market Value) as of the measurement date June 30, 2019 totals \$2,278,561. See Note 1 (R) for GASB 68 recognition of pension liability and Note 5.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. The result will be a shift of new members away from existing pools. The impact of most of the PEPRA changes will affect the contribution rates set for the 2015-2016 fiscal year. The act requires new employees pay at least 50% of the total annual normal cost.

Annual Pension Cost

For fiscal year 2019-2020, HTA's annual pension cost of \$311,796 for CalPERS was equal to HTA's actual contributions. The required contribution was determined as part of the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.15% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.30% to 14.20%. Both (a) and (b) included an inflation component of 2.75% and an annual payroll growth of 3.00%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period (smoothed market value).

Beginning June 30, 2013 CalPERS has adopted a new actuarial methodology that will set the 2015-2016 rates. CalPERS will use an amortization and smoothing policy that will pay for all gains and losses over a fixed 30 year period with the increases or decreases in the rate spread directly over a 5-year period. In addition, effective January 2013, HTA will contribute the full employer share towards the CalPERS retirement formula for bargaining unit employees, and each employee shall contribute the full employee share toward the CalPERS retirement formula through an automatic payroll deduction.

Contributions for the unfunded accrued liability for fiscal year ended June 30, 2020 and 2019 totaled \$161,107 and \$103,398 respectively.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Allocations

During the year, the following Transportation Development Act (TDA), Article 4 funds were allocated to HTA:

	Operating Funds	Capital Funds
Redwood Transit System	\$ 1,614,061	-
Eureka Transit	449,992	
Willow Creek	272,698	-
Southern Humboldt - Intercity	556,906	
Old Arcata Road	10,000	-
Total TDA Funds	\$ 2,903,657	\$ -

H. Restricted Net Position

Amounts restricted by the Board of Directors for the purposes of future capital purchases, retiree health insurance, and insurance deductible reserve are presented on the balance sheet as restricted net position totaling \$920,253 and \$920,253 for the fiscal years ended June 30, 2020 and 2019.

Restricted net position indicates the portion of net position not appropriate for expenditures or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

Funds received under the Low Carbon Transit Operations Program (LCTOP) totaled \$292,640 and are deferred for future Willow Creek bus stop enhancements, expanded transit services, and free or reduced fare vouchers.

Murray Method funds have been deferred for bus acquisitions, as well. At June 30, 2020 and 2019 funds available totaled \$8,666 and \$208,666, respectively.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash and Cash Equivalents

All highly liquid investments with a maturity date of three months or less when purchased are considered to be "cash equivalents." Cash on deposit with U.S. Bank is insured by the FDIC up to \$250,000.

At June 30, 2020, the Authority's cash balances included the following:

Petty cash	\$ 100
Undeposited funds	130,113
Cash on deposit with County Treasury	395,982
U.S. Bank	<u>1,497,672</u>
	<u>\$ 2,023,867</u>

Fair Value Measurement

HTA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs include: a) Quoted prices for similar assets or liabilities in active markets; b) Quoted prices for identical assets or liabilities in inactive markets; c) Inputs other than quoted prices that are observable for the asset or liability; d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are significant unobservable inputs.

As of June 30, 2020, HTA held no individual investments. HTA's fair value measurements were as follows at June 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level</u>
Pooled Cash in County Treasury	<u>\$395,982</u>	2

HTA has not recorded fair value adjustments in the basic financial statements as they were determined to be immaterial to HTA.

Cash on deposit with the County Treasury is part of an investment pool, all of which is invested in securities allowable under the California Government Code. All cash invested by the County in demand deposit accounts is collateralized to 110% with approved U.S. Government securities such as Treasury Bills and other U.S. Governmental agency issues.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Cash and Cash Equivalents

Credit Risk – Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, HTA 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 investments is the risk that in the event of a failure of the counter party (e.g. broker-dealer) to a transaction, HTA will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contains legal or policy requirements that would limit HTA's exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of, June 30, 2020 none of HTA's deposits were exposed to custodial credit risk.

Interest Rate Risk – Investments

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the County of Humboldt Treasurer manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so a portion of its portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity of operations.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Grant Accounting

Grants, entitlements or shared revenues are recorded as non-operating revenues when they are earned and are measurable.

L. Policy for Defining Operating and Non-operating Revenues

Operating revenues consist of passenger fees for services and operating expenses consist of expenses related to providing such services. Non-operating revenues consist of other revenues and expenses such as interest, grants, and government support.

M. Policy for Applying Restricted/Unrestricted Resources

When an expense is incurred for which both restricted and unrestricted net assets are available, unrestricted resources are applied first.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Accounts Receivable

The direct write-off method is used for recording bad debts relating to accounts receivable. Management believes the use of this method, which is not in accordance with generally accepted accounting principles, does not result in amounts that would be materially different if the allowance method was used.

P. Contingent Liabilities

The Authority participates in federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs have not been completed and the results analyzed by the grantor agencies. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits

Plan Description

In addition to the pension benefits described in F. above, HTA provides post-retirement health care benefits, in accordance with State statutes, to all retired employees with at least 5 years of service. For represented employees hired after December 19, 2012 at least 15 years of service are required. The Authority's contribution percent ranges for eligible employees depend on factors such as date of hire and years of service and range from 50% to 100%.

The Authority has established the Humboldt Transit Authority Retiree Healthcare Plan (HC Plan), a single employer plan. The HC Plan has not established or accumulated any assets in a trust. A separate financial report is not prepared for the HC Plan.

Funding Policy

The HC Plan and its contribution requirements are established by agreements with the applicable employee bargaining units and may be amended by agreements between the Authority and the bargaining units. The annual contribution is based on the current insurance premiums due for the participating retirees. For the fiscal years ended June 30, 2020 and 2019, the Authority contributed \$136,778 and \$144,875, which covered current premiums, but did not include any additional prefunding of benefits. Currently, 20 retirees are receiving benefits. There are 53 active employees. No trust has been created for the purpose of prefunding obligation for past services.

Annual OPEB and Net OPEB Obligation

The Authority had Total Compensation Systems Inc. prepare an actuarial study of retiree health liabilities under GASB 74/75 for valuation date June 30, 2019. Total OPEB liability was estimated at \$7,089,861.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.5%, based on an index of 20-year General Obligation municipal bonds. The projection of cash flows used to determine the discount rate assumed that Authority contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits (Continued)

Change in OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance at June 30, 2019	\$ 6,676,764
Changes recognized for the measurement period	
Service cost	455,270
Interest	238,741
Changes in assumptions	1,411,177
Contributions - employer	-
Investment Gains	(1,525,606)
Benefits paid	(166,485)
Administrative expense	-
Net Changes	413,097
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 7,089,861

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Assumptions

Actuarial Cost Method	Entry-age actuarial cost method
Discount Rate	2.20%
Inflation	2.75%
Salary Increases	2.75% per annum
Investment Rate of Return	2.20%
Mortality Rate (1)	Derived using 2017 CalPERS Active Mortality for Miscellaneous Employees study.
Pre-Retirement Turnover (2)	Derived using 2017 CalPERS Termination Rates for School Employees study.
Healthcare Trend Rate	4.00%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits (Continued)

Sensitivity to Discount Rate

	1% Decrease (1.2%)	Current Discount Rate (2.2%)	1% Increase (3.2%)
Net OPEB Liability	\$ 8,510,647	\$ 7,089,862	\$ 5,988,715

Sensitivity to Health Care Trend Rate

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rate (4.0%)	1% Increase (5.0%)
Net OPEB Liability	\$ 5,832,514	\$ 7,089,862	\$ 8,746,392

Recognition of Deferred Outflows and Deferred Inflows of Resources (OPEB)

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss.

To qualify for deferral, gains and losses must be based on GASB74/75 compliant valuations. It was determined that the time and expense necessary to rerun prior valuation and to restate prior financial statements was not justified. Since the Authority's prior valuation was performed in accordance with GASB 43/45, it is not possible to calculate compliant gains and losses.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the Authority recognized OPEB expense of \$413,097. As of fiscal year, ended June 30, 3020, the Authority reported deferred outflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,472,751	-
Differences between expected and actual experience		\$ (1,337,259)

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Deferred</u> <u>Outflows/</u> <u>(Inflows) of</u> <u>Resources</u>
2021	\$ 23,905
2022	23,905
2023	23,905
2024	23,905
2025	23,905
Thereafter	15,967
Totals	<u>\$ 135,492</u>

R. New Accounting Pronouncements

GASB Statement no. 72 - In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. HTA has implemented GASB Statement No. 72 for the year ended June 30, 2016. Implementation of GASB No. 72 did not have a significant impact on the financial statements.

GASB Statement no. 73 - In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. HTA has not yet determined the impact on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, effective for periods beginning after June 15, 2016.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. New Accounting Pronouncements (Continued)

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for periods beginning after June 15, 2015. The objective is to identify the GAAP hierarchy used to prepare financial statements of state and local governmental entities.

GASB Statement No. 78 - In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for periods beginning after December 15, 2015. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through cost-sharing multiple employer defined benefit pension plans.

GASB Statement No. 79 - In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for periods after December 15, 2015.

In June 2012, GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* and Statement 67, *Financial Reporting for Pension Plans*. In December 2015, GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Under these new regulations employers are required to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which changed the structure of a government balance sheet.

Deferred Outflow – represents the consumption of a government's net assets that is applicable to a future period.

Deferred Inflow – represents the acquisition of net assets that is applicable to a future reporting period.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which amends the classification of certain items to be included as deferred inflows and outflows.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 2. CONFORMITY WITH TDA REGULATIONS

Excess Operating Funds Received:

The following systems did not meet the compliance requirements of Section 6634 of the California Administrative Code dealing with TDA fund eligibility. Fund eligibility is determined by subtracting actual fare revenues, depreciation, and any federal or state operating funds received for operating expenses. This amount represents the maximum allowable TDA funding for operating expenses from the fiscal year ended June 30, 2020. The Tish Non-Village route is discontinued as of June 30, 2019.

	SoHum
Operating Costs	\$ 987,668
Less Depreciation	(123,283)
Less Fare Revenues	(93,497)
Less Federal Operating Funds	(295,425)
Maximum TDA Fund Eligibility	475,463
STAF Operating Funds Received	4,904
TDA Funds Received	556,906
	561,810
Excess TDA Funds Received	\$ 86,347

Compliance with TDA Fund Eligibility:

HTA has several options to remedy this situation:

- a. Claims by member entities for operating costs for the following fiscal year may be reduced by the current year excess TDA funds.
- b. Members may file amended claims for the current fiscal year applying the excess fund to capital expenditures made during the current year.
- c. Members may repay the excess TDA funds to the Transportation Planning Agency (HCAOG) on demand.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 3. FARE BOX RECOVERY RATIOS

Under Sections 6633.2 and 6633.5 of the Transportation Development Act regulations, the fixed route and demand response services must maintain specific fare box recovery ratios. During the year, the Southern Humboldt Intercity and Local routes were combined. Below is a calculation of the fare box recovery ratios for Redwood Transit Service, Eureka Transit, Willow Creek service and Southern Humboldt routes:

		Redwood Transit
Fare Revenue		\$ 937,982
RTS Operating Costs		\$ 4,529,579
Depreciation		(1,209,893)
	Adjusted Operating Costs	\$ 3,319,686
	Fare Box Recovery Ratio	<u>28.26%</u>
	Required Fare Box Recovery Ratio	10.00%
		Eureka Transit
Fare Revenue		\$ 231,671
ETS Operating Costs		\$ 1,536,217
Depreciation		(120,183)
	Adjusted Operating Costs	\$ 1,416,034
	Fare Box Recovery Ratio	<u>16.36%</u>
	Required Fare Box Recovery Ratio	10.00%
		Willow Creek
Fare Revenue		\$ 42,091
WC Operating Costs		\$ 363,026
Depreciation		(42,814)
	Adjusted Operating Costs	\$ 320,212
	Fare Box Recovery Ratio	<u>13.14%</u>
	Required Fare Box Recovery Ratio	10.00%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 3. FARE BOX RECOVERY RATIOS (CONTINUED)

		SoHum InterCity
Fare Revenue		\$ 93,497
SHI Operating Costs		\$ 987,668
Depreciation		(123,283)
	Adjusted Operating Costs	\$ 864,385
	Fare Box Recovery Ratio	<u>10.82%</u>
	Required Fare Box Recovery Ratio	10.00%
		DAR-TDA
Fare Revenue		\$ 60,276
DAR Operating Costs		\$ 790,440
Depreciation		-
	Adjusted Operating Costs	\$ 790,440
	Fare Box Recovery Ratio	<u>7.63%</u>
	Required Fare Box Recovery Ratio	10.00%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 4. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority insures against such losses with an insurance policy issued through the California Transit Insurance Pool (CalTip), a joint powers insurance authority. The coverage includes general, automobile, and public officials' errors & omissions liability, as well as vehicle physical damage insurance to a total of \$40 million, with a deductible of \$50,000 per occurrence which HTA has restricted in fund equity as insurance deductible reserves for the equivalent of two claims. HTA is not currently involved in any litigation matters.

NOTE 5. PENSION PLAN

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by State statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the Humboldt Transit Authority. The Humboldt Transit Authority's employer rate plans in the miscellaneous risk pool include the Miscellaneous Plan and the PEPRA Miscellaneous Plan. The Humboldt Transit Authority does not have any rate plans in the safety risk pool.

Benefits Provided - The Plan provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members hired prior to January 1, 2013 with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013 with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 5. PENSION PLAN (Continued)

The Plan's provisions and benefits in effect at June 30, 2020 are summarized as follows:

Employer Rate Plan	Miscellaneous	PEPRA Misc
Hire Date	Prior to Jan 1, 2013	On or after Jan 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50	52
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rates	6.906%	6.750%
Required Employer Contribution Rates	9.680%	6.985%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The contribution rates are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. HTA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Humboldt Transit Authority's contributions to the risk pools in the Plan for the year ended June 30, 2020, were as follows:

	Contributions
Miscellaneous Risk Pool	\$ 365,024
Safety Risk Pool	-
Total Contributions	<u>\$ 365,024</u>

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 5. PENSION PLAN (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, HTA reported net pension liabilities for its proportionate shares of the net pension liability in the amount of \$2,278,561.

The Humboldt Transit Authority's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The Humboldt Transit Authority's proportionate share of the net pension liability as of June 30, 2018, the valuation date, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2018. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date was calculated by dividing the Humboldt Transit Authority's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

HTA's proportionate share of the net pension liability as of June 30, 2019, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2019, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2019, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 5. PENSION PLAN (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2019, was calculated by applying HTA's proportionate share percentage as of the valuation date to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2019, to obtain the total pension liability and fiduciary net position as of June 30, 2019. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The Humboldt Transit Authority's proportionate share percentage of the net pension liability for each risk pool as of June 30, 2018, and June 30, 2019, was as follows:

	Miscellaneous Risk Pool
Proportion at measurement date - June 30, 2018	0.054799%
Proportion at measurement date - June 30, 2019	0.056900%
Change - Increase (Decrease)	0.002101%

For the year ended June 30, 2020, the Humboldt Transit Authority recognized pension expense of \$552,203. At June 30, 2020, the Humboldt Transit Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 157,985	\$ (12,228)
Change in assumptions	108,367	(38,320)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(40,345)
Adjustments due to Differences in Proportions	90,669	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(25,890)
Differences between Actual and Required Contributions		
Contributions after Measurement Date	365,024	-
Total	\$ 722,045	\$ (116,783)

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 5. PENSION PLAN (Continued)

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date	Deferred Outflows/(Inflows) of Resources
June 30:	
2020	\$ 198,481
2021	2,107
2022	31,601
2023	8,049
2024	-
Total	\$ 240,238

Actuarial Assumptions – For the measurement period ended June 30, 2019 (the measurement date), the total pension liability for the Plan was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-age normal cost method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.00%
Mortality	membership data for all funds

Depending on age, service, and type of employment

Net of Pension Plan Investment and Administrative Expenses; includes Inflation

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>

HUMBOLDT TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2020

NOTE 5. PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability is 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2019 based on June 30, 2018 Valuations*, which can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2020

NOTE 5. PENSION PLAN (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Sensitive	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92)
	<u>100%</u>		

(a) - An expected inflation of 2.0% used for this period

(b) - An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

The following presents HTA’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what HTA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate less 1%</u>	<u>Current Discount</u>	<u>Discount Rate plus 1%</u>
	6.15%	7.15%	8.15%
Net pension liability	\$3,654,931	\$2,278,561	\$1,142,465

NOTE 6. RECLASSIFICATIONS

Certain amounts have been reclassified in the prior year financial statements to conform to the current year presentation.

NOTE 7. PRIOR PERIOD ADJUSTMENT

During the audit, it was determined that several outstanding invoices in Accounts Receivable were duplicated entries from 2018 and 2019. The amount adjusted was \$112,480.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2020

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated all known events and transactions for potential recognition or disclosure through May 26, 2021, the date the financial statements were available to be issued.

Humboldt Transit's operations was affected by the recent and ongoing outbreak of the Covid-19 disease which was declared a pandemic by the World Health Organization in March 2020. The extent to which the virus impacts HTA's operations will depend on future developments, which are highly uncertain, including the duration and severity of the outbreak. In particular, the funding source for public transportation is derived from general sales tax collected statewide, which is anticipated to be severely impacted during this pandemic. While management expects this matter to negatively impact its results of operations, cash flows and financial position, the related impact cannot be reasonably estimated at this time.

In 2021, Humboldt Transit received federal funds under the Coronavirus Aid, Relief, and Economic Security Act or CARES Act totaling \$920,607 to cover Covid safety equipment purchases, lost revenue, and Covid payroll expenses from March 2020 to June 2022. Covid purchases expended as of June 30, 2020 totaled \$73,766, including lost fare revenue of \$250,513, and personnel expenses totaling \$264,758. Additional CARES Act grants have been awarded for the period January 2020 through June 2025 which total \$1,664,624.

SUPPLEMENTARY INFORMATION

EXHIBIT E

HUMBOLDT TRANSIT AUTHORITY
Combining
Schedule of Net Position
June 30, 2020

ASSETS

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	DAR	SOBUM	ARCATA RD	TOTAL
Current Assets									
Cash and Cash Equivalents									
On Hand and in Deposit Accounts	\$ (266,440)	\$ (37,977)	\$ 219,398	\$ (332,773)	-	\$ 13,872	\$ 1,180,409	\$ 33,536	\$ 810,025
Restricted Cash	1,213,842	(37,977)	219,398	(332,773)	-	13,872	1,180,409	33,536	1,213,842
Total Cash and Cash Equivalents	947,402								2,023,867
Accounts Receivable	182,959	14,674	-	100,000	-	9,040	-	10,000	316,673
Grant Receivables	146,075	-	-	-	-	-	300,000	-	446,075
SGR Grant Receivable	66,133	-	-	6,706	-	39,990	-	-	112,829
STAF Grant Receivable	469,156	-	-	299,694	-	-	-	-	768,850
Employee Advances	3	-	-	-	-	-	-	-	3
Materials and Supplies Inventory (at cost)	256,146	-	-	-	-	-	-	-	256,146
Prepaid Expenses	31,358	-	-	-	-	-	-	-	31,358
Total Current Assets	2,098,232	(23,303)	219,398	73,627	-	62,902	1,480,409	43,536	3,953,801
Work in Progress	1,008,734	-	-	-	-	-	-	-	1,008,734
Property, Plant and Equipment, Net	7,493,034	-	184,391	1,442,482	-	48,880	729,028	-	9,897,815
Deferred Outflows of Resources	2,194,796	-	-	-	-	-	-	-	2,194,796
TOTAL ASSETS	\$ 12,795,796	\$ (23,303)	\$ 403,789	\$ 1,516,109	\$ -	\$ 111,782	\$ 2,209,437	\$ 43,536	\$ 17,057,146

LIABILITIES AND NET POSITION

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	DAR	SOBUM	ARCATA RD	TOTAL
Current Liabilities									
Trade Payable	\$ 68,466	\$ 13,295	\$ 1,797	\$ 6,288	\$ -	\$ -	\$ 7,186	\$ -	\$ 97,032
Insurance Payable	38,110	-	5,344	8,022	-	6,010	13,102	-	70,588
DAR Liability	87,768	-	-	-	-	-	-	-	87,768
Deferred Income	301,306	-	-	-	-	-	-	-	301,306
Deferred Fare Revenue	264,591	-	-	-	-	-	-	-	264,591
Accrued Payroll Liabilities	424,911	-	-	-	-	-	-	-	424,911
Total Current Liabilities	1,185,152	13,295	7,141	14,310	-	6,010	20,288	-	1,246,196
Long-Term Liabilities									
Lease Deposit	3,000	-	-	-	-	-	-	-	3,000
Pension Liability	2,004,222	-	24,267	176,816	-	-	73,256	-	2,278,561
Net OPFB Obligation	4,514,823	-	21,270	1,530,320	-	-	903,248	-	7,089,861
Total Long-Term Liabilities	6,522,045	-	45,537	1,827,336	-	-	976,504	-	9,371,422
TOTAL LIABILITIES	7,707,197	13,295	52,678	1,841,646	-	6,010	996,792	-	10,617,618
Deferred Inflows of Resources	1,454,042	-	-	-	-	-	-	-	1,454,042
Invested in Capital Assets, Net of Related Debt	8,501,768	-	184,391	1,442,482	-	48,880	729,028	-	10,906,549
Restricted Net Position									
Insurance Deductible Reserve	100,000	-	-	-	-	-	-	-	100,000
Equipment Acquisition	805,253	-	-	-	-	-	-	-	805,253
Retiree's Health Insurance	15,000	-	-	-	-	-	-	-	15,000
Total Restricted Net Position	920,253	-	-	-	-	-	-	-	920,253
Unrestricted Net Position									
(3,787,464)	(36,598)	166,720	(1,768,019)	-	-	56,892	483,617	43,536	(6,841,316)
3,634,557	(36,598)	-	(325,537)	-	-	105,772	1,212,645	43,536	4,985,486
TOTAL LIABILITIES AND NET POSITION	\$ 12,795,796	\$ (23,303)	\$ 403,789	\$ 1,516,109	\$ -	\$ 111,782	\$ 2,209,437	\$ 43,536	\$ 17,057,146

The accompanying notes and independent auditors' report are an integral part of these financial statements

HUMBOLDT TRANSIT AUTHORITY
 Combining Schedule of Revenues, Expenses, and Changes in Net Position
 For the Year Ended June 30, 2020

	HTA/ RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	Combined DAR	SOHUM- Inter-City	Arcaia Rd	TOTAL
OPERATING REVENUES									
Fares	\$ 719,002		\$ 40,547	\$ 223,702	\$ -	\$ 60,276	\$ 95,497	\$ 30	\$ 1,137,054
Contract Revenue	219,165	90,000	1,345	7,969	-	643,113	-	-	961,790
Contract Maintenance	-	-	-	-	-	1,891	-	-	1,891
Other Operating Revenue	442	49,328	-	-	-	-	-	-	49,770
Total Operating Revenues	<u>938,609</u>	<u>139,328</u>	<u>42,090</u>	<u>231,671</u>	<u>-</u>	<u>705,280</u>	<u>93,497</u>	<u>30</u>	<u>2,150,505</u>
OPERATING EXPENSES									
Labor and Benefits	3,847,196	66,993	92,989	693,265	-	94,596	348,250	-	5,143,289
Professional Services	72,694	-	-	-	-	-	-	-	72,694
Specialized Services	-	-	-	-	-	790,440	-	246	790,686
Repairs, Supplies, & Maintenance	446,241	89,022	53,422	129,982	-	31,331	126,348	-	876,346
Casualty and Liability Insurance	266,405	-	32,714	49,311	-	55,476	79,379	-	463,285
Facility Expenses	187,870	43,697	41,534	62,068	-	50,773	53,082	-	439,024
Allocated Maintenance	(380,709)	-	44,658	219,171	-	-	116,880	-	-
Leases and Rentals	2,181	2,179	2,179	2,179	-	2,179	136,463	-	13,076
Allocated Administration	(444,497)	-	52,140	255,894	-	-	-	-	-
Advertising	10,803	-	-	-	-	-	36	-	10,803
Other	86,779	341	8	80	-	898	-	-	88,142
Depreciation	1,209,893	-	42,814	120,183	-	21,349	123,283	-	1,517,522
Total Operating Expenses	<u>5,304,856</u>	<u>202,232</u>	<u>362,458</u>	<u>1,532,133</u>	<u>-</u>	<u>1,027,042</u>	<u>985,900</u>	<u>246</u>	<u>9,414,867</u>
OPERATING INCOME (LOSS)	<u>(4,366,247)</u>	<u>(62,904)</u>	<u>(320,368)</u>	<u>(1,300,462)</u>	<u>-</u>	<u>(321,762)</u>	<u>(892,403)</u>	<u>(216)</u>	<u>(7,264,362)</u>
NONOPERATING REVENUES									
Advertising	48,705	-	-	-	-	-	-	-	48,705
Rents & Leases	135,228	-	-	-	-	-	-	-	135,228
Operating Grants	-	-	-	-	-	-	-	-	-
TDA Assessments	1,614,061	-	272,698	449,992	-	-	556,906	10,000	2,903,657
Federal - FTA	217,000	-	-	202,000	-	-	300,000	-	719,000
State Operating - SGR	87,605	-	-	12,699	-	46,402	-	-	146,706
State Operating - STAF	352,954	36	848	315,423	-	296,819	4,904	-	970,984
Interest Income	30,157	-	-	-	-	-	-	-	30,157
Loss on Disposal of Capital Assets	(3,671)	-	(49,214)	-	-	(5,114)	(9,194)	-	(65,193)
Grant Expenses	(27,390)	-	-	-	-	(67,214)	-	-	(94,604)
Total Nonoperating Revenues	<u>2,454,649</u>	<u>36</u>	<u>224,332</u>	<u>980,114</u>	<u>-</u>	<u>272,893</u>	<u>832,616</u>	<u>10,000</u>	<u>4,794,640</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	<u>(1,911,598)</u>	<u>(62,868)</u>	<u>(96,036)</u>	<u>(320,348)</u>	<u>-</u>	<u>(48,869)</u>	<u>(39,787)</u>	<u>9,784</u>	<u>(2,469,722)</u>
CAPITAL GRANTS									
Capital Grants:									
Federal - FTA	146,075	-	-	196,769	-	-	-	-	342,844
Adaptation Grant	71,167	-	-	-	-	-	-	-	71,167
State - SGR	53,970	-	-	-	-	-	-	-	53,970
State - STAF	603,884	-	-	-	-	-	-	-	603,884
Other / County	(2,087)	-	-	844,181	-	-	-	-	842,094
Total Capital Grants	<u>873,009</u>	<u>-</u>	<u>-</u>	<u>1,040,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,913,959</u>
CHANGE IN NET POSITION	<u>\$ (1,038,589)</u>	<u>\$ (62,868)</u>	<u>\$ (96,036)</u>	<u>\$ (320,348)</u>	<u>\$ -</u>	<u>\$ (48,869)</u>	<u>\$ (39,787)</u>	<u>\$ 9,784</u>	<u>\$ (555,763)</u>
NET POSITION, BEGINNING OF YEAR	\$ 4,673,146	\$ 26,270	\$ 447,147	\$ (1,046,139)	\$ 181,828	\$ 267,121	\$ 1,070,604	\$ 33,752	\$ 5,633,729
TRANSFER NET ASSETS PRIOR PERIOD ADJUSTMENT	-	-	-	-	(181,828)	-	181,828	-	-
NET POSITION, END OF YEAR	<u>\$ 3,634,557</u>	<u>\$ (36,598)</u>	<u>\$ 351,111</u>	<u>\$ (325,537)</u>	<u>\$ -</u>	<u>\$ 105,772</u>	<u>\$ 1,212,645</u>	<u>\$ 43,536</u>	<u>\$ 4,985,486</u>

See accompanying notes and independent auditors' report are an integral part of these financial statements

EXHIBIT G

HUMBOLDT TRANSIT AUTHORITY
Combining Schedule of Net Position
June 30, 2019

ASSETS

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	DAR	SOHUM- ARCATA RD	TOTAL
Current Assets								
Cash and Cash Equivalents								
On Hand and in Deposit Accounts	\$ (1,288,859)	\$ (202,909)	\$ 259,987	\$ 405,065	\$ 181,506	\$ 219,346	\$ 33,752	\$ 661,114
Restricted Cash	1,727,108	-	-	-	-	-	-	1,727,108
Total Cash and Cash Equivalents	<u>438,249</u>	<u>(202,909)</u>	<u>259,987</u>	<u>405,065</u>	<u>181,506</u>	<u>219,346</u>	<u>33,752</u>	<u>2,388,222</u>
Accounts Receivable	160,489	9,478	688	4,655	372	45,229	-	221,331
Grant Receivables	642,059	227,444	-	-	-	-	-	1,152,689
Employee Advances	3	-	-	-	-	-	-	3
Materials and Supplies Inventory (at cost)	312,547	-	-	-	-	-	-	312,547
Prepaid Expenses	35,319	-	-	-	-	-	-	35,319
Total Current Assets	<u>1,388,666</u>	<u>34,013</u>	<u>260,675</u>	<u>409,720</u>	<u>181,878</u>	<u>264,575</u>	<u>33,752</u>	<u>4,110,111</u>
Property, Plant and Equipment, Net	9,296,361	-	277,048	547,966	-	73,346	-	11,059,369
Deferred Outflows of Resources	980,861	-	-	-	-	-	-	980,861
TOTAL ASSETS	<u>\$ 11,865,888</u>	<u>\$ 34,013</u>	<u>\$ 537,723</u>	<u>\$ 957,686</u>	<u>\$ 181,878</u>	<u>\$ 337,921</u>	<u>\$ 33,752</u>	<u>\$ 16,150,341</u>

LIABILITIES AND NET POSITION

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	DAR	SOHUM- ARCATA RD	TOTAL
Current Liabilities								
Trade Payable	\$ 131,055	\$ 7,542	\$ 90	\$ 1,936	\$ 50	\$ 70,800	\$ -	\$ 213,046
Insurance Payable	71,393	-	-	-	-	-	-	71,393
DAR Liability	59,710	-	-	-	-	-	-	59,710
Deferred Income	-	201	68,801	652,847	-	-	-	721,849
Deferred Fare Revenue	232,904	-	-	-	-	-	-	232,904
Accrued Payroll Liabilities	324,790	-	-	-	-	-	-	324,790
Total Current Liabilities	<u>819,852</u>	<u>7,743</u>	<u>68,891</u>	<u>654,783</u>	<u>50</u>	<u>70,800</u>	<u>-</u>	<u>1,623,692</u>
Long-Term Liabilities								
Lease Deposit	3,000	-	-	-	-	-	-	3,000
Pension Liability	1,821,948	-	21,685	161,914	-	-	-	2,065,232
Net OPEB Obligation	4,420,018	-	-	1,187,128	-	-	-	6,676,764
Total Long-Term Liabilities	<u>6,244,966</u>	<u>-</u>	<u>21,685</u>	<u>1,349,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,744,996</u>
TOTAL LIABILITIES	<u>7,064,818</u>	<u>7,743</u>	<u>90,576</u>	<u>2,003,825</u>	<u>50</u>	<u>70,800</u>	<u>-</u>	<u>10,368,688</u>
Deferred Inflows of Resources	127,924	-	-	-	-	-	-	127,924
Invested in Capital Assets, Net of Related Debt	9,296,361	-	277,048	547,966	-	73,346	-	11,059,369
Restricted Net Position								
Insurance Deductible Reserve	100,000	-	-	-	-	-	-	100,000
Equipment Acquisition	805,253	-	-	-	-	-	-	805,253
Retiree's Health Insurance	15,000	-	-	-	-	-	-	15,000
Total Restricted Net Position	<u>920,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>920,253</u>
Unrestricted Net Position	(5,543,468)	26,270	170,099	(1,594,105)	181,828	193,775	33,752	(6,325,893)
Total Net Position	4,673,146	26,270	447,147	(1,046,139)	181,828	267,121	33,752	5,653,729
TOTAL LIABILITIES AND NET POSITION	<u>\$ 11,865,888</u>	<u>\$ 34,013</u>	<u>\$ 537,723</u>	<u>\$ 957,686</u>	<u>\$ 181,878</u>	<u>\$ 337,921</u>	<u>\$ 33,752</u>	<u>\$ 16,150,341</u>

The accompanying notes and independent auditors' report are an integral part of these financial statements

EXHIBIT B

HUMBOLDT TRANSIT AUTHORITY
 Combining Schedule of Revenues, Expenses, and Changes in Net Position
 For the Year Ended June 30, 2019

	HITA/ RIS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	Combined DAR	SOHUM- InterCity	Arcata Rd	TOTAL
OPERATING REVENUES									
Fares	\$ 884,374	\$ -	\$ 47,100	\$ 242,761	\$ 5,756	\$ 66,405	\$ 116,920	\$ 7	\$ 1,363,323
Contract Revenue	215,973	90,000	2,394	7,305	-	772,440	-	-	1,088,114
Contract Maintenance	72,028	-	-	-	-	86,927	216	-	159,171
Other Operating Revenue	21,351	48,828	-	-	-	-	-	-	70,179
Total Operating Revenues	1,193,728	138,828	49,494	250,066	5,756	925,772	117,136	7	2,680,787
OPERATING EXPENSES									
Labor and Benefits	3,250,146	54,360	89,948	673,480	81,390	115,719	365,177	-	4,630,420
Professional Services	117,869	-	-	-	-	790,440	-	-	1,178,699
Specialized Services	-	-	-	-	-	33,439	-	95	790,555
Repairs, Supplies, & Maintenance	549,778	68,353	53,939	178,305	23,911	33,439	123,364	-	1,031,089
Casualty and Liability Insurance	268,822	-	28,001	51,634	8,348	31,193	69,091	-	457,089
Facility Expenses	78,975	26,888	26,782	40,362	26,783	120,704	35,242	-	355,736
Allocated Maintenance	(360,934)	-	38,056	183,288	31,462	-	108,128	-	-
Leases and Rentals	1,813	1,812	1,813	1,812	1,812	1,812	124,881	-	12,688
Allocated Administration	(416,853)	-	43,952	211,684	36,336	-	-	-	-
Advertising	37,546	-	-	-	-	-	-	-	37,546
Other	118,747	302	12	174	-	1,074	77	1,160	121,546
Depreciation	1,180,470	-	51,122	61,112	-	21,913	159,966	-	1,474,583
Total Operating Expenses	4,826,379	151,715	333,625	1,401,852	210,242	1,116,294	987,739	1,255	9,029,101
OPERATING INCOME (LOSS)	(3,632,651)	(12,887)	(284,131)	(1,151,786)	(204,486)	(190,522)	(870,603)	(1,248)	(6,348,314)
NONOPERATING REVENUES									
Advertising	50,058	-	-	-	-	-	-	-	50,058
Rents & Leases	133,825	-	-	-	-	-	-	-	133,825
Operating Grants	-	-	-	-	-	-	-	-	-
TDA Assessments	1,585,038	-	267,351	476,405	176,342	-	540,685	35,000	3,080,821
Federal - FTA	242,280	-	-	-	-	-	283,186	-	525,466
State Operating - STAF	164,604	-	-	194,192	-	310,253	3,388	-	672,437
Interest Income	30,010	-	-	-	-	-	-	-	30,010
Donated Assets	-	-	-	608,717	-	-	-	-	608,717
Loss on Disposal of Capital Assets	(46,445)	-	-	-	-	-	1	-	(46,444)
Grant Expenses	(38,562)	(4,860)	(1,620)	(5,670)	(1,820)	(44,000)	(5,670)	-	(103,002)
Total Nonoperating Revenues	2,120,808	(4,860)	265,731	1,273,644	174,722	266,253	821,590	35,000	4,952,888
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(1,511,843)	(17,747)	(18,400)	121,858	(29,764)	75,731	(49,013)	33,752	(1,395,426)
CAPITAL GRANTS									
Capital Grants:									
Federal - FTA	343,685	-	-	-	-	-	-	-	343,685
State - LCTOP	137,647	-	-	-	-	-	-	-	137,647
State - SGR	21,240	-	-	-	-	-	-	-	21,240
State - STAF	552,455	3,418	1,140	3,987	1,139	44,000	3,987	-	610,126
Other / County	310,495	-	-	-	-	-	-	-	310,495
Total Capital Grants	1,365,522	3,418	1,140	3,987	1,139	44,000	3,987	-	1,623,195
CHANGE IN NET POSITION	\$ (146,321)	\$ (14,329)	\$ (17,260)	\$ 125,845	\$ (28,625)	\$ 119,731	\$ (45,026)	\$ 33,752	\$ 27,767
NET POSITION, BEGINNING OF YEAR	\$ 4,819,467	\$ 40,599	\$ 464,407	\$ (1,171,984)	\$ 210,453	\$ 147,390	\$ 1,115,630	\$ -	\$ 5,625,962
Combine SHL with SHI	-	-	-	-	-	-	-	-	-
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-	-	-
NET POSITION, END OF YEAR	\$ 4,673,146	\$ 26,270	\$ 447,147	\$ (1,046,139)	\$ 181,828	\$ 267,121	\$ 1,070,604	\$ 33,752	\$ 5,653,729

See accompanying notes and independent auditors' report

HUMBOLDT TRANSIT AUTHORITY
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS *
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

June 30, 2020

	CalPERS Fiscal Year 2014-15	CalPERS Fiscal Year 2015-16	CalPERS Fiscal Year 2016-17	CalPERS Fiscal Year 2017-18	CalPERS Fiscal Year 2018-2019	CalPERS Fiscal Year 2019-2020
Contractually required contribution (actuarially determined)	\$ 183,998	\$ 203,417	\$ 243,840	\$ 267,536	\$ 311,687	\$ 365,024
Contribution in relation to the actuarially determined contribution	(183,998)	(203,417)	(243,840)	(267,536)	(311,687)	(365,024)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,701,088	\$ 1,845,624	\$ 1,962,831	\$ 2,143,796	\$ 2,379,782	\$ 2,246,615
Contributions as a percentage of covered payroll	10.82%	11.02%	12.42%	12.48%	13.10%	16.25%

Notes to Schedule:

Contribution Valuation Date: 6/30/2012 6/30/2013 6/30/2014 6/30/2015 6/30/2016 6/30/2017

* - Fiscal year 2015 was the first year of implementation, therefore only 6 years are shown.

HUMBOLDT TRANSIT AUTHORITY
SCHEDULE OF HTA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
June 30, 2020

LAST TEN YEARS *

	Measurement Date June 30, 2014	Measurement Date June 30, 2015	Measurement Date June 30, 2016	Measurement Date June 30, 2017	Measurement Date June 30, 2018	Measurement Date June 30, 2019
Plan's proportion of the Perf C net Pension	0.021640%	0.019949%	0.020911%	0.021413%	0.021432%	0.022236%
Plan's proportionate share of the net pension liability	\$ 1,346,438	\$ 1,369,306	\$ 1,809,418	\$ 2,123,612	\$ 2,065,232	\$ 2,278,561
Plan's covered payroll	\$ 1,701,088	\$ 1,845,624	\$ 1,962,831	\$ 2,143,796	\$ 2,379,782	\$ 2,213,417
Plan's proportionate share of the net pension liability as percentage of covered payroll	79.15%	74.19%	100.56%	105.04%	86.78%	102.94%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	81.21%	82.07%	77.68%	76.64%	78.40%	77.73%

NOTES TO SCHEDULE:

Benefit changes: There were no changes to benefit terms.

Changes in assumptions: There were no changes in assumptions.

* - Fiscal year 2015 was the first year of implementation, therefore only 6 years are shown.

HUMBOLDT TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS*
For the Year Ended June 30, 2020

Measurement Period, June 30	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability:			
Service cost	\$ 402,191	\$ 413,251	\$ 455,270
Interest on the total OPEB liability	211,000	210,871	238,741
Actual and expected experience difference	-	-	(1,525,606)
Changes in assumptions	-	311,858	1,411,177
Changes in benefit terms	-	-	-
Benefit payments	<u>(149,017)</u>	<u>(154,978)</u>	<u>(166,485)</u>
Net change in OPEB liability	464,174	781,002	413,097
Total OPEB liability - beginning	5,431,588	5,895,762	6,676,764
Total OPEB liability - ending	<u><u>\$ 5,895,762</u></u>	<u><u>\$ 6,676,764</u></u>	<u><u>\$ 7,089,861</u></u>
Plan Fiduciary Net Position:			
Contribution - employer	\$ -	\$ -	\$ -
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expense	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 5,895,762</u></u>	<u><u>\$ 6,676,764</u></u>	<u><u>\$ 7,089,861</u></u>
Covered payroll	\$ 2,379,782	\$ 2,560,973	\$ 2,780,735
Total OPEB liability as a percentage of covered payroll	248%	261%	255%

Notes to Schedule

The District's retiree healthcare plan had no assets accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement no. 75, paragraph 4.

Changes in assumptions - The investment rate of return changed from 3.5% to 2.20%

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.



ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

KEITH D. BORGES, CPA
BARBARA J. GUEST, CPA
RITA CHISM
VANESSA ANDERSON, EA

1338 MAIN STREET
FORTUNA, CALIFORNIA 95540
(707) 725-4483 & (707) 725-4442
FAX: (707) 725-6340

JAMES M. ANDERSON (1964-2001)
EUGENE B. LUCAS (1950-2013)
DAVID A. SOMERVILLE, INACTIVE

Email: team@alsb.com

www.alsb.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Humboldt Transit Authority

Report on Compliance for Each Major Federal Program

We have audited Humboldt Transit Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Humboldt Transit Authority's major federal programs for the year ended June 30, 2020. Humboldt Transit Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Humboldt Transit Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Humboldt Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Humboldt Transit Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Humboldt Transit Authority's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Humboldt Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Humboldt Transit Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Humboldt Transit Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Humboldt Transit Authority
Page 3

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ANDERSON, LUCAS, SOMERVILLE & BORGES LLP

Fortuna, California
May 26, 2021



ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

KEITH D. BORGES, CPA
BARBARA J. GUEST, CPA
RITA CHISM
VANESSA ANDERSON, EA

1338 MAIN STREET
FORTUNA, CALIFORNIA 95540
(707) 725-4483 & (707) 725-4442
FAX: (707) 725-6340

JAMES M. ANDERSON (1964-2001)
EUGENE B. LUCAS (1950-2013)
DAVID A. SOMERVILLE, INACTIVE

Email: team@alsb.com

www.alsb.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Humboldt Transit Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Humboldt Transit Authority, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Humboldt Transit Authority's basic financial statements and have issued our report thereon dated May 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Humboldt Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Humboldt Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Humboldt Transit Authority's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt Transit Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Board of Directors others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fortuna, California
May 26, 2021

HUMBOLDT TRANSIT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Major programs are as follows:	
20.509 U.S. Department of Transportation Grants for Other Than Urbanized Areas	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters reported

SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported

HUMBOLDT TRANSIT AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation			
Federal Transit Administration			
Passed Through California Department of Transportation			
Division of Rail and Mass Transportation			
Capital Project - Bus Purchase (5311)	20.509	64BO19-00804	\$ 196,769
Capital Project - Bus Purchase (5311)	20.509	64BC17-00805	\$ 146,075
Operating Assistance - (5311)	20.509	64BO19-00946	\$ 419,000
Operating Assistance - (5311f)	20.509	64CO19-01001	\$ 300,000
Operating Assistance - (5311) Covid - 19	20.509	64VO20-01032	\$ 494,707
Operating Assistance - (5311f) Covid - 19	20.509	64KO20-01253	\$ 94,330
Total Expenditures of Federal Awards			<u><u>\$ 1,650,881</u></u>

The above schedule of expenditures of federal awards includes the federal grant activity of Humboldt Transit Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

MANAGEMENT LETTER



ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

KEITH D. BORGES, CPA
BARBARA J. GUEST, CPA
RITA CHISM
VANESSA ANDERSON, EA

1338 MAIN STREET
FORTUNA, CALIFORNIA 95540
(707) 725-4483 & (707) 725-4442
FAX: (707) 725-6340

Email: team@alsb.com

www.alsb.com

JAMES M. ANDERSON (1964-2001)
EUGENE B. LUCAS (1950-2013)
DAVID A. SOMERVILLE, INACTIVE

May 26, 2021

Board of Directors
Humboldt Transit Authority
133 V Street
Eureka, California 95501

Ladies and Gentlemen,

We have audited the financial statements of Humboldt Transit Authority (HTA) for the year ended June 30, 2020 and have issued our report thereon dated May 26, 2021. As part of our audit, we reviewed and tested HTA's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards.

The objective of internal accounting control is to provide reasonable, but not absolute assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of HTA's system of internal accounting control for the year ended June 30, 2020 which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, we submit, for your consideration, our comments and recommendations on the operating methods, accounting policies and procedures, and other matters which came to our attention during the course of the audit.

CURRENT YEAR FINDINGS

1. Compliance with TDA Fund Eligibility:

Excess Operating Funds Received:

As shown in Note 2 to the financial statements, the following systems did not meet the compliance requirements of Section 6634 of the California Administrative Code dealing with TDA fund eligibility. Fund eligibility is determined by subtracting actual fare revenues, depreciation, and any federal operating funds received from operating expenses. This amount represents the maximum allowable TDA funding for operating expenses for the fiscal year ended June 30, 2020.

	<u>SoHum</u>
Operating Costs	\$ 987,668
Less Depreciation	(123,283)
Less Fare Revenues	(93,497)
Less Federal Operating Funds	<u>(295,425)</u>
Maximum TDA Fund Eligibility	475,463
STAF Operating Funds Received	4,904
TDA Funds Received	<u>556,906</u>
	561,810
Excess TDA Funds Received	<u><u>\$ 86,347</u></u>

Recommendation: HTA has several options to remedy this situation:

- a. Claims by member entities for operating costs for the following fiscal year may be reduced by the current year excess TDA funds.
- b. Members may file amended claims for the current fiscal year applying the excess fund to capital expenditures made during the current year.
- c. Members may repay the excess TDA funds to the Transportation Planning Agency (HCAOG) on demand.

Board of Directors
Humboldt Transit Authority
Page 3

The above recommendations and comments are intended to be constructive suggestions on ways to improve the policies and procedures of HTA. They are not intended to be all-inclusive of the areas in which improvements might be achieved. Should you have any questions regarding these comments or any other matters, please contact us.

In conclusion, we wish to thank the staff of Humboldt Transit Authority for their cooperation and assistance during our audit.

ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

Anderson, Lucas, Somerville, & Borges