

HUMBOLDT TRANSIT AUTHORITY
FINANCIAL STATEMENTS,
SUPPLEMENTARY
INFORMATION,
AND
SINGLE AUDIT REPORTS
For the Year Ended June 30, 2014

HUMBOLDT TRANSIT AUTHORITY

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June 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Humboldt Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Humboldt Transit Authority as of and for the year ended June 30, 2014 and 2013, 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 the Humboldt Transit Authority, as of June 30, 2014 and 2013, 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

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2013 that affected the nomenclature of the financial statements:

Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

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 the Humboldt Transit Authority’s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the combining schedules 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 schedule of expenditures of federal awards and the combining schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Directors
Humboldt Transit Authority

Other Information (Continued)

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.

As part of the audit, we performed testing of the following program:

Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA).

In November 2006, California voters passed a bond measure enacting the Highway Safety, Air Quality and Port Security Bond of 2006, of the \$19.925 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation, or replacement.

Since the fiscal year ended June 30, 2010, the Authority applied for and received \$4,172,171, earned interest of \$42,713, and expended \$4,205,338. As of June 30, 2014, PTMISEA unexpended funds total \$9,546.

PTMISEA funds received (2010-2014)	\$4,172,171
Interest earned (2010-2014)	<u>42,713</u>
Subtotal	4,214,884
Expenditures (2010-2014)	
Bus Shelter improvements	(548,465)
Bus Procurement	(2,694,805)
GPS System	(403,201)
Remitted to City of Eureka	(473,399)
Passenger Count System	<u>(85,468)</u>
Subtotal	(4,205,338)
Unexpended PTMISEA funds at June 30, 2014	<u>\$ 9,546</u>

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.

Board of Directors
Humboldt Transit Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2015, on our consideration of the 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 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 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

February 2, 2015
Fortuna, California

BASIC FINANCIAL STATEMENTS

EXHIBIT A

HUMBOLDT TRANSIT AUTHORITY
Statements of Net Position
 June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
<u>Cash and Cash Equivalents</u>		
On Hand and in Deposit Accounts	\$ 2,393,876	\$ 3,234,619
Restricted Cash	9,546	121,205
<u>Total Cash and Cash Equivalents</u>	<u>2,403,422</u>	<u>3,355,824</u>
Accounts Receivable	104,525	89,214
Grants Receivable	941,481	247,873
Payroll Tax Refunds Receivable	-	-
Employee Advances	567	1,359
Materials and Supplies Inventory (at cost)	221,328	184,892
Prepaid Expenses	113,750	123,020
<u>Total Current Assets</u>	<u>3,785,073</u>	<u>4,002,182</u>
Property, Plant and Equipment, Net	10,057,921	8,302,100
Capital Parts	-	20,568
Work in Progress - ADA	-	10,903
	<u>10,057,921</u>	<u>8,333,571</u>
<u>TOTAL ASSETS</u>	<u>\$ 13,842,994</u>	<u>\$ 12,335,753</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>Current Liabilities</u>		
Trade Payables	\$ 460,209	\$ 234,876
Insurance Payable	103,073	112,238
Deferred Income	521,881	633,232
DAR Liability	187,895	164,402
Unearned Fares	123,190	83,190
Deferred Income- Prop 1B PTMISEA	404	119,933
Accrued Payroll Liabilities	188,154	140,756
<u>Total Current Liabilities</u>	<u>1,584,806</u>	<u>1,488,627</u>
<u>Long-term Liabilities</u>		
Net OPEB Obligation	1,735,476	1,439,430
<u>Total Long-term Liabilities</u>	<u>1,735,476</u>	<u>1,439,430</u>
	<u>1,735,476</u>	<u>1,439,430</u>
<u>Total Liabilities</u>	<u>3,320,282</u>	<u>2,928,057</u>
<u>Net Position</u>		
Invested In Capital Assets, Net of Related Debt	10,057,921	8,302,100
<u>Restricted Net Position</u>		
Insurance Deductible Reserve	100,000	100,000
Equipment Acquisition	814,010	1,041,553
Retiree's Health Insurance	15,000	15,000
<u>Total Restricted Net Position</u>	<u>929,010</u>	<u>1,156,553</u>
<u>Unrestricted Net Position</u>	<u>(464,219)</u>	<u>(50,957)</u>
Total Net Position	10,522,712	9,407,696
	<u>10,522,712</u>	<u>9,407,696</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 13,842,994</u>	<u>\$ 12,335,753</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, 2014
With Comparative Amounts for the Year Ended June 30, 2013

	<u>Budget</u>	<u>2014 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2013 Actual</u>
<u>OPERATING REVENUES</u>				
Fares	\$ 972,914	\$ 1,086,538	113,624	\$ 1,013,162
Contract Transportation	1,178,983	1,192,975	13,992	1,174,912
Insurance Reimbursement	33,923	-	(33,923)	29,850
Other Revenue	118,785	270,730	151,945	-
Advertising	14,400	13,200	(1,200)	14,300
<u>Total Operating Revenues</u>	<u>2,319,005</u>	<u>2,563,443</u>	<u>244,438</u>	<u>2,232,224</u>
<u>OPERATING EXPENSES</u>				
Labor and Benefits	2,936,144	3,514,968	(578,824)	3,311,507
Professional Services	24,000	45,331	(21,331)	46,008
Purchased Transportation	-	146,436	(146,436)	154,656
Repairs, Supplies, & Maintenance	1,479,313	1,624,729	(145,416)	1,266,119
Casualty and Liability Insurance	261,273	176,216	85,057	177,667
Utilities	59,050	60,195	(1,145)	58,643
Leases and Rentals	5,760	7,100	(1,340)	660
Miscellaneous	56,653	59,924	(3,271)	46,485
Advertising	10,000	3,927	6,073	16,233
Travel and Transportation	16,325	18,707	(2,382)	7,642
Depreciation	-	977,464	(977,464)	911,686
<u>Total Operating Expenses</u>	<u>4,848,518</u>	<u>6,634,997</u>	<u>(1,786,479)</u>	<u>5,997,306</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(2,529,513)</u>	<u>(4,071,554)</u>	<u>(1,542,041)</u>	<u>(3,765,082)</u>
<u>NONOPERATING REVENUES</u>				
Operating Grants				
TDA Assessments	2,119,991	2,050,670	(69,321)	1,949,587
Federal - FTA	142,429	241,607	99,178	328,634
State Operating - STAF	215,100	217,070	1,970	87,334
Interest Income	16,000	26,574	10,574	20,487
Gain (Loss) on Disposal of Capital Assets	-	(71,456)	(71,456)	(29,325)
Miscellaneous	44,500	585	(43,915)	178,318
<u>Total Nonoperating Revenues</u>	<u>2,538,020</u>	<u>2,465,050</u>	<u>(72,970)</u>	<u>2,535,035</u>
<u>CHANGE IN NET POSITION BEFORE CAPITAL GRANTS</u>	<u>8,507</u>	<u>(1,606,504)</u>	<u>(1,615,011)</u>	<u>(1,230,047)</u>
<u>CAPITAL GRANTS</u>				
Federal Transportation (5311)	-	680,000	-	-
State - Prop 1B PTMISEA	-	1,693,764	-	238,148
State - STAF and CalEma	-	147,756	-	128,860
State - STIP	-	-	-	804,000
County	-	200,000	-	341,001
<u>Total Capital Grants</u>	<u>-</u>	<u>2,721,520</u>	<u>-</u>	<u>1,512,009</u>
<u>CHANGE IN NET POSITION</u>	<u>8,507</u>	<u>1,115,016</u>	<u>(1,615,011)</u>	<u>281,962</u>
<u>NET POSITION, BEGINNING OF YEAR</u>		<u>\$ 9,407,696</u>		<u>\$ 9,112,502</u>
<u>PRIOR PERIOD ADJUSTMENT</u>		<u>-</u>		<u>13,232</u>
<u>NET POSITION, END OF YEAR</u>		<u>\$ 10,522,712</u>		<u>\$ 9,407,696</u>

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

HUMBOLDT TRANSIT AUTHORITY
Statements of Cash Flows
For the Year Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash Received from Customers	\$ 1,412,942	\$ 1,612,844
Cash Paid for Goods and Services	(1,803,919)	(1,814,340)
Cash Paid for Employees	<u>(3,171,524)</u>	<u>(3,021,818)</u>
Net Cash (Used) by Operating Activities	(3,562,501)	(3,223,314)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
Operating Grant Revenue	2,437,891	2,318,679
Contract Transportation	1,192,975	1,174,912
Miscellaneous Revenue	<u>585</u>	<u>178,318</u>
Net Cash Provided by Non-capital Financing Activities	3,631,451	3,671,909
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Capital Grant Revenue	1,780,039	1,198,645
Acquisition of Property, Plant, and Equipment	<u>(2,827,965)</u>	<u>(1,875,754)</u>
Net Cash (Used) by Capital and Related Financing Activities	(1,047,926)	(677,109)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on Investments	<u>26,574</u>	<u>20,487</u>
Net Cash Provided By Investing Activities	<u>26,574</u>	<u>20,487</u>
<u>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</u>	(952,402)	(208,027)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>3,355,824</u>	<u>3,563,851</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 2,403,422</u>	<u>\$ 3,355,824</u>

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

HUMBOLDT TRANSIT AUTHORITY
Statements of Cash Flows
For the Year Ended June 30, 2014 and 2013

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

	<u>2014</u>	<u>2013</u>
Operating Income (Loss)	\$ (4,071,554)	\$ (3,765,082)
Prior Year Adjustment	-	13,232
Accumulated Depreciation adjustment	-	(37,807)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities		
Depreciation	977,464	911,686
Loss on Sale of Capital Assets	94,680	29,325
Nonoperating Revenue (Included in Operating Income Total)	(1,192,975)	(1,174,912)
Changes in Assets and Liabilities		
(Increase) Decrease in Assets		
Receivables	233,354	713,409
Capital parts inventory	20,568	(20,568)
Work in Progress	10,903	(10,903)
Materials and Supplies Inventory	(36,436)	(4,234)
Prepaid Expenses	9,270	(113,790)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	239,661	117,750
Deferred Income	(190,880)	(171,109)
Net OPEB Obligation	296,046	303,113
Accrued Payroll Liabilities	47,398	(13,424)
Net Cash (Used) By Operating Activities	<u>\$ (3,562,501)</u>	<u>\$ (3,223,314)</u>

NOTES TO FINANCIAL STATEMENTS

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2014

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, 2014:

	<u>RTS</u>	<u>DAR/Lift Arcata McKinleyville</u>	<u>Willow Creek</u>	<u>So. Hum. Intercity</u>	<u>So. Hum. Local</u>
Arcata	14.4%	40%			
Eureka	22.6%				
Fortuna	9.9%				
Rio Dell	2.8%				
Trinidad	0.3%				
Humboldt Co.	<u>50.0%</u>	<u>60%</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>DAR/Lift Arcata McKinleyville</u>	<u>Willow Creek</u>	<u>So. Hum. Intercity</u>	<u>So. Hum. Local</u>
Arcata	\$ 204,081	\$ 52,396			
Eureka	321,553				
Fortuna	141,222				
Rio Dell	39,849				
Trinidad	4,380				
Humboldt Co.	<u>711,095</u>	<u>78,397</u>	<u>\$244,611</u>	<u>\$316,139</u>	<u>\$137,061</u>
	<u>\$1,422,180</u>	<u>\$ 130,793</u>	<u>\$244,611</u>	<u>\$316,139</u>	<u>\$137,061</u>

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2014

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, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

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

Transportation Services for:

- RTS
- AMRTS Maintenance
- Willow Creek
- Eureka Transit
- Eureka DAR
- Arcata DAR
- Southern Humboldt – Intercity (began January 2010)
- Southern Humboldt – Local (began January 2010)

C. Description of Services

The Authority began operations of the Redwood Transit System in August of 1976. As of June 30, 2014 the Authority operated seven runs, which cover the corridor between the cities of Trinidad to the North and Scotia to the South. Fares range from \$2.50 for senior citizens and the handicapped to \$2.75 for a basic fare.

HTA administers, through contracts with local cab companies, a Dial-A-Ride service for senior citizens, mobility impaired persons and those not able to utilize the regular transit system in Arcata, McKinleyville and Eureka.

HTA, through a contract with the City of Eureka operates the Eureka Transit System and, beginning September 1, 1997, began administering the Eureka Dial-a-Ride paratransit service.

In December 2001, HTA contracted with the AMRT&S (Arcata) system to provide bus maintenance, fueling and parking at the HTA facility.

HTA contracted with the County of Humboldt to provide bus service from Arcata to Willow Creek beginning July 2001. HTA also contracted the County of Humboldt to provide bus service in the Southern Humboldt area beginning January 2010.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property, Plant, and Equipment

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

	<u>2014</u>	<u>2013</u>
Buses	\$ 9,382,018	\$ 6,736,488
Other Transportation Equipment	1,625,160	1,665,198
Office Equipment	135,180	141,132
Other Equipment	1,511,141	1,561,176
Real Property - Land	2,164,831	2,164,831
Buildings & Improvements	<u>2,807,222</u>	<u>2,807,222</u>
Subtotal	\$ 17,625,552	\$ 15,076,047
Less Accumulated Depreciation	<u>(7,567,631)</u>	<u>(6,773,947)</u>
 Total Property, Plant & Equipment	 <u>\$ 10,057,921</u>	 <u>\$ 8,302,100</u>
 Property, Plant & Equipment, Beginning	 \$ 15,076,047	 \$ 13,389,315
Capital Acquisitions	2,827,965	1,875,754
Sales/Dispositions	<u>(278,460)</u>	<u>(189,022)</u>
Property, Plant, & Equipment, Ending	<u>\$ 17,625,552</u>	<u>\$ 15,076,047</u>

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

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Compensated Absences

HTA has accrued a liability for vacation pay earned as of June 30, 2014 and 2013, in the amount of \$108,249 and \$100,339, respectively.

No liability is recorded for accumulated sick pay, which at June 30, 2014 and 2013, was \$80,952 and \$90,912, 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.

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 Pool's unfunded liability (Market Value) as of June 30, 2013 totals \$1,332,668.

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.

The required employer contribution rates for fiscal year 2013-14 was 11.882%, and for the year 2012-2013 was 11.80%. The projected rate for the years ending June 30, 2015 and 2016 is 12.751% and 13.6%, respectively.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Employee Retirement Plan (Continued)

Annual Pension Cost

For fiscal year 2013-2014, HTA's annual pension cost of \$184,716 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) 7.50% 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.

Three-Year Trend Information for CalPERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	164,292	100%	-0-
6/30/13	187,388	100%	-0-
6/30/14	184,716	100%	-0-

G. Commitments

HTA is under contract with City Ambulance, Inc. for Dial-A-Ride and Dial a Lift service in the McKinleyville area. Payments to City Ambulance, Inc. under the contract for the 2013-2014 fiscal year are \$12,203 per month.

The Authority has contracted with the City of Eureka through June 30, 2015 to administer and manage the City's Eureka Transit System. For 2013-2014 the contract amounted to \$885,883. The Sixth Amendment to the contract stipulates that any carryover from the ETS operation at the end of each year will be rolled over to assist with operating expenses for the following year. Any carryover at the end of the contract term will be returned to the City of Eureka once that amount has been confirmed by the annual performance audit. For fiscal year 2014-2015, HTA will retain the fare revenue and bill the City \$53,692 per month for an anticipated total contract of \$899,309. In addition, ETS will be responsible for the actual cost of vehicle liability insurance.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Allocations

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

	Operating Funds	Capital Funds
Redwood Transit System	\$ 1,422,180	-
Arcata Dial-A-Ride	130,793	-
Willow Creek	244,611	-
Southern Humboldt - Intercity	316,139	-
Southern Humboldt - Local	137,061	-
Total TDA Funds	\$ 2,250,784	\$ -

I. Restricted Net Assets

Amounts restricted by the Board of Directors for the purposes of future bus acquisition, retiree health insurance, and insurance deductible reserve are presented on the balance sheet as restricted net assets totaling \$929,010 and \$1,156,553 for the fiscal years ended June 30, 2014 and 2013 .

Restricted net assets indicate the portions net assets not appropriable 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.

Murray Method funds have been deferred for bus acquisitions. At June 30, 2014 funds available total \$22,961.

J. 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."

At June 30, 2014, the Authority's cash balances included the following:

Petty cash	\$ 277
Cash on deposit with County Treasury	2,221,306
Bank of America	181,839
	\$ 2,403,422

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Cash and Cash Equivalents (Continued)

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.

Cash on deposit with Bank of America is insured by the FDIC up to \$250,000.

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, 2014

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%. Dependent coverage is also provided, ranging from 50% to 95%.

Funding Policy

HTA's current policy is to contribute an amount sufficient to pay the current year's premiums. For the fiscal year ended June 30, 2014, the Authority contributed \$108,028, which covered current premiums, but did not include any additional prefunding of benefits. Currently, 15 retirees are receiving benefits.

Annual OPEB and Net OPEB Obligation

The Authority's annual other postemployment (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Authority's OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation.

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
Annual required contribution	\$ 404,075	\$ 404,075	\$ 453,552
Contributions made	<u>(108,028)</u>	<u>(98,815)</u>	<u>(89,383)</u>
Increase in net OPEB obligations	296,047	305,260	364,169
Net OPEB obligation, beginning of fiscal year	1,439,432	1,134,172	770,003
Net OPEB obligation, end of fiscal year	<u>\$ 1,735,479</u>	<u>\$ 1,439,432</u>	<u>\$ 1,134,172</u>
Percentage of Annual OPEB Cost Contribution	27%	24%	20%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits (Continued)

Funded Status and Funding Progress

As of March 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$4,848,403, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,848,403. The covered payroll (annual payroll of active employees covered by the plan) was \$1,932,360, \$1,801,038, and \$1,314,143 for the years ended June 30, 2014, 2013 and 2012, respectively. The ratio of the UAAL to the covered payroll was 40%, 37%, and 31% for the years ended June 30, 2014, 2013 and 2012, respectively.

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 Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5% investment rate of return, a projected salary increase assumption rate of 3%, an annual healthcare cost trend rate of 4% and inflation rate of 3%. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a level percentage of payroll over 30 years.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. New Accounting Pronouncements

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.

Management has determined that the implementation of GASB 63 and 65 will have no effect on the financial statements. The District currently has no items that qualify to be reported under the classification of Deferred Outflows or Inflows of resources.

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 for the fiscal year ended June 30, 2014.

	Arcata DAR	Willow Creek	SoHum Local	SoHum Inter City
Operating Costs	\$ 147,603	\$ 324,679	\$ 133,031	\$ 534,826
Less Depreciation	-	(33,228)	(12,219)	(25,101)
Less Fare Revenues	(28,488)	(46,744)	(13,879)	(77,085)
Less STAF operating Funds	(1,180)	(6,790)	(6,953)	(17,933)
Less Federal operating Funds	-	(91,607)	-	(150,000)
Maximum TDA Fund Eligibility	117,935	146,310	99,980	264,707
TDA Funds Received	130,793	244,611	137,153	316,047
Excess TDA Funds Received	<u>\$ 12,858</u>	<u>\$ 98,301</u>	<u>\$ 37,173</u>	<u>\$ 51,340</u>

HUMBOLDT TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2014

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. Below is a calculation of the fare box recovery for Redwood Transit Service, Arcata Dial-a-Ride and Willow Creek service:

	<u>Redwood Transit</u>
Fare Revenue	\$ 1,138,434
RTS Operating Costs	\$ 3,743,346
Depreciation	<u>(906,916)</u>
Adjusted Operating Costs	\$ 2,836,430
Fare Box Recovery Ratio	<u>40.14%</u>
Required Fare Box Recovery Ratio	26.40%

	<u>Willow Creek</u>
Fare Revenue	\$ 46,744
RTS Operating Costs	\$ 324,679
Depreciation	<u>(33,228)</u>
Adjusted Operating Costs	\$ 291,451
Fare Box Recovery Ratio	<u>16.04%</u>
Required Fare Box Recovery Ratio	10.00%

	<u>SoHum InterCity</u>
Fare Revenue	\$ 77,085
RTS Operating Costs	\$ 534,826
Depreciation	<u>(25,101)</u>
Adjusted Operating Costs	\$ 509,725
Fare Box Recovery Ratio	<u>15.12%</u>
Required Fare Box Recovery Ratio	10.00%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2014

NOTE 3. FARE BOX RECOVERY RATIOS

	<u>SoHum Local</u>
Fare Revenue	\$ 13,879
RTS Operating Costs	\$ 133,031
Depreciation	<u>(12,219)</u>
Adjusted Operating Costs	\$ 120,812
Fare Box Recovery Ratio	<u>11.49%</u>
Required Fare Box Recovery Ratio	10.00%

	<u>Arcata DAR</u>
Fare Revenue	\$ 28,488
RTS Operating Costs	\$ 147,603
Depreciation	<u>-</u>
Adjusted Operating Costs	\$ 147,603
Fare Box Recovery Ratio	<u>19.30%</u>
Required Fare Box Recovery Ratio	10.00%

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 litigation matters.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
 June 30, 2014

NOTE 5. CAPITAL GRANTS - PUBLIC TRANSPORTATION MODERNIZATION

IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT

In November 2006, California voters passed a bond measure enacting the Highway Safety, Air Quality and Port Security Bond of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, capital projects, rapid transit improvements or rolling stock procurement, rehabilitation, & replacement.

As of June 30, 2014, PTMISEA funds received and expended were verified in the course of our audit as follows:

Unexpended PTMISEA funds at June 30, 2013	\$	121,227
PTMISEA funds received 2013-2014		1,574,235
Interest earned through June 30, 2014		7,894
Less Bank fees		(46)
Subtotal	\$	1,703,310
Expenditures		
Bus Purchases		(1,693,764)
Subtotal		(1,693,764)
Unexpended PTMISEA funds at June 30, 2014	\$	9,546

NOTE 6. SUBSEQUENT EVENTS

Management has evaluated all known events that have occurred after June 30, 2014, and through February 2, 2015, the date when this financial statement was available to be issued, for inclusion in the financial statements and footnotes.

SUPPLEMENTARY INFORMATION

HUMBOLDT TRANSIT AUTHORITY
 Combining Schedule of Net Position
 June 30, 2014

ASSETS																	
Current Assets																	
Cash and Cash Equivalents																	
On Hand and in Deposit Accounts																	
Restricted Cash																	
Total Cash and Cash Equivalents																	
Accounts Receivable																	
Grant Receivables																	
Employee Advances																	
Materials and Supplies Inventory (at cost)																	
Prepaid Expenses																	
Total Current Assets																	
Capital Assets																	
Work in Progress																	
Property, Plant and Equipment, Net																	
TOTAL ASSETS																	
LIABILITIES AND NET POSITION																	
Current Liabilities																	
Trade Payable																	
Insurance Payable																	
DAR Liability																	
Deferred Income																	
Deferred Income- Prop 1B PTW/SEA																	
Deferred Fare Revenue																	
Accrued Payroll Liabilities																	
Total Current Liabilities																	
Long-Term Liabilities																	
Net OPEB Obligation																	
Total Long-Term Liabilities																	
TOTAL LIABILITIES																	
Invested in Capital Assets, Net of Related Debt																	
Restricted Net Position																	
Insurance Deductible Reserve																	
Equipment Acquisition																	
Retiree's Health Insurance																	
Total Restricted Net Position																	
Unrestricted Net Position																	
Total Net Position																	
TOTAL LIABILITIES AND NET POSITION																	
RTS	AMRTS MAINT.	WILLOW CREEK	ETS	ADAR	CORRIDOR DAR	SOHUM-INTERCITY	SOHUM-LOCAL	TOTAL	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	ADAR	CORRIDOR DAR	SOHUM-INTERCITY	SOHUM-LOCAL	TOTAL
\$ 1,795,434	\$ (10,243)	\$ 214,243	\$ 61,655	\$ 51,552	\$ 10,858	\$ 104,542	\$ 165,835	\$ 2,393,876	\$ 1,795,434	\$ (10,243)	\$ 214,243	\$ 61,655	\$ 51,552	\$ 10,858	\$ 104,542	\$ 165,835	\$ 2,393,876
9,546								9,546	9,546								9,546
1,804,980	(10,243)	214,243	61,655	51,552	10,858	104,542	165,835	2,403,422	1,804,980	(10,243)	214,243	61,655	51,552	10,858	104,542	165,835	2,403,422
32,171	18,083	-	37,546	-	16,725	-	-	104,525	32,171	18,083	-	37,546	-	16,725	-	-	104,525
680,000	(235)	68,705	43,009	-	-	150,000	-	941,481	680,000	(235)	68,705	43,009	-	-	150,000	-	941,481
567	-	-	-	-	-	-	-	567	567	-	-	-	-	-	-	-	567
221,328	-	-	-	-	-	-	-	221,328	221,328	-	-	-	-	-	-	-	221,328
113,750	-	-	-	-	-	-	-	113,750	113,750	-	-	-	-	-	-	-	113,750
2,852,796	-	282,948	142,210	51,552	27,583	234,342	165,835	3,785,073	2,852,796	-	282,948	142,210	51,552	27,583	234,342	165,835	3,785,073
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9,488,941	-	296,770	-	-	-	138,036	134,154	10,037,921	9,488,941	-	296,770	-	-	-	138,036	134,154	10,037,921
\$ 12,341,737	\$ 7,607	\$ 579,718	\$ 142,210	\$ 51,552	\$ 27,583	\$ 392,598	\$ 299,989	\$ 13,842,994	\$ 12,341,737	\$ 7,607	\$ 579,718	\$ 142,210	\$ 51,552	\$ 27,583	\$ 392,598	\$ 299,989	\$ 13,842,994
LIABILITIES AND NET POSITION																	
Current Liabilities																	
Trade Payable																	
Insurance Payable																	
DAR Liability																	
Deferred Income																	
Deferred Income- Prop 1B PTW/SEA																	
Deferred Fare Revenue																	
Accrued Payroll Liabilities																	
Total Current Liabilities																	
Long-Term Liabilities																	
Net OPEB Obligation																	
Total Long-Term Liabilities																	
TOTAL LIABILITIES																	
Invested in Capital Assets, Net of Related Debt																	
Restricted Net Position																	
Insurance Deductible Reserve																	
Equipment Acquisition																	
Retiree's Health Insurance																	
Total Restricted Net Position																	
Unrestricted Net Position																	
Total Net Position																	
TOTAL LIABILITIES AND NET POSITION																	

See accompanying notes and independent auditors' report

HUMBOLDT TRANSIT AUTHORITY
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

	KTS	AMRTS MAINT.	WILLOW CREEK	ETS	ADAR	CORRIDOR DAR	SOHUM-INTERCITY	SOHUM-LOCAL	TOTAL
OPERATING REVENUES									
Fares	\$ 927,434	\$ -	\$ 39,651	\$ 885,883	\$ 28,488	\$ -	\$ 77,086	\$ 13,879	\$ 1,086,538
Contract Transportation	210,000	90,000	7,092	885,883	-	-	-	-	1,192,975
Other Operating Revenue	159,287	94,532	-	185	-	-	-	800	270,730
Advertising	13,200	-	-	-	-	-	-	-	13,200
Total Operating Revenues	1,309,921	184,532	46,743	886,068	28,488	15,926	77,086	14,679	2,563,443
OPERATING EXPENSES									
Labor and Benefits	2,403,870	76,986	100,877	641,160	1,597	5,404	234,790	50,284	3,514,988
Professional Services	45,331	-	-	-	-	-	-	-	45,331
Purchased Transportation	-	-	-	-	146,436	-	-	-	146,436
Repairs, Supplies, & Maintenance	835,639	107,554	134,273	283,645	-	938	208,700	52,980	1,624,729
Casualty and Liability Insurance	115,988	-	9,848	7,089	-	-	30,524	12,767	176,216
Utilities	59,977	38	34	63	-	-	63	20	60,195
Leases and Rentals	7,100	-	-	-	-	-	-	-	7,100
Miscellaneous Admin	(99,157)	-	46,264	67,360	-	-	39,514	5,943	59,924
Advertising	3,725	-	88	-	-	-	87	57	3,927
Travel and Transportation	18,609	-	98	-	-	-	-	-	18,707
Depreciation	906,916	-	33,228	-	-	-	25,101	12,219	977,464
Total Operating Expenses	4,297,998	184,578	324,680	999,317	148,033	6,342	539,779	134,270	6,634,897
OPERATING INCOME (LOSS)	(2,988,077)	(46)	(277,937)	(113,249)	(119,545)	9,584	(462,693)	(119,591)	(4,071,554)
NONOPERATING REVENUES									
Operating Grants	1,422,180	-	244,611	-	130,793	-	316,047	137,153	2,250,784
TDA Assessments	-	-	(57,133)	-	-	-	(142,961)	-	(200,114)
Excess TDA Assessments Repaid	-	-	91,607	-	-	-	150,000	-	241,607
Federal - FTA	162,779	-	6,794	21,431	1,180	-	17,933	6,953	217,070
State Operating - STAF	26,574	-	-	-	-	-	-	-	26,574
Interest Income	(71,456)	-	-	-	-	-	-	-	(71,456)
Loss on Disposal of Capital Assets	585	-	-	-	-	-	-	-	585
Miscellaneous	-	-	-	-	-	-	-	-	-
Capital Expense Reimbursement	-	-	-	-	-	-	-	-	-
Total Nonoperating Revenues	1,540,662	-	283,859	21,431	131,973	-	341,019	144,106	2,465,050
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(1,447,415)	(46)	7,922	(91,818)	12,428	9,584	(121,674)	24,515	(1,606,504)
CAPITAL GRANTS									
Capital Grants:									
Federal - FTA	680,000	-	-	-	-	-	-	-	680,000
State - Prop 1B PTMISEA	1,693,764	-	-	-	-	-	-	-	1,693,764
State - STAF	123,442	-	-	6,187	-	-	-	-	123,442
State - Cal EMA	18,127	-	-	-	-	-	-	-	24,314
County	200,000	-	-	-	-	-	-	-	200,000
Capital Grants to Others	-	-	-	-	-	-	-	-	-
Total Capital Grants	2,715,333	-	-	6,187	-	-	-	-	2,721,520
CHANGE IN NET POSITION	\$ 1,267,918	\$ (46)	\$ 7,922	\$ (85,631)	\$ 12,428	\$ 9,584	\$ (121,674)	\$ 24,515	\$ 1,115,016
NET POSITION, BEGINNING OF YEAR	\$ 9,167,997	\$ (504)	\$ 410,021	\$ (380,955)	\$ 39,124	\$ (9,584)	\$ 96,000	\$ 85,597	\$ 9,407,696
TRANSFER	(283,683)	(293)	33,603	(16,369)	-	-	163,155	105,587	-
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-	-	-
NET POSITION, END OF YEAR	\$ 10,180,232	\$ (843)	\$ 451,546	\$ (487,955)	\$ 51,552	\$ -	\$ 137,481	\$ 215,699	\$ 10,522,712

See accompanying notes and independent auditors' report.

HUMBOLDT TRANSIT AUTHORITY
Combining Schedule of Net Position
 June 30, 2013

	ASSETS									
	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	ADAR	CORRIDOR DAR	SOHUM- INTERCTY	SOHUM- LOCAL	TOTAL	
Current Assets										
Cash and Cash Equivalents										
On Hand and in Deposit Accounts	\$ 2,554,578	\$ 6,702	\$ 361,080	\$ (186,270)	\$ 52,760	\$ (13,740)	\$ 345,912	\$ 113,597	\$ 3,234,619	
Restricted Cash	121,205	-	-	-	-	-	-	-	121,205	
Total Cash and Cash Equivalents	2,675,783	6,702	361,080	(186,270)	52,760	(13,740)	345,912	113,597	3,355,824	
Accounts Receivable	6,044	6,557	-	58,939	-	14,943	2,130	601	89,214	
Grant Receivables	242,888	4,985	-	-	-	-	-	-	247,873	
Employee Advances	1,359	-	-	-	-	-	-	-	1,359	
Materials and Supplies Inventory (at cost)	184,892	-	-	-	-	-	-	-	184,892	
Prepaid Expenses	123,020	-	-	-	-	-	-	-	123,020	
Total Current Assets	3,233,986	18,244	361,080	(127,331)	52,760	1,203	348,042	114,198	4,002,182	
Capital Parts	20,568	-	-	-	-	-	-	-	20,568	
Work in Progress	10,903	-	-	-	-	-	-	-	10,903	
Property, Plant and Equipment, Net	7,948,255	293	296,396	16,370	-	-	-	40,786	8,302,100	
TOTAL ASSETS	11,213,712	18,537	657,476	(110,961)	52,760	1,203	348,042	154,984	12,335,753	
Current Liabilities										
Trade Payable	\$ 111,644	\$ 19,041	\$ 132	\$ 71,928	\$ 14,157	\$ 10,787	\$ 4,014	\$ 3,173	\$ 234,876	
Insurance Payable	112,238	-	-	-	-	-	-	-	112,238	
DAR Liability	164,923	-	-	-	(521)	-	-	-	164,402	
Deferred Income	610,330	-	-	119,933	-	-	22,902	-	633,232	
Deferred Income- Prop 1B P7MISEA	-	-	-	-	-	-	-	-	119,933	
Deferred Fare Revenue	83,190	-	-	-	-	-	-	-	83,190	
Accrued Payroll Liabilities	140,756	-	-	-	-	-	-	-	140,756	
Total Current Liabilities	1,223,081	19,041	120,065	71,928	13,636	10,787	26,916	3,173	1,488,627	
Long-Term Liabilities										
Net OPEB Obligation	822,634	-	127,390	198,066	-	-	225,126	66,214	1,439,430	
Total Long-Term Liabilities	822,634	-	127,390	198,066	-	-	225,126	66,214	1,439,430	
TOTAL LIABILITIES	2,045,715	19,041	247,455	269,994	13,636	10,787	252,042	69,387	2,928,057	
Invested in Capital Assets, Net of Related Debt	7,948,255	293	296,396	16,370	-	-	-	40,786	8,302,100	
Restricted Net Position										
Insurance Deductible Reserve	100,000	-	-	-	-	-	-	-	100,000	
Equipment Acquisition	973,269	-	2,673	-	-	-	-	-	1,041,533	
Retirees Health Insurance	15,000	-	-	-	-	-	-	-	15,000	
Total Restricted Net Position	1,088,269	-	2,673	-	-	-	-	-	1,156,533	
Unrestricted Net Position										
131,473	(797)	110,952	(397,325)	39,124	(9,584)	96,000	(20,800)	(50,957)		
Total Net Position	9,167,997	(504)	410,021	(380,955)	39,124	(9,584)	96,000	85,597	9,407,696	
TOTAL LIABILITIES AND NET POSITION	\$ 11,213,712	\$ 18,537	\$ 657,476	\$ (110,961)	\$ 52,760	\$ 1,203	\$ 348,042	\$ 154,984	\$ 12,335,753	

See accompanying notes and independent auditors' report

HUMBOLDT TRANSIT AUTHORITY
 Combining Schedule of Revenues, Expenses, and Changes in Net Position
 For the Year Ended June 30, 2013

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	ADAR	CORRIDOR DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
OPERATING REVENUES									
Fares	\$ 862,093	\$ -	\$ 50,428	\$ -	\$ 23,530	\$ -	\$ 64,254	\$ 12,857	\$ 1,013,162
Contract Transportation	210,000	50,000	7,092	831,820	-	16,000	-	-	1,174,912
Warranty/Insurance Reimbursement -	-	-	-	29,850	-	-	-	-	29,850
Advertising	14,300	-	-	-	-	-	-	-	14,300
Total Operating Revenues	<u>1,086,393</u>	<u>50,000</u>	<u>57,520</u>	<u>881,670</u>	<u>23,530</u>	<u>16,000</u>	<u>64,254</u>	<u>12,857</u>	<u>2,232,224</u>
OPERATING EXPENSES									
Labor and Benefits	1,959,312	54,649	152,900	742,877	11,345	5,468	285,434	99,522	3,311,507
Professional Services	45,788	-	-	-	220	-	-	-	46,008
Purchased Transportation	-	-	-	-	140,000	14,656	-	-	154,656
Repairs, Supplies, & Maintenance	643,747	117,900	92,098	208,771	311	185	149,342	53,765	1,266,119
Casualty and Liability Insurance	90,669	-	12,866	38,033	-	-	25,261	10,838	1,177,667
Utilities	56,866	184	168	857	-	-	452	116	58,643
Leases and Rentals	378	-	32	112	-	-	103	35	669
Miscellaneous	39,950	1,231	1,042	3,661	-	-	455	146	46,485
Advertising	5,722	9	138	495	-	-	101	25	6,480
Travel and Transportation	13,895	557	1,160	787	-	-	765	221	17,385
Depreciation	772,652	-	90,439	-	-	-	-	48,593	911,684
Total Operating Expenses	<u>3,628,979</u>	<u>174,530</u>	<u>350,843</u>	<u>995,593</u>	<u>151,876</u>	<u>20,309</u>	<u>461,913</u>	<u>213,261</u>	<u>5,597,304</u>
OPERATING INCOME (LOSS)	<u>(2,542,586)</u>	<u>(84,530)</u>	<u>(293,323)</u>	<u>(113,923)</u>	<u>(128,346)</u>	<u>(4,309)</u>	<u>(397,659)</u>	<u>(200,404)</u>	<u>(3,765,080)</u>
NONOPERATING REVENUES									
Operating Grants	1,187,567	-	197,158	-	120,700	4,162	306,341	133,659	1,949,587
Excess TDA Assessments Repaid	-	-	68,705	-	-	-	-	-	328,634
Federal - FTA	259,929	-	1,610	4,663	-	18,805	2,575	30,756	69,783
State Operating - STAF	11,374	-	-	-	-	-	-	-	-
Operating Grants to Others	-	-	-	-	-	-	-	-	-
Interest Income	20,487	-	-	-	-	-	-	-	20,487
Loss on Disposal of Capital Assets	(29,325)	-	-	707	-	-	-	-	(29,325)
Miscellaneous	94,624	82,725	-	-	262	-	-	-	178,318
Capital Expense Reimbursement	-	82,725	-	-	-	-	-	-	82,725
Total Nonoperating Revenues	<u>1,544,656</u>	<u>82,725</u>	<u>267,473</u>	<u>5,370</u>	<u>120,962</u>	<u>22,967</u>	<u>308,916</u>	<u>164,415</u>	<u>2,317,484</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	<u>(997,930)</u>	<u>(1,805)</u>	<u>(25,850)</u>	<u>(108,553)</u>	<u>(7,384)</u>	<u>18,658</u>	<u>(88,743)</u>	<u>(35,989)</u>	<u>(1,247,596)</u>
CAPITAL GRANTS									
Capital Grants:									
Federal - FTA	-	-	-	-	-	-	-	-	-
State - Prop 1B FTA/MTSEA	54,018	-	175,136	-	-	-	13,492	8,994	251,640
State - STAF	128,860	-	-	-	-	-	-	-	128,860
State - STIP	804,000	-	-	-	-	-	3,458	601	804,000
State - Cal EMA	-	-	-	-	-	-	-	-	4,059
County	341,001	-	-	-	-	-	-	-	341,001
Capital Grants to Others	-	-	-	-	-	-	-	-	-
Total Capital Grants	<u>1,327,879</u>	<u>-</u>	<u>175,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,950</u>	<u>9,595</u>	<u>1,529,560</u>
CHANGE IN NET POSITION	<u>\$ 329,949</u>	<u>\$ (2,805)</u>	<u>\$ 149,286</u>	<u>\$ (108,553)</u>	<u>\$ (7,384)</u>	<u>\$ 18,658</u>	<u>\$ (71,793)</u>	<u>\$ (26,394)</u>	<u>\$ 281,964</u>
NET POSITION, BEGINNING OF YEAR	\$ 8,813,490	\$ 1,302	\$ 260,735	\$ (272,402)	\$ 31,979	\$ (2,385)	\$ 167,793	\$ 111,990	\$ 9,112,502
TRANSFER	11,328	-	-	-	9,857	(21,185)	-	-	-
PRIOR PERIOD ADJUSTMENT	13,232	-	-	-	-	-	-	-	13,232
NET POSITION, END OF YEAR	<u>\$ 9,167,999</u>	<u>\$ (503)</u>	<u>\$ 410,021</u>	<u>\$ (380,959)</u>	<u>\$ 34,452</u>	<u>\$ (4,912)</u>	<u>\$ 96,000</u>	<u>\$ 85,596</u>	<u>\$ 9,407,698</u>

See accompanying notes and independent auditor's report

SINGLE AUDIT REPORTS



ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson, Lucas, Somerville, & Borges

Fortuna, California
February 2, 2015



ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

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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 the financial statements of the business-type activities of Humboldt Transit Authority, as of and for the years ended June 30, 2014 and 2013, which collectively comprise Humboldt Transit Authority's basic financial statements and have issued our report thereon dated February 2, 2015. 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.

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.

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, as defined above.

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*.

As part of the audit, we performed testing of the following program:

Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). In November 2006, California voters passed a bond measure enacting the Highway Safety, Air Quality and Port Security Bond of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation, or replacement.

During the fiscal year ended June 30, 2014, the Authority applied for and received \$1,695,432 from the State's PTMISEA account for bus acquisitions. As of June 30, 2014, PTMISEA funds received and expended were verified in the course of our audit as follows:

PTMISEA funds received	\$ 1,695,432
Interest earned through June 30, 2014	<u>7,894</u>
Subtotal	\$ 1,703,327
Expenditures	
Bank fees	(16)
Bus Acquisitions	<u>(1,693,764)</u>
Unexpended PTMISEA funds at June 30, 2014	\$ <u>9,546</u>

We noted certain matters that we reported to management of Humboldt Transit Authority, in a separate letter dated February 2, 2015.

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
February 2, 2015

Anderson, Lucas, Somerville, & Borger

HUMBOLDT TRANSIT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
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:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	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:	\$300,000
Auditee qualified as low-risk auditee?	No

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, 2014

<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 Mass Transportation			
Capital Project - Bus Purchase	20.509	643002	680,000
Operating Assistance - (5311F)	20.509	641491	218,705
Operating Assistance - (5311F)	20.509	649450	22,902
Total Expenditures of Federal Awards			<u>\$ 921,607</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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying notes.