

HUMBOLDT TRANSIT AUTHORITY
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2016

DRAFT

HUMBOLDT TRANSIT AUTHORITY

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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 years ended June 30, 2016 and 2015, 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.

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, 2016 and 2015, 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 for fiscal years beginning after June 30, 2014, that affected the financial reporting of pensions:

Statement 68 – Accounting and Financial Reporting for 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 Expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) 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. The Schedule of Contributions and Schedule of Proportionate Share of CalPERS, in Exhibits I and J, 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, combining schedules, and schedules required under GASB 68 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 J 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.

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 \$5,347,395, earned interest of \$49,175, and expended \$5,396,537. As of June 30, 2016, PTMISEA unexpended funds total \$0.

PTMISEA funds received (2010-2016)	\$ 5,347,395
Bank fees	(33)
Interest earned (2010-2016)	49,175
Subtotal	<u>5,396,537</u>
Expenditures (2010-2016)	
Bus Shelter improvements	(548,465)
Bus Procurement	(3,807,492)
GPS System	(403,201)
Construct Fueling Island	(78,512)
Remitted to City of Eureka	(473,399)
Passenger Count System	(85,468)
Subtotal	<u>(5,396,537)</u>
Unexpended PTMISEA funds at June 30, 2016	<u>\$ -</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 6, 2017, 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, LLP

February 6, 2017
Fortuna, California

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BASIC FINANCIAL STATEMENTS

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HUMBOLDT TRANSIT AUTHORITY
Statements of Net Position
June 30, 2016 and 2015

EXHIBIT A

<u>ASSETS</u>		<u>2016</u>	<u>2015</u>
<u>Current Assets</u>			
<u>Cash and Cash Equivalents</u>			
On Hand and in Deposit Accounts		\$ 1,541,651	\$ 3,006,930
Restricted Cash		1,047,685	1,110,743
<u>Total Cash and Cash Equivalents</u>		2,589,336	4,117,673
Accounts Receivable		225,589	539,196
Grants Receivable		479,705	72,500
Employee Advances		3	403
Materials and Supplies Inventory (at cost)		316,269	276,447
Prepaid Expenses		188,957	138,217
<u>Total Current Assets</u>		3,799,859	5,144,436
<u>Long-term Assets</u>			
Property, Plant and Equipment, Net		11,144,063	9,318,582
Work in Progress		16,061	18,003
<u>Total Long-term Assets</u>		11,160,124	9,336,585
<u>Deferred Outflows of Resources</u>		486,239	228,162
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		<u>\$ 15,446,222</u>	<u>\$ 14,709,183</u>
<u>LIABILITIES AND NET POSITION</u>			
<u>Current Liabilities</u>			
Trade Payables		\$ 88,446	\$ 68,902
Insurance Payable		184,132	126,820
Deferred Income		287,585	662,806
DAR Liability		223,466	207,686
Unearned Fares		197,731	163,002
Deferred Income- Prop 1B PTMISEA		-	1,099,508
Accrued Payroll Liabilities		238,582	191,954
<u>Total Current Liabilities</u>		1,219,942	2,520,678
<u>Long-term Liabilities</u>			
Lease Deposit		3,000	3,000
Net Pension Liability		1,295,181	1,346,438
Net OPEB Obligation		2,424,230	2,022,763
<u>Total Long-term Liabilities</u>		3,722,411	3,372,201
<u>Total Liabilities</u>		4,942,353	5,892,879
<u>Deferred Inflows of Resources</u>		542,647	439,268
<u>Net Position</u>			
Invested In Capital Assets, Net of Related Debt		11,160,124	9,336,585
<u>Restricted Net Position</u>			
Insurance Deductible Reserve		100,000	100,000
Equipment Acquisition		814,010	814,010
Retiree's Health Insurance		15,000	15,000
<u>Total Restricted Net Position</u>		929,010	929,010
<u>Unrestricted Net Position</u>		(2,127,912)	(1,888,559)
<u>Total Net Position</u>		9,961,222	8,377,036
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		<u>\$ 15,446,222</u>	<u>\$ 14,709,183</u>

HUMBOLDT TRANSIT AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016
With Comparative Amounts for the Year Ended June 30, 2015

	Budget	2016 Actual	Variance Favorable (Unfavorable)	2015 Actual
<u>OPERATING REVENUES</u>				
Fares	\$ 1,427,188	\$ 1,398,563	(28,625)	\$ 1,395,652
Contract Transportation	950,067	1,047,650	97,583	987,771
Insurance Reimbursement	33,496	5,961	(27,535)	-
Other Revenue	70,425	129,861	59,436	190,930
<u>Total Operating Revenues</u>	2,481,176	2,582,035	100,859	2,574,353
<u>OPERATING EXPENSES</u>				
Labor and Benefits	3,707,362	3,977,080	(269,718)	3,655,421
Professional Services	75,000	123,036	(48,036)	101,443
Purchased Transportation	-	170,940	(170,940)	122,030
Repairs, Supplies, & Maintenance	1,366,703	1,085,278	281,425	1,239,528
Casualty and Liability Insurance	179,485	206,513	(27,028)	151,706
Utilities	62,000	63,727	(1,727)	61,446
Leases and Rentals	7,200	6,099	1,101	6,869
Miscellaneous	64,600	72,423	(7,823)	71,682
Advertising	5,000	5,273	(273)	4,670
Travel and Transportation	12,000	13,820	(1,820)	12,629
Depreciation	-	1,292,469	(1,292,469)	1,160,440
<u>Total Operating Expenses</u>	5,479,350	7,016,658	(1,537,308)	6,587,864
<u>OPERATING INCOME (LOSS)</u>	(2,998,174)	(4,434,623)	(1,436,449)	(4,013,511)
<u>NONOPERATING REVENUES</u>				
Advertising	14,400	19,200	4,800	14,400
Rents and Leases	87,333	107,222	19,889	96,336
Operating Grants				
TDA Assessments	2,407,152	2,355,451	(51,701)	2,245,062
Federal - FTA	-	218,705	218,705	218,705
State Operating - STAF	479,289	319,442	(159,847)	322,308
Interest Income	10,000	21,263	11,263	17,478
Gain (Loss) on Disposal of Capital Assets	-	(53,528)	(53,528)	(28,794)
Miscellaneous	-	519	519	(467)
<u>Total Nonoperating Revenues</u>	2,998,174	2,988,274	(9,900)	2,885,028
<u>CHANGE IN NET POSITION BEFORE CAPITAL GRANTS</u>	-	(1,446,349)	(1,446,349)	(1,128,483)
<u>CAPITAL GRANTS</u>				
Federal Transportation (5311)	-	991,000	-	530,000
State - Prop 1B PTMISEA	-	1,175,628	-	-
State - STAF	-	609,856	-	35,223
County	-	254,051	-	-
<u>Total Capital Grants</u>	-	3,030,535	-	565,223
<u>CHANGE IN NET POSITION</u>	-	1,584,186	(1,446,349)	(563,260)
<u>NET POSITION, BEGINNING OF YEAR</u>		\$ 8,377,036		\$ 10,522,712
<u>PRIOR PERIOD ADJUSTMENT</u>		\$ -		\$ (1,582,416)
<u>NET POSITION, END OF YEAR</u>		\$ 9,961,222		\$ 8,377,036

HUMBOLDT TRANSIT AUTHORITY
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash Received from Customers	\$ 262,706	\$ 3,592,102
Cash Paid for Goods and Services	(1,673,006)	(2,063,445)
Cash Paid for Employees	<u>(3,528,985)</u>	<u>(3,364,334)</u>
Net Cash (Used) by Operating Activities	(4,939,285)	(1,835,677)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
Operating Grant Revenue	2,966,492	2,868,017
Contract Transportation	1,047,650	987,771
Miscellaneous Revenue	<u>(205,955)</u>	<u>(25,339)</u>
Net Cash Provided by Non-Capital Financing Activities	3,808,187	3,830,449
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Capital Grant Revenue	2,769,535	274,018
Acquisition of Property, Plant, and Equipment	<u>(3,188,037)</u>	<u>(572,017)</u>
Net Cash (Used) by Capital and Related Financing Activities	(418,502)	(297,999)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on Investments	<u>21,263</u>	<u>17,478</u>
Net Cash Provided by Investing Activities	<u>21,263</u>	<u>17,478</u>
<u>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</u>	(1,528,337)	1,714,251
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>4,117,673</u>	<u>2,403,422</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u><u>\$ 2,589,336</u></u>	<u><u>\$ 4,117,673</u></u>

HUMBOLDT TRANSIT AUTHORITY
Statements of Cash Flows
For the Year Ended June 30, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>
Operating Income (Loss)	\$ (4,434,104)	\$ (4,013,511)
Advertising classified as non operating expense	-	-
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities:		
Depreciation	1,292,469	1,160,440
Loss on Sale of Capital Assets	72,029	132,913
Nonoperating Revenue (Included in Operating Income Total)	(1,047,650)	(987,771)
Changes in Assets and Liabilities		
(Increase) Decrease in Assets		
Receivables	167,802	725,679
Materials and Supplies Inventory	(39,822)	(55,119)
Prepaid Expenses	(50,740)	(24,467)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	92,636	(347,769)
Deferred Income	(1,440,000)	1,279,841
Lease Deposits	-	3,000
Net OPEB Obligation	401,467	287,287
Accrued Payroll Liabilities	46,628	3,800
Net Cash (Used) By Operating Activities	<u>\$ (4,939,285)</u>	<u>\$ (1,835,677)</u>

NOTES TO FINANCIAL STATEMENTS

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HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

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, 2016:

	<u>RTS</u>	<u>DAR/Lift Arcata</u> <u>McKinleyville</u>	<u>Willow</u> <u>Creek</u>	<u>So Humboldt</u> <u>InterCity</u>	<u>So Humboldt</u> <u>Local</u>	<u>Tish Non</u> <u>Village</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%</u>
	<u>100.0%</u>	<u>100%</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</u> <u>McKinleyville</u>	<u>Willow</u> <u>Creek</u>	<u>So Humboldt</u> <u>InterCity</u>	<u>So Humboldt</u> <u>Local</u>	<u>Tish Non</u> <u>Village</u>
Arcata	\$ 214,408	\$ 53,815				
Eureka	337,824					
Fortuna	148,418					
Rio Dell	41,865					
Trinidad	4,602					
Humboldt Co.	<u>747,075</u>	<u>81,263</u>	<u>161,202</u>	<u>286,287</u>	<u>106,000</u>	<u>172,692</u>
	<u>\$ 1,494,192</u>	<u>\$ 135,078</u>	<u>\$ 161,202</u>	<u>\$ 286,287</u>	<u>\$ 106,000</u>	<u>\$ 172,692</u>

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

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, 2016

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:

- Redwood Transit System
- Eureka Transit Service
- Willow Creek Intercity
- Southern Humboldt – Intercity (began January 2010)
- Southern Humboldt – Local (began January 2010)
- Tish Non-Village – (began July 2015)

Maintenance and Administrative Services:

- Eureka DAR Administration
- Arcata DAR Administration
- AMRTS Maintenance
- 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 6 routes, which cover the corridor between the cities of Trinidad to the North and Benbow to the South. Fares range from \$2.75 for senior citizens and the handicapped to \$3.00 for a basic fare. Beginning July 2015, the Tish Non-Village Route was added.

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.

HTA is contracted to provide regular preventive maintenance and repairs for 11 HCOE public school transit buses. The term of the agreement began July 17, 2013 through July 2016.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

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:

	2016	2015
Buses	\$ 10,230,209	\$ 8,576,562
Other Transportation Equipment	1,675,317	1,673,705
Office Equipment	122,133	141,181
Other Equipment	1,394,973	1,511,141
Real Property - Land	2,164,831	2,164,831
Buildings & Improvements	3,370,195	2,812,454
Subtotal	\$ 18,957,658	\$ 16,879,874
Less Accumulated Depreciation	(7,813,596)	(7,561,293)
Total Property, Plant & Equipment	<u>\$ 11,144,062</u>	<u>\$ 9,318,581</u>
Property, Plant & Equipment, Beginning	\$ 16,879,874	\$ 17,625,552
Capital Acquisitions	3,189,979	553,861
Sales/Dispositions	(1,112,195)	(1,299,539)
Property, Plant, & Equipment, Ending	<u>\$ 18,957,658</u>	<u>\$ 16,879,874</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

Construction in Progress at June 30, 2016 and 2015 amounted to \$16,061 and \$18,003 for the Bay Project and Fuel Tank Project.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Compensated Absences

HTA has accrued a liability for vacation pay earned as of June 30, 2016 and 2015, in the amount of \$127,948 and \$96,756, respectively.

No liability is recorded for accumulated sick pay, which at June 30, 2016 and 2015, was \$37,995 and \$38,320, 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, 2013 Annual Actuarial Valuation Report, the most recent available report. This report is publically available at CalPERS' website under Forms and Publications.

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, 2015 totals \$1,369,305. 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.

The required employer contribution rates for fiscal year ending June 30, 2016 and 2015 is 14.932% and 12.751%, respectively.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Employee Retirement Plan (Continued)

Annual Pension Cost

For fiscal year 2015-2016, HTA's annual pension cost of \$140,531 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). The discount rate was changed from 7.5% (net of administrative costs) to 7.65% to correct for an adjustment to exclude administrative costs.

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.

Beginning July 2015, contributions for the unfunded accrued liability totaled \$74,124.

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 2014-2015 fiscal year are \$12,203 per month.

The Authority has contracted with the City of Eureka through June 30, 2016 to administer and manage the City's Eureka Transit System. For 2015-2016 the contract amounted to \$926,288 less anticipated fare revenues of \$260,000. 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, had excess contract revenue of \$40,884. Current year carryover is calculated at \$35,884. In addition, ETS is responsible for the actual cost of vehicle liability insurance.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

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	\$ 1,494,192	-
Dial A Ride	135,078	-
Willow Creek	161,202	-
Tish Non-Village	172,692	-
Southern Humboldt - Intercity	286,287	-
Southern Humboldt - Local	106,000	-
Total TDA Funds	<u>\$ 2,355,451</u>	<u>\$ -</u>

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 for the fiscal years ended June 30, 2016 and 2015.

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.

Funds received under the Low Carbon Transit Operations Program (LCTOP) totaled \$118,675 are restricted and deferred for future purchase of an Electric Bus, charging station, and ticket vouchers for Veterans.

Murray Method funds have been deferred for bus acquisitions. At June 30, 2016 and 2015 funds available total \$168,910 and \$222,961, respectively.

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, 2016, the Authority's cash balances included the following:

Petty cash	\$ 100
Cash on deposit with County Treasury	1,919,509
U.S. Bank	<u>669,727</u>
	<u>\$ 2,589,336</u>

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

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 U.S. Bank is insured by the FDIC up to \$250,000.

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.

The County Treasurer's investments consist of 70.82 percent federal agencies, 25.37 percent money markets, 0.59 percent municipal bonds, 1.76 percent treasury coupons, and 1.46 percent certificates of deposit. The S & P credit ratings for these investments include AAA, AA, A+e, and Ae, and non-rated for certificates of deposit and the California State Treasurer's local agency investment fund.

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, 2016, 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. The weighted average maturity of the County of Humboldt Treasurer's investments is 815 days.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

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, 2016

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, 2016, the Authority contributed \$148,376, which covered current premiums, but did not include any additional prefunding of benefits. Currently, 19 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>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Annual required contribution (ARC)	\$ 549,843	\$ 404,075	\$ 404,075
Contributions made	<u>(148,376)</u>	<u>(116,788)</u>	<u>(108,028)</u>
Increase in net OPEB obligations	401,467	287,287	296,047
Net OPEB obligation, beginning of fiscal year	<u>2,022,763</u>	<u>1,735,476</u>	<u>1,439,429</u>
Net OPEB obligation, end of fiscal year	<u>\$ 2,424,230</u>	<u>\$ 2,022,763</u>	<u>\$ 1,735,476</u>
Percentage of Annual OPEB Cost Contribution	27%	29%	27%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits (Continued)

Funded Status and Funding Progress

As of March 1, 2016, the actuarial study of retiree Health Liabilities (draft) the most recent actuarial valuation date, there was no plan assets on the valuation date. The actuarial accrued liability for benefits was \$5,163,965, the residual AAL is \$206,741, resulting in an unamortized balance of unfunded actuarial accrued liability (UAAL) of \$4,957,224. The covered payroll (annual payroll of active employees covered by the plan) was \$2,198,666, \$2,056,480, and \$1,932,360, for the years ended June 30, 2016, 2015 and 2014, respectively. The ratio of the UAAL to the covered payroll was 42.5%, 41.8%, and 39.8%, for the years ended June 30, 2016, 2015 and 2014, 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, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return, a projected salary increase assumption rate of 2.75%, an annual healthcare cost trend rate of 4% and inflation rate of 2.75%. 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 payrolls over 30 years.

Projected annual payments for the share of retiree health premiums are as follows:

Year Beginning March 1	Projected Premiums
2016	\$ 157,684
2017	\$ 164,420
2018	\$ 180,518

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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. HTA has not yet determined the impact on the financial statements.

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.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of HTA's California Public Employees' Retirement System (CalPERS) plan (the "Plan") and additions to/ deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. New Accounting Pronouncements (Continued)

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.

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, 2016.

	<u>SoHum Inter City</u>
Operating Costs	\$ 551,221
Less Depreciation	(80,075)
Less Fare Revenues	(81,253)
Less Federal Operating Funds	(150,000)
Maximum TDA Fund Eligibility	<u>239,893</u>
 STAF Operating Funds Received	 1,057
TDA Funds Received	<u>286,287</u>
	287,344
 Excess TDA Funds Received	 <u><u>\$ 47,451</u></u>

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 2. CONFORMITY WITH TDA REGULATIONS (CONTINUED)

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.

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 ratios for Redwood Transit Service, Dial-a-Ride and Willow Creek service and Southern Humboldt routes:

	<u>Redwood Transit</u>
Fare Revenue	\$ 1,219,116
RTS Operating Costs	\$ 4,557,632
Depreciation	(1,166,050)
Adjusted Operating Costs	<u>\$ 3,391,582</u>
Fare Box Recovery Ratio	<u>35.95%</u>
Required Fare Box Recovery Ratio	26.40%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 3. FARE BOX RECOVERY RATIOS (CONTINUED)

	<u>Willow Creek</u>
Fare Revenue	\$ 42,732
WC Operating Costs	\$ 296,468
Depreciation	(21,874)
Adjusted Operating Costs	<u>\$ 274,594</u>
Fare Box Recovery Ratio	<u>15.56%</u>
Required Fare Box Recovery Ratio	10.00%

	<u>SoHum InterCity</u>
Fare Revenue	\$ 81,253
SHI Operating Costs	\$ 551,221
Depreciation	(80,075)
Adjusted Operating Costs	<u>\$ 471,146</u>
Fare Box Recovery Ratio	<u>17.25%</u>
Required Fare Box Recovery Ratio	10.00%

	<u>SoHum Local</u>
Fare Revenue	\$ 14,202
SHL Operating Costs	\$ 153,983
Depreciation	(24,470)
Adjusted Operating Costs	<u>\$ 129,513</u>
Fare Box Recovery Ratio	<u>10.97%</u>
Required Fare Box Recovery Ratio	10.00%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 3. FARE BOX RECOVERY RATIOS (CONTINUED)

	<u>Arcata DAR</u>
Fare Revenue	\$ 15,360
DAR Operating Costs	\$ 170,842
Depreciation	-
Adjusted Operating Costs	\$ 170,842
Fare Box Recovery Ratio	<u>8.99%</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, 2016

NOTE 5. PENSION PLAN

A. General Information about the Pension Plan

Plan Description - All qualified full-time and part-time employees are eligible to participate in HTA's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information. These reports can be obtained at CalPERS' website under "Forms and Publications".

Benefits Provided - CalPERS 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 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2016 are summarized as follows:

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	50-63	52-67
Monthly benefits as a % of eligible compensation	1.10% to 2.5%	1.0% to 2.5%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 5. PENSION PLAN (Continued)

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 total plan contributions 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. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate is 6.891% of annual pay, and the employer's contribution rate is 8.003% of annual payroll. It is the responsibility of HTA to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

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

As of June 30, 2016, HTA reported net pension liabilities for its proportionate shares of the net pension liability in the amount of \$1,369,305 less the Accrued Unfunded Liability contributions of \$74,124.

HTA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2015 using standard update procedures. HTA's proportion of the net pension liability was based on a projection of HTA's long-term share of contributions to the Plan relative to the projected contributions of all participating employers, actuarially determined. HTA's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2014 was as follows:

	CalPERS
Proportion - June 30, 2014	0.06302%
Proportion - June 30, 2015	0.04991%
Change - Increase (Decrease)	<u>-0.01311%</u>

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 5. PENSION PLAN (Continued)

At June 30, 2016, HTA 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
Pension contributions subsequent to measurement date	\$ 140,531	\$ -
Differences between the employer's contributions and the employer's proportionate share of contributions	28,968	-
Change in assumptions		123,573
Change in employer's proportion	-	40,385
Net difference between projected and actual earnings on plan investments	316,740	378,688
Total	<u>\$ 486,239</u>	<u>\$ 542,646</u>

\$140,531 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension expense in the year ended June 30, 2017. In addition to the contributions, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Increase (Decrease) Pension Expense
2017	90,570
2018	89,508
2019	76,308
2020	(59,453)
2021	0
Total	<u>\$ 196,933</u>

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 5. PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2014 (the measurement date), the total pension liability for the Plan was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities for the Plan were based on the following actuarial assumptions:

Actuarial Cost Method	Entry-age normal cost method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.50% (a)
Mortality	Derived using CalPERS's membership data for all funds
Post Retirement Benefit Increase	purchasing power protection allowance floor applies, 2.75% thereafter

(a) - Net of pension plan investment expense, including 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 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability is 7.65 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 5. PENSION PLAN (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent 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 be 7.65 percent. Using this lower discount rate resulted in a slightly higher total pension liability and net pension liability. In the current year, CalPERS has changed the assumption to 7.65%.

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 staff 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 10 years) and the long-term (11-60 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.

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.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 5. PENSION PLAN (Continued)

<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	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	<u>100%</u>		

(a) - An expected inflation of 2.5% used for this period

(b) - An expected inflation of 3.0% 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> 6.5%	<u>Current Discount</u> 7.5%	<u>Discount Rate plus 1%</u> 8.5%
Net pension liability	\$2,296,000	\$1,369,304	\$604,000

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports available on CalPERS' website under Forms and Publications.

C. Payable to the Pension Plan

At June 30, 2016, HTA reported no amount payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2016

NOTE 6. 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, 2016, PTMISEA funds received and expended were verified in the course of our audit as follows:

Unexpended PTMISEA Funds at June 30, 2015	\$ 1,110,742
PTMISEA funds received 2015-2016	76,120
Bank fees	(33)
Interest earned through June 30, 2016	4,370
Subtotal	<u>1,191,199</u>
Expenditures	
Remitted funds to City of Fortuna	(4,485)
Fueling Island	(78,512)
Bus Purchases	(1,108,202)
Subtotal	<u>(1,191,199)</u>
Unexpended PTMISEA funds at June 30, 2016	<u>\$ -</u>

NOTE 7. SUBSEQUENT EVENTS

Management has evaluated all known events and transactions for potential recognition or disclosure through February 6, 2017, the date the financial statements were available to be issued.

SINGLE AUDIT REPORTS

DRAFT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB'S *Uniform Administrative Requirements, Cost Principles, and
Audit Requirements for Federal Awards*.**

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, 2016. 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 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, 2016.

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 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.

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
February 6, 2017

DRAFT

**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, 2016 and 2015, 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 February 6, 2017.

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, 2016, the Authority applied for and received \$1,179,709 from the State's PTMISEA account for bus acquisitions and fuel island construction. As of June 30, 2016, PTMISEA funds received and expended were verified in the course of our audit as follows:

Unexpended PTMISEA funds at June 30, 2015	\$ 2,668
PTMISEA funds received	\$ 1,179,709
Interest earned through June 30, 2016	<u>4,370</u>
Subtotal	\$ 1,184,079
Expenditures	
Fuel Island construction	(78,512)
Bank fees	(34)
Bus Acquisitions	<u>(1,108,201)</u>
Unexpended PTMISEA funds at June 30, 2016	<u>\$ - 0 -</u>

We noted certain matters that we reported to management of Humboldt Transit Authority, in a separate letter dated February 6, 2017.

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
January 5, 2017

DRAFT

HUMBOLDT TRANSIT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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 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:	\$300,000
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, 2016

<u>Federal Grantor/Pass-Through Gr 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	6414009	\$ 730,000
Capital Project - Bus Purchase	20.509	64CC15	190,000
Capital Project - Bus Purchase	20.509	64BC15	71,000
Operating Assistance - (5311F)	20.509	64C016	218,705
Total Expenditures of Federal Awards			<u><u>\$ 1,209,705</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.

SUPPLEMENTARY INFORMATION

DRAFT

HUMBOLDT TRANSIT AUTHORITY
Combining Schedule of Net Position
June 30, 2016

ASSETS

Current Assets	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
<u>Cash and Cash Equivalents</u>									
On Hand and in Deposit Accounts	\$ 978,605	\$ 20,431	\$ 221,222	\$ 39,338	\$ 50,913	\$ 90,682	\$ 15,897	\$ 124,563	\$ 1,541,651
Restricted Cash	1,047,685	-	-	-	-	-	-	-	1,047,685
<u>Total Cash and Cash Equivalents</u>	<u>2,026,290</u>	<u>20,431</u>	<u>221,222</u>	<u>39,338</u>	<u>50,913</u>	<u>90,682</u>	<u>15,897</u>	<u>124,563</u>	<u>2,589,336</u>
Accounts Receivable	395,470	2,730	-	46,094	-	-	-	-	444,294
Grant Receivables	-	-	-	-	-	-	190,000	71,000	261,000
Employee Advances	3	-	-	-	-	-	-	-	3
Materials and Supplies Inventory (at cost)	316,269	-	-	-	-	-	-	-	316,269
Prepaid Expenses	188,957	-	-	-	-	-	-	-	188,957
<u>Total Current Assets</u>	<u>2,926,989</u>	<u>23,161</u>	<u>221,222</u>	<u>85,432</u>	<u>50,913</u>	<u>90,682</u>	<u>205,897</u>	<u>195,563</u>	<u>3,799,859</u>
Property, Plant and Equipment, Net	9,929,961	-	275,372	-	-	-	751,784	203,007	11,160,124
Deferred Outflows of Resources	486,239	-	-	-	-	-	-	-	486,239
<u>TOTAL ASSETS</u>	<u>\$ 13,343,189</u>	<u>\$ 23,161</u>	<u>\$ 496,594</u>	<u>\$ 85,432</u>	<u>\$ 50,913</u>	<u>\$ 90,682</u>	<u>\$ 957,681</u>	<u>\$ 398,570</u>	<u>\$ 15,446,222</u>

LIABILITIES AND NET POSITION

Current Liabilities	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
<u>Trade Payable</u>	\$ 56,324	\$ 4,935	\$ -	\$ 4,402	-	\$ 22,785	\$ -	\$ -	\$ 88,446
Insurance Payable	184,132	-	-	-	-	-	-	-	184,132
DAR Liability	223,466	-	-	-	-	-	-	-	223,466
Deferred Income	287,585	-	-	-	-	-	-	-	287,585
Deferred Fare Revenue	197,731	-	-	-	-	-	-	-	197,731
Accrued Payroll Liabilities	238,582	-	-	-	-	-	-	-	238,582
<u>Total Current Liabilities</u>	<u>1,187,820</u>	<u>4,935</u>	<u>-</u>	<u>4,402</u>	<u>-</u>	<u>22,785</u>	<u>-</u>	<u>-</u>	<u>1,219,942</u>
<u>Long-Term Liabilities</u>									
Lease Deposit	3,000	-	-	-	-	-	-	-	3,000
Pension Liability	915,434	-	35,099	225,361	35,488	-	60,226	23,573	1,295,181
Net OPEB Obligation	1,296,236	-	3,152	797,572	-	-	191,514	135,756	2,424,230
<u>Total Long-Term Liabilities</u>	<u>2,214,670</u>	<u>-</u>	<u>38,251</u>	<u>1,022,933</u>	<u>35,488</u>	<u>-</u>	<u>251,740</u>	<u>159,329</u>	<u>3,722,411</u>
<u>TOTAL LIABILITIES</u>	<u>3,402,490</u>	<u>4,935</u>	<u>38,251</u>	<u>1,027,335</u>	<u>35,488</u>	<u>22,785</u>	<u>251,740</u>	<u>159,329</u>	<u>4,942,353</u>
Deferred Inflows of Resources	542,647	-	-	-	-	-	-	-	542,647
<u>Invested in Capital Assets, Net of Related Debt</u>	<u>9,929,961</u>	<u>-</u>	<u>275,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>751,784</u>	<u>203,007</u>	<u>11,160,124</u>
<u>Restricted Net Position</u>									
Insurance Deductible Reserve	100,000	-	-	-	-	-	-	-	100,000
Equipment Acquisition	745,726	-	2,673	-	-	-	-	65,611	814,010
Retiree's Health Insurance	15,000	-	-	-	-	-	-	-	15,000
<u>Total Restricted Net Position</u>	<u>860,726</u>	<u>-</u>	<u>2,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,611</u>	<u>929,010</u>
<u>Unrestricted Net Position</u>	<u>(1,392,635)</u>	<u>18,226</u>	<u>180,298</u>	<u>(941,903)</u>	<u>15,425</u>	<u>67,897</u>	<u>(45,843)</u>	<u>(29,377)</u>	<u>(2,127,912)</u>
<u>Total Net Position</u>	<u>9,398,052</u>	<u>18,226</u>	<u>458,343</u>	<u>(941,903)</u>	<u>15,425</u>	<u>67,897</u>	<u>705,941</u>	<u>239,241</u>	<u>9,961,222</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 13,343,189</u>	<u>\$ 23,161</u>	<u>\$ 496,594</u>	<u>\$ 85,432</u>	<u>\$ 50,913</u>	<u>\$ 90,682</u>	<u>\$ 957,681</u>	<u>\$ 398,570</u>	<u>\$ 15,446,222</u>

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, 2016

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	Combined DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
OPERATING REVENUES									
Fares	\$ 953,784	-	\$ 40,056	\$ 287,775	\$ 6,133	\$ 15,360	\$ 81,253	\$ 14,202	\$ 1,398,563
Contract Transportation	265,332	90,000	2,676	661,554	-	28,088	-	-	1,047,650
Other Operating Revenue	92,904	42,678	-	240	-	-	-	-	135,822
Total Operating Revenues	1,312,020	132,678	42,732	949,569	6,133	43,448	81,253	14,202	2,582,035
OPERATING EXPENSES									
Labor and Benefits	2,852,205	37,512	83,653	607,105	75,530	20,768	232,950	67,358	3,977,081
Professional Services	-	-	-	-	-	16,738	-	-	16,738
Purchased Transportation	-	-	-	-	-	170,842	-	-	170,842
Repairs, Supplies, & Maintenance	50,155	915	3,945	9,409	5,328	15,636	8,055	3,633	97,076
Casualty and Liability Insurance	108,319	-	31,129	18,487	8,605	-	19,651	6,920	193,111
Maintenance	374,032	66,803	102,532	231,932	51,422	-	176,102	43,511	1,046,334
Leases and Rentals	-	-	-	-	-	-	-	-	-
Administration	6,871	-	53,335	94,093	26,229	-	34,388	8,091	223,007
Advertising	-	-	-	-	-	-	-	-	-
Depreciation	1,166,050	-	21,874	-	-	-	80,075	24,470	1,292,469
Total Operating Expenses	4,557,632	105,230	296,468	961,026	167,114	223,984	551,221	153,983	7,016,658
OPERATING INCOME (LOSS)	(3,245,612)	27,448	(253,736)	(11,457)	(160,981)	(180,536)	(469,968)	(139,781)	(4,434,623)
NONOPERATING REVENUES									
Advertising	19,200	-	-	-	-	-	-	-	19,200
Rents & Leases	107,222	-	-	-	-	-	-	-	107,222
Operating Grants	-	-	-	-	-	-	-	-	-
TDA Assessments	1,494,192	-	259,507	-	172,692	135,078	374,800	106,000	2,542,269
Excess TDA Assessments Repaid	-	-	(98,305)	-	-	-	(88,513)	-	(186,818)
Federal - FTA	-	-	68,705	-	-	-	150,000	-	218,705
State Operating - STAF	283,417	-	287	3,813	3,715	22,896	1,057	4,257	319,442
Interest Income	21,263	-	-	-	-	-	-	-	21,263
Loss on Disposal of Capital Assets	(53,528)	-	-	-	-	-	-	-	(53,528)
Miscellaneous	519	-	-	-	-	-	-	-	519
Capital Expense Reimbursement	-	-	-	-	-	-	-	-	-
Total Nonoperating Revenues	1,872,285	-	230,194	3,813	176,407	157,974	437,344	110,257	2,988,274
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(1,373,327)	27,448	(23,542)	(7,644)	15,426	(22,562)	(32,624)	(29,524)	(1,446,349)
CAPITAL GRANTS									
Capital Grants:									
Federal - FTA	730,000	-	-	-	-	-	190,000	71,000	991,000
State - Prop IB PTMISEA	1,098,628	-	-	-	-	-	-	-	1,098,628
State - STAF	609,856	-	-	-	-	-	-	-	609,856
Other / County	213,075	-	77,000	-	-	-	-	40,976	331,051
Total Capital Grants	2,651,559	-	77,000	-	-	-	190,000	111,976	3,030,535
CHANGE IN NET POSITION	\$ 1,278,232	\$ 27,448	\$ 53,458	\$ (7,644)	\$ 15,426	\$ (22,562)	\$ 157,376	\$ 82,452	\$ 1,584,186
NET POSITION, BEGINNING OF YEAR	\$ 8,119,820	\$ (9,222)	\$ 404,885	\$ (934,260)	\$ -	\$ 90,459	\$ 548,565	\$ 156,789	\$ 8,377,036
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-	-	-
NET POSITION, END OF YEAR	\$ 9,398,052	\$ 18,226	\$ 458,343	\$ (941,904)	\$ 15,426	\$ 67,897	\$ 705,941	\$ 239,241	\$ 9,961,222

See accompanying notes and independent auditors' report

HUMBOLDT TRANSIT AUTHORITY
Combining Schedule of Net Position
June 30, 2015

ASSETS

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	ADAR	CORRIDOR DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
Current Assets									
Cash and Cash Equivalents									
On Hand and in Deposit Accounts	\$ 2,408,700	\$ (6,909)	\$ 275,599	\$ (168,331)	\$ 86,098	\$ 14,678	\$ 286,406	\$ 110,689	\$ 3,006,930
Restricted Cash (Prop 1B)	1,033,743	-	77,000	-	-	-	-	-	1,110,743
Total Cash and Cash Equivalents	3,442,443	(6,909)	352,599	(168,331)	86,098	14,678	286,406	110,689	4,117,673
Accounts Receivable	282,216	10,541	-	246,439	-	-	-	-	539,196
Grant Receivables	72,500	-	-	-	-	-	-	-	72,500
Employee Advances	403	-	-	-	-	-	-	-	403
Materials and Supplies Inventory (at cost)	276,447	-	-	-	-	-	-	-	276,447
Prepaid Expenses	138,217	-	-	-	-	-	-	-	138,217
Total Current Assets	4,212,226	3,632	352,599	78,108	86,098	14,678	286,406	110,689	5,144,436
Property, Plant and Equipment, Net	8,455,302	-	135,027	-	-	-	632,772	113,484	9,336,585
Deferred Outflows of Resources	228,162	-	-	-	-	-	-	-	228,162
TOTAL ASSETS	\$ 12,895,690	\$ 3,632	\$ 487,626	\$ 78,108	\$ 86,098	\$ 14,678	\$ 919,178	\$ 224,173	\$ 14,709,183

LIABILITIES AND NET POSITION

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	ADAR	CORRIDOR DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
Current Liabilities									
Trade Payable	\$ 41,093	\$ 12,747	\$ -	\$ 4,640	\$ 6,639	\$ 3,678	\$ -	\$ -	\$ 68,797
Insurance Payable	126,820	-	-	-	-	-	-	-	126,820
DAR Liability	207,686	-	-	-	-	-	-	-	207,686
Deferred Income	662,805	107	-	-	-	-	-	-	662,912
Deferred Income- Prop 1B PTMISEA	1,022,508	-	77,000	-	-	-	-	-	1,099,508
Deferred Fare Revenue	163,002	-	-	-	-	-	-	-	163,002
Accrued Payroll Liabilities	191,953	-	-	-	-	-	-	-	191,953
Total Current Liabilities	2,415,867	12,854	77,000	4,640	6,639	3,678	-	-	2,520,678
Long-Term Liabilities									
Lease Deposit	3,000	-	-	-	-	-	-	-	3,000
Pension Liability	766,325	-	2,356	402,720	-	-	148,108	26,929	1,346,438
Net OPEB Obligation	1,151,256	-	3,540	605,008	-	-	222,504	40,455	2,022,763
Total Long-Term Liabilities	1,920,581	-	5,896	1,007,728	-	-	370,612	67,384	3,372,201
TOTAL LIABILITIES	4,336,448	12,854	82,896	1,012,368	6,639	3,678	370,612	67,384	5,892,879
Deferred Inflows of Resources	439,268	-	-	-	-	-	-	-	439,268
Invested in Capital Assets, Net of Related Debt	8,455,302	-	135,027	-	-	-	632,772	113,484	9,336,585
Restricted Net Position									
Insurance Deductible Reserve	100,000	-	-	-	-	-	-	-	100,000
Equipment Acquisition	745,726	-	2,673	-	-	-	-	65,611	814,010
Retiree's Health Insurance	15,000	-	-	-	-	-	-	-	15,000
Total Restricted Net Position	860,726	-	2,673	-	-	-	-	65,611	929,010
Unrestricted Net Position	(1,196,054)	(9,222)	267,030	(934,260)	79,459	11,000	(84,206)	(22,306)	(1,888,559)
Total Net Position	8,119,974	(9,222)	404,730	(934,260)	79,459	11,000	548,566	156,789	8,377,036
TOTAL LIABILITIES AND NET POSITION	\$ 12,895,690	\$ 3,632	\$ 487,626	\$ 78,108	\$ 86,098	\$ 14,678	\$ 919,178	\$ 224,173	\$ 14,709,183

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, 2015

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	ADAR	CORRIDOR DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
OPERATING REVENUES									
Fares	\$ 933,688	-	\$ 42,984	\$ 295,884	\$ 20,076	-	\$ 86,587	\$ 16,433	\$ 1,395,652
Contract Transportation	234,131	90,000	3,336	644,304	-	16,000	-	-	987,771
Other Operating Revenue	74,709	54,652	-	61,579	(10)	-	-	-	190,930
Total Operating Revenues	1,242,528	144,652	46,320	1,001,767	20,066	16,000	86,587	16,433	2,574,353
OPERATING EXPENSES									
Labor and Benefits	2,538,504	76,607	96,996	626,563	1,000	5,000	237,822	72,929	3,655,421
Professional Services	101,443	-	-	-	-	-	-	-	101,443
Purchased Transportation	-	-	-	-	122,030	-	-	-	122,030
Repairs, Supplies, & Maintenance	501,815	76,102	127,093	263,889	626	13,500	205,311	51,192	1,239,528
Casualty and Liability Insurance	104,147	-	13,198	1,512	-	-	22,423	10,426	151,706
Utilities	61,336	-	22	82	-	-	5	1	61,446
Leases and Rentals	6,869	-	-	-	-	-	-	-	6,869
Administration	(91,852)	473	45,858	79,788	-	-	30,249	7,166	71,682
Travel and Transportation	12,629	-	-	-	-	-	-	-	12,629
Advertising	4,670	-	-	-	-	-	-	-	4,670
Depreciation	1,072,511	-	28,829	-	-	-	38,430	20,670	1,160,440
Total Operating Expenses	4,312,072	153,182	311,996	971,834	123,656	18,500	534,240	162,384	6,587,864
OPERATING INCOME (LOSS)	(3,069,544)	(8,530)	(265,676)	29,933	(103,590)	(2,500)	(447,653)	(145,951)	(4,013,511)
NONOPERATING REVENUES									
Advertising	14,400	-	-	-	-	-	-	-	14,400
Rents & Leases	96,336	-	-	-	-	-	-	-	96,336
Operating Grants									
TDA Assessments	1,450,707	-	251,949	-	131,497	-	352,363	114,433	2,300,949
Excess TDA Assessments Repaid	-	-	(55,887)	-	-	-	-	-	(55,887)
Federal - FTA	-	-	68,705	-	-	-	150,000	-	218,705
State Operating - STAF	310,661	151	402	(7,176)	-	13,500	500	4,270	322,308
Interest Income	17,478	-	-	-	-	-	-	-	17,478
Loss on Disposal of Capital Assets	14,500	-	(43,294)	-	-	-	-	-	(28,794)
Miscellaneous	(147)	-	(90)	(156)	-	-	(60)	(14)	(467)
Capital Expense Reimbursement	-	-	-	-	-	-	-	-	-
Total Nonoperating Revenues	1,903,935	151	221,785	(7,332)	131,497	13,500	502,803	118,689	2,885,028
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(1,165,609)	(8,379)	(43,891)	22,601	27,907	11,000	55,150	(27,262)	(1,128,483)
CAPITAL GRANTS									
Capital Grants:									
Federal - FTA	-	-	-	-	-	-	530,000	-	530,000
State - Prop IB PTMISEA	-	-	-	-	-	-	-	-	-
State - STAF / Cal EMA	35,829	-	-	(606)	-	-	-	-	35,223
County	-	-	-	(606)	-	-	-	-	-
Total Capital Grants	35,829	-	-	(606)	-	-	530,000	-	565,223
CHANGE IN NET POSITION	\$ (1,129,780)	\$ (8,379)	\$ (43,891)	\$ 21,995	\$ 27,907	\$ 11,000	\$ 585,150	\$ (27,262)	\$ (563,260)
NET POSITION, BEGINNING OF YEAR	\$ 10,150,232	\$ (843)	\$ 451,546	\$ (482,955)	\$ 51,552	\$ -	\$ 137,481	\$ 215,699	\$ 10,522,712
PRIOR PERIOD ADJUSTMENT	(900,632)	-	(2,770)	(473,300)	-	-	(174,066)	(31,648)	(1,582,416)
NET POSITION, END OF YEAR	\$ 8,119,820	\$ (9,222)	\$ 404,885	\$ (934,260)	\$ 79,459	\$ 11,000	\$ 548,565	\$ 156,789	\$ 8,377,036

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, 2016

	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 203,417	\$ 183,998
Contribution in relation to the actuarially determined contribution	(203,417)	(183,998)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,845,624	\$ 1,701,088
Contributions as a percentage of covered-employee payroll	11.02%	10.82%

NOTES TO SCHEDULE:

Actuarial valuation date	6/30/2014	6/30/2013
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Methods and assumptions used to determine contribution rates:

Actuarial funding method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years (a)
Asset valuation method	Smoothed value
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%
Retirement age	60 years
Mortality	CalPERS Mortality Experience Study

(a) - Actuarial Policy ACT-96-0SE specifies that all changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and the net unamortized gain or loss is amortized as a rolling 30-year amortization with the exception of gains and losses in fiscal years 2008-09, 2009-10 and 2010-11 in which each years' gains or losses will be isolated and amortized over fixed and declining 30-year periods (as opposed to the current rolling 30-year amortization). Also, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability. Finally, all plans are subject to a minimum employer contribution rate equal to the employer normal cost plus a 30-year amortization of surplus, if any.

* - Fiscal year 2015 was the first year of implementation.

HUMBOLDT TRANSIT AUTHORITY
SCHEDULE OF HTA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
June 30, 2016

	June 30, 2016	June 30, 2015
Plan's proportion of the net pension liability	0.049911%	0.021640%
Plan's proportionate share of the net pension liability	\$ 1,369,305	\$ 1,346,438
Plan's covered-employee payroll	\$ 1,845,624	\$ 1,701,088
Plan's proportionate share of the net pension liability as percentage of covered-employee payroll	74.19%	79.15%
CalPERS State-wide fiduciary net positions	\$10,896,039,068	\$10,639,461,174
CalPERS State-wide total pension liability	\$13,639,503,084	\$13,110,948,452
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	82.07%	81.21%

NOTES TO SCHEDULE:

Benefit changes: There were no changes to benefit terms.

Changes in assumptions: The discount rate was changed from 7.5%(net of costs) to 7.65% to correct for an adjustment to exclude administrative expense.

* - Fiscal year 2015 was the first year of implementation