

HUMBOLDT TRANSIT AUTHORITY
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2017

DRAFT

HUMBOLDT TRANSIT AUTHORITY

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June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Humboldt Transit Authority

We have audited the accompanying financial statements of the business-type activities of Humboldt Transit Authority as of and for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, 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 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 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Directors
Humboldt Transit Authority

Other Information (Continued)

Our audit was also made for the purpose of determining compliance with the Transportation Development Act Section 99260, the California Administrative Code and the rules and regulations of the Humboldt County Association of Governments. In our audit, we performed, to the extent applicable, the tasks contained in Section 6667 of the California Administrative Code.

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.

ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

December 18, 2017
Fortuna, California

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BASIC FINANCIAL STATEMENTS

HUMBOLDT TRANSIT AUTHORITY
Statements of Net Position
June 30, 2017 and 2016

EXHIBIT A

<u>ASSETS</u>		<u>2017</u>	<u>2016</u>
<u>Current Assets</u>			
<u>Cash and Cash Equivalents</u>			
On Hand and in Deposit Accounts		\$ 1,494,759	\$ 1,541,651
Restricted Cash		1,106,504	1,047,685
<u>Total Cash and Cash Equivalents</u>		<u>2,601,263</u>	<u>2,589,336</u>
Accounts Receivable		198,631	225,589
Grants Receivable		719,500	479,705
Employee Advances		3	3
Materials and Supplies Inventory (at cost)		303,988	316,269
Prepaid Expenses		35,631	188,957
<u>Total Current Assets</u>		<u>3,859,016</u>	<u>3,799,859</u>
<u>Long-term Assets</u>			
Property, Plant and Equipment, Net		10,291,670	11,144,063
Work in Progress		289,572	16,061
<u>Total Long-term Assets</u>		<u>10,581,242</u>	<u>11,160,124</u>
<u>Deferred Outflows of Resources</u>		<u>606,768</u>	<u>560,363</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		<u>\$ 15,047,026</u>	<u>\$ 15,520,346</u>
<u>LIABILITIES AND NET POSITION</u>			
<u>Current Liabilities</u>			
Trade Payables		\$ 196,681	\$ 88,446
Insurance Payable		26,786	184,132
Deferred Income		335,414	287,585
DAR Liability		52,621	223,466
Unearned Fares		223,599	197,731
Deferred Income-Prop 1B Cal OES		62,148	-
Accrued Payroll Liabilities		222,309	238,582
<u>Total Current Liabilities</u>		<u>1,119,558</u>	<u>1,219,942</u>
<u>Long-term Liabilities</u>			
Lease Deposit		3,000	3,000
Net Pension Liability		1,809,418	1,369,305
Net OPEB Obligation		2,851,601	2,424,230
<u>Total Long-term Liabilities</u>		<u>4,664,019</u>	<u>3,796,535</u>
<u>Total Liabilities</u>		<u>5,783,577</u>	<u>5,016,477</u>
<u>Deferred Inflows of Resources</u>		<u>170,462</u>	<u>542,647</u>
<u>Net Position</u>			
Invested In Capital Assets, Net of Related Debt		10,581,242	11,160,124
<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>		<u>929,010</u>	<u>929,010</u>
<u>Unrestricted Net Position</u>		<u>(2,417,265)</u>	<u>(2,127,912)</u>
<u>Total Net Position</u>		<u>9,092,987</u>	<u>9,961,222</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		<u>\$ 15,047,026</u>	<u>\$ 15,520,346</u>

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

HUMBOLDT TRANSIT AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017
With Comparative Amounts for the Year Ended June 30, 2016

	<u>Budget</u>	<u>2017 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2016 Actual</u>
<u>OPERATING REVENUES</u>				
Fares	\$ 1,439,500	\$ 1,056,322	(383,178)	\$ 1,398,563
Contract Transportation	992,932	1,488,449	495,517	1,047,650
Insurance Reimbursement	-	-	-	5,961
Other Revenue	75,500	137,188	61,688	129,861
<u>Total Operating Revenues</u>	2,507,932	2,681,959	174,027	2,582,035
<u>OPERATING EXPENSES</u>				
Labor and Benefits	4,005,165	4,397,372	(392,207)	3,977,080
Professional Services	50,800	71,852	(21,052)	123,036
Purchased Transportation	-	146,436	(146,436)	170,940
Repairs, Supplies, & Maintenance	1,231,609	1,246,289	(14,680)	1,085,278
Casualty and Liability Insurance	202,622	225,241	(22,619)	206,513
Utilities	67,000	62,315	4,685	63,727
Leases and Rentals	6,000	6,120	(120)	6,099
Miscellaneous	97,366	73,493	23,873	71,904
Advertising	5,000	10,024	(5,024)	5,273
Travel and Transportation	16,000	10,081	5,919	13,820
Depreciation	-	1,376,813	(1,376,813)	1,292,469
<u>Total Operating Expenses</u>	5,681,562	7,626,036	(1,944,474)	7,016,139
<u>OPERATING INCOME (LOSS)</u>	(3,173,630)	(4,944,077)	(1,770,447)	(4,434,104)
<u>NONOPERATING REVENUES</u>				
Advertising	33,600	33,600	-	19,200
Rents and Leases	107,000	110,121	3,121	107,222
Operating Grants				
TDA Assessments	2,400,279	2,443,805	43,526	2,355,451
Federal - FTA	130,284	300,000	169,716	218,705
State Operating - STAF	492,467	300,975	(191,492)	319,442
Interest Income	10,000	29,911	19,911	21,263
Gain (Loss) on Disposal of Capital Assets	-	8,731	8,731	(53,528)
Misc - CalOES	-	(11,167)	(11,167)	-
<u>Total Nonoperating Revenues</u>	3,173,630	3,215,976	42,346	2,987,755
<u>CHANGE IN NET POSITION BEFORE CAPITAL GRANTS</u>	-	(1,728,101)	(1,728,101)	(1,446,349)
<u>CAPITAL GRANTS</u>				
Federal Transportation (5311)	418,255	427,222	8,967	991,000
State - Cal OES	280,000	280,656	656	1,175,628
State - STAF	387,745	5,716	(382,029)	609,856
County	200,000	146,272	(53,728)	254,051
<u>Total Capital Grants</u>	1,286,000	859,866	(426,134)	3,030,535
<u>CHANGE IN NET POSITION</u>	1,286,000	(868,235)	(2,154,235)	1,584,186
<u>NET POSITION, BEGINNING OF YEAR</u>		\$ 9,961,222		\$ 8,377,036
<u>NET POSITION, END OF YEAR</u>		\$ 9,092,987		\$ 9,961,222

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

HUMBOLDT TRANSIT AUTHORITY
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash Received from Customers	\$ 1,802,248	\$ 262,706
Cash Paid for Goods and Services	(1,905,116)	(1,673,006)
Cash Paid for Employees	(4,413,645)	(3,930,452)
Net Cash (Used) by Operating Activities	(4,516,513)	(5,340,752)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
Operating Grant Revenue	3,197,235	2,966,492
Contract Transportation	1,222,220	1,047,650
Miscellaneous Revenue	448,894	195,512
Net Cash Provided by Non-Capital Financing Activities	4,868,349	4,209,654
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Capital Grant Revenue	440,366	2,769,535
Acquisition of Property, Plant, and Equipment	(810,186)	(3,188,037)
Net Cash (Used) by Capital and Related Financing Activities	(369,820)	(418,502)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on Investments	29,911	21,263
Net Cash Provided by Investing Activities	29,911	21,263
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	11,927	(1,528,337)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	2,589,336	4,117,673
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 2,601,263</u>	<u>\$ 2,589,336</u>

HUMBOLDT TRANSIT AUTHORITY
Statements of Cash Flows
For the Year Ended June 30, 2017 and 2016

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

	<u>2017</u>	<u>2016</u>
Operating Income (Loss)	\$ (4,955,246)	\$ (4,434,104)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities:		
Depreciation	1,376,812	1,292,469
Loss on Sale of Capital Assets	12,255	72,029
Nonoperating Revenue (Included in Operating Income Total)	(1,222,220)	(1,047,650)
Changes in Assets and Liabilities		
(Increase) Decrease in Assets		
Receivables	206,663	167,802
Materials and Supplies Inventory	12,281	(39,822)
Prepaid Expenses	153,326	(50,740)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(219,956)	92,636
Deferred Income	135,845	(1,440,000)
Lease Deposits	-	-
Accrued Payroll Liabilities	(16,273)	46,628
Net Cash (Used) By Operating Activities	<u><u>\$ (4,516,513)</u></u>	<u><u>\$ (5,340,752)</u></u>

NOTES TO FINANCIAL STATEMENTS

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

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, 2017:

	<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>235,078</u>	<u>263,645</u>	<u>137,939</u>	<u>177,873</u>
	<u>\$ 1,494,192</u>	<u>\$ 135,078</u>	<u>\$ 235,078</u>	<u>\$ 263,645</u>	<u>\$ 137,939</u>	<u>\$ 177,873</u>

HUMBOLDT TRANSIT AUTHORITY**Notes to Financial Statements**

June 30, 2017

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, 2017

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.

Effective July 1, 2016, HCAOG designated HTA as the Consolidated Transportation Services Agency (CTSA) for Humboldt County, with responsibility for administering a consolidated region-wide program to provide transportation for qualified elderly and disabled persons in the Cities of Arcata and Eureka and unmandated areas in the County. HTA has entered into a contract with City Ambulance of Eureka to provide Dial-A-Ride services effective July 1, 2017.

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. The contract Eighth Amendment is effective for fiscal years 2016 and 2017 for \$940,200 annually. The fares collected will be credited to the Eureka Transit System on a monthly basis.

In December 2001, HTA contracted with the AMRT&S (Arcata) system to provide bus maintenance, fueling and parking at the HTA facility. HTA is contracted to provide regular preventive maintenance and repairs for 12 HCOE public school transit buses.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

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:

	2017	2016
Buses	\$ 10,673,755	\$ 10,230,209
Other Transportation Equipment	1,675,317	1,675,317
Office Equipment	122,133	122,133
Other Equipment	1,364,849	1,394,973
Real Property - Land	2,164,831	2,164,831
Buildings & Improvements	3,400,432	3,370,195
Subtotal	\$ 19,401,317	\$ 18,957,658
Less Accumulated Depreciation	(9,109,647)	(7,813,595)
Total Property, Plant & Equipment	\$ 10,291,670	\$ 11,144,063
Property, Plant & Equipment, Beginning	\$ 18,957,658	\$ 16,879,874
Capital Acquisitions	536,676	3,189,979
Sales/Dispositions	(93,017)	(1,112,195)
Property, Plant, & Equipment, Ending	\$ 19,401,317	\$ 18,957,658

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, 2017 and 2016 amounted to \$289,572 and \$16,061, respectively. HTA has entered into a design/build agreement with McKeever Energy & Electric to design the Solar PV system funded by a grant provided by California Office Emergency Services (Cal OES).

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Compensated Absences

HTA has accrued a liability for vacation pay earned as of June 30, 2017 and 2016, in the amount of \$132,060 and \$127,948, respectively.

No liability is recorded for accumulated sick pay, which at June 30, 2017 and 2016, was \$36,322 and \$37,995, 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, 2016 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, 2016 totals \$1,809,418. 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.

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 2016-2017, HTA's annual pension cost of \$243,840 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) 7.65% 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.

Contributions for the unfunded accrued liability for fiscal year ending June 30, 2017 and 2016 totaled \$85,966 and \$74,124, respectively.

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 2016-2017 fiscal years are \$12,203 per month.

The Authority has contracted with the City of Eureka through June 30, 2018 to administer and manage the City's Eureka Transit System. With Amendment Eight, the contract amounts to \$940,200 or \$78,350 per month. Effective 2016-2017 any fares collected are returned to Eureka monthly. For 2015-2016 the contract amounted to \$926,288 less anticipated fare revenues of \$260,000. The contract stipulated that any carryover from the ETS operation at the end of each year would be rolled over to assist with operating expenses for the following year. Any carryover at the end of the contract term would be returned to the City of Eureka once that amount had been confirmed by the annual audit. In addition, ETS is responsible for the actual cost of vehicle liability insurance.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

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	235,078	-
Tish Non-Village	177,873	-
Southern Humboldt - Intercity	263,645	
Southern Humboldt - Local	137,939	-
Total TDA Funds	<u>\$ 2,443,805</u>	<u>\$ -</u>

I. Restricted Net Position

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 position totaling \$929,010 for the fiscal years ended June 30, 2017 and 2016 .

Restricted net position indicate s the portion of net position 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 \$112,775 are restricted and deferred for future purchase of an Electric Bus and charging station. Funds received from Cal OES are deferred for solar panels totaling \$62,148.

Murray Method funds have been deferred for bus acquisitions. At June 30, 2017 and 2016 funds available total \$222,639 and \$168,910, respectively.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017, the Authority's cash balances included the following:

Petty cash	\$ 100
Cash on deposit with County Treasury	2,081,243
U.S. Bank	<u>519,919</u>
	<u>\$ 2,601,262</u>

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 83.73% federal agencies, 10.22% money markets, 0.58% municipal bonds, 4.33% treasury coupons, and 1.15% certificates of deposit. The S & P credit ratings for these investments include AAA and Aa1, and non-rated for certificates of deposit and the California State Treasurer's local agency investment fund.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Cash and Cash Equivalents

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, 2017, 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 953 days.

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.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017

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, 2017 and June 30, 2016, the Authority contributed \$154,727 and \$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>6/30/2017</u>	<u>6/30/2016</u>
Annual required contribution (ARC)	\$ 582,098	\$ 549,843
Contributions made	(154,727)	(148,376)
Increase in net OPEB obligations	427,371	401,467
Net OPEB obligation, beginning of fiscal year	2,424,230	2,022,763
Net OPEB obligation, end of fiscal year	<u>\$ 2,851,601</u>	<u>\$ 2,424,230</u>
Percentage of Annual OPEB Cost Contribution	26.6%	27.0%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

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, 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 \$2,259,366, \$2,198,666, and \$2,056,480, for the years ended June 30, 2017, 2016 and 2015, respectively. The ratio of the UAAL to the covered payroll was 43.7%, 42.5%, and 41.8%, for the years ended June 30, 2017, 2016 and 2015, 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
2017	\$ 164,420
2018	\$ 180,518
2019	\$ 204,392

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

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

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.

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

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

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

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. New Accounting Pronouncements (Continued)

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.

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

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

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

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

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

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, 2017.

	<u>SoHum Inter City</u>	<u>Arcata DAR</u>	<u>Willow Creek</u>	<u>So Hum Local</u>
Operating Costs	\$ 644,473	\$ 147,840	\$ 300,939	\$ 173,200
Less Depreciation	(85,132)	-	(37,813)	(20,160)
Less Fare Revenues	(80,938)	(18,222)	(38,451)	(14,863)
Less Federal Operating Funds	(300,000)	-	-	-
Maximum TDA Fund Eligibility	<u>178,403</u>	<u>129,618</u>	<u>224,675</u>	<u>138,177</u>
STAF Operating Funds Received	6,945	-	2,728	5,027
TDA Funds Received	<u>263,645</u>	<u>135,078</u>	<u>235,078</u>	<u>137,939</u>
	270,590	135,078	237,806	142,966
Excess TDA Funds Received	<u><u>\$ 92,187</u></u>	<u><u>\$ 5,460</u></u>	<u><u>\$ 13,131</u></u>	<u><u>\$ 4,789</u></u>

Compliance with TDA Fund Eligibility:

HTA has several options to remedy this situation:

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

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

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	\$ 1,165,618
RTS Operating Costs	\$ 4,117,307
Depreciation	<u>(1,208,606)</u>
Adjusted Operating Costs	\$ 2,908,701
Fare Box Recovery Ratio	<u>40.07%</u>
Required Fare Box Recovery Ratio	10.00%

	<u>Willow Creek</u>
Fare Revenue	\$ 38,451
WC Operating Costs	\$ 300,939
Depreciation	<u>(37,813)</u>
Adjusted Operating Costs	\$ 263,126
Fare Box Recovery Ratio	<u>14.61%</u>
Required Fare Box Recovery Ratio	10.00%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 3. FARE BOX RECOVERY RATIOS (CONTINUED)

	<u>SoHum InterCity</u>
Fare Revenue	\$ 80,938
SHI Operating Costs	\$ 644,473
Depreciation	<u>(85,132)</u>
Adjusted Operating Costs	\$ 559,341
Fare Box Recovery Ratio	<u>14.47%</u>
Required Fare Box Recovery Ratio	10.00%

	<u>SoHum Local</u>
Fare Revenue	\$ 14,863
SHL Operating Costs	\$ 173,200
Depreciation	<u>(20,160)</u>
Adjusted Operating Costs	\$ 153,040
Fare Box Recovery Ratio	<u>9.71%</u>
Required Fare Box Recovery Ratio	10.00%

	<u>Arcata DAR</u>
Fare Revenue	\$ 18,222
DAR Operating Costs	\$ 147,840
Depreciation	<u>-</u>
Adjusted Operating Costs	\$ 147,840
Fare Box Recovery Ratio	<u>12.33%</u>
Required Fare Box Recovery Ratio	10.00%

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

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.

NOTE 5. PENSION PLAN

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

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

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

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 5. PENSION PLAN (Continued)

The Plan's provisions and benefits in effect at June 30, 2017 are summarized as follows:

Employer Rate Plan	Miscellaneous	PEPRA Misc
Hire Date	Prior to Jan 1, 2013	On or after Jan 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50	52
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rates	6.886%	6.250%
Required Employer Contribution Rates	8.377%	6.555%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The contribution rates are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. HTA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Humboldt Transit Authority's contributions to the risk pools in the Plan for the year ended June 30, 2017, were as follows:

	Contributions
Miscellaneous Risk Pool	\$ 243,840
Safety Risk Pool	-
Total Contributions	<u>\$ 243,840</u>

HUMBOLDT TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2017

NOTE 5. PENSION PLAN (Continued)*Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2017, HTA reported net pension liabilities for its proportionate shares of the net pension liability in the amount of \$1,809,418.

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

The Humboldt Transit Authority's proportionate share of the net pension liability as of June 30, 2015, the valuation date, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2015. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date was calculated by dividing the Humboldt Transit Authority's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

HTA's proportionate share of the net pension liability as of June 30, 2016, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2016, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2016, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2016, was calculated by applying HTA's proportionate share percentage as of the valuation date to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2016, to obtain the total pension liability and fiduciary net position as of June 30, 2016. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 5. PENSION PLAN (Continued)

The Humboldt Transit Authority's proportionate share percentage of the net pension liability for each risk pool as of June 30, 2015, and June 30, 2016, was as follows:

	Miscellaneous Risk Pool
Proportion at measurement date - June 30, 2015	0.049912%
Proportion at measurement date - June 30, 2016	0.052086%
Change - Increase (Decrease)	0.002174%

For the year ended June 30, 2017, the Humboldt Transit Authority recognized pension expense of \$264,272. At June 30, 2017, the Humboldt Transit Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ (1,563)
Change in assumptions		(79,440)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	334,904	-
Differences between the employer's contributions and the employer's proportionate share of contributions	20,948	(20,910)
Differences between Actual and Required Contributions	7,076	(68,549)
Contributions after Measurement Date	243,840	-
Total	<u>\$ 606,768</u>	<u>\$ (170,462)</u>

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

Measurement Date June 30:	Deferred Outflows/(Inflows) of Resources
2017	(23,283)
2018	(9,151)
2019	135,807
2020	89,093
2021	-
Total	<u>\$ 192,466</u>

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 5. PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2016 (the measurement date), the total pension liability for the Plan was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
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	7.5% (a)
Mortality	Derived using CalPERS's membership data for all funds

(a) - Net of pension plan investment expense, including inflation

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 stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2016 based on June 30, 2015 Valuations*, which can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 5. PENSION PLAN (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 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.

<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	20%	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	1%	-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

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 5. PENSION PLAN (Continued)

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:

	Discount Rate less 1% 6.7%	Current Discount 7.7%	Discount Rate plus 1% 8.7%
Net pension liability	\$2,900,699	\$1,809,418	\$907,529

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	1,191,199
Expenditures	
Remitted funds to City of Fortuna	(4,485)
Fueling Island	(78,512)
Bus Purchases	(1,108,202)
Subtotal	(1,191,199)
Unexpended PTMISEA funds at June 30, 2016	\$ -

HUMBOLDT TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2017

NOTE 7. SUBSEQUENT EVENTS

Management has evaluated all known events and transactions for potential recognition or disclosure through December 18, 2017, the date the financial statements were available to be issued.

NOTE 8. RECLASSIFICATIONS

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

DRAFT

SUPPLEMENTARY INFORMATION

DRAFT

HUMBOLDT TRANSIT AUTHORITY
Combining Schedule of Net Position
June 30, 2017

ASSETS

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
<u>Current Assets</u>									
<u>Cash and Cash Equivalents</u>									
On Hand and in Deposit Accounts	\$ 371,001	\$ 29,882	\$ 271,112	\$ 301,097	\$ 95,785	\$ 79,944	\$ 187,063	\$ 158,875	\$ 1,494,759
Restricted Cash	1,038,220	-	2,673	-	-	-	-	65,611	1,106,504
<u>Total Cash and Cash Equivalents</u>	<u>1,409,221</u>	<u>29,882</u>	<u>273,785</u>	<u>301,097</u>	<u>95,785</u>	<u>79,944</u>	<u>187,063</u>	<u>224,486</u>	<u>2,601,263</u>
Accounts Receivable	156,949	4,956	-	36,726	-	-	-	-	198,631
Grant Receivables	348,500	-	-	-	-	-	300,000	71,000	719,500
Employee Advances	3	-	-	-	-	-	-	-	3
Materials and Supplies Inventory (at cost)	303,988	-	-	-	-	-	-	-	303,988
Prepaid Expenses	35,631	-	-	-	-	-	-	-	35,631
<u>Total Current Assets</u>	<u>2,254,292</u>	<u>34,838</u>	<u>273,785</u>	<u>337,823</u>	<u>95,785</u>	<u>79,944</u>	<u>487,063</u>	<u>295,486</u>	<u>3,859,016</u>
Property, Plant and Equipment, Net	9,674,259	-	212,618	361	37,652	-	535,347	121,005	10,581,242
Deferred Outflows of Resources	606,768	-	-	-	-	-	-	-	606,768
<u>TOTAL ASSETS</u>	<u>\$ 12,535,319</u>	<u>\$ 34,838</u>	<u>\$ 486,403</u>	<u>\$ 338,184</u>	<u>\$ 133,437</u>	<u>\$ 79,944</u>	<u>\$ 1,022,410</u>	<u>\$ 416,491</u>	<u>\$ 15,047,026</u>

LIABILITIES AND NET POSITION

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
<u>Current Liabilities</u>									
Trade Payable	\$ 85,443	\$ 4,813	\$ -	\$ 94,222	-	\$ 12,203	\$ -	\$ -	\$ 196,681
Insurance Payable	26,786	-	-	-	-	-	-	-	26,786
DAR Liability	52,621	-	-	-	-	-	-	-	52,621
Deferred Income	397,562	-	-	-	-	-	-	-	397,562
Deferred Fare Revenue	223,599	-	-	-	-	-	-	-	223,599
Accrued Payroll Liabilities	222,309	-	-	-	-	-	-	-	222,309
<u>Total Current Liabilities</u>	<u>1,008,320</u>	<u>4,813</u>	<u>-</u>	<u>94,222</u>	<u>-</u>	<u>12,203</u>	<u>-</u>	<u>-</u>	<u>1,119,558</u>
<u>Long-Term Liabilities</u>									
Lease Deposit	3,000	-	-	-	-	-	-	-	3,000
Pension Liability	1,278,897	-	49,035	314,839	49,578	-	84,138	32,931	1,809,418
Net OPEB Obligation	1,524,751	-	3,707	938,177	-	-	225,276	159,690	2,851,601
<u>Total Long-Term Liabilities</u>	<u>2,806,648</u>	<u>-</u>	<u>52,742</u>	<u>1,253,016</u>	<u>49,578</u>	<u>-</u>	<u>309,414</u>	<u>192,621</u>	<u>4,664,019</u>
<u>TOTAL LIABILITIES</u>	<u>3,814,968</u>	<u>4,813</u>	<u>52,742</u>	<u>1,347,238</u>	<u>49,578</u>	<u>12,203</u>	<u>309,414</u>	<u>192,621</u>	<u>5,783,577</u>
Deferred Inflows of Resources	170,462	-	-	-	-	-	-	-	170,462
Invested in Capital Assets, Net of Related Debt	9,674,259	-	212,618	361	37,652	-	535,347	121,005	10,581,242
<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>									
(1,985,096)		30,025	218,370	(1,009,415)	46,207	67,741	177,649	37,254	(2,417,265)
<u>Total Net Position</u>	<u>8,549,889</u>	<u>30,025</u>	<u>433,661</u>	<u>(1,009,054)</u>	<u>83,859</u>	<u>67,741</u>	<u>712,996</u>	<u>223,870</u>	<u>9,092,987</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 12,535,319</u>	<u>\$ 34,838</u>	<u>\$ 486,403</u>	<u>\$ 338,184</u>	<u>\$ 133,437</u>	<u>\$ 79,944</u>	<u>\$ 1,022,410</u>	<u>\$ 416,491</u>	<u>\$ 15,047,026</u>

HUMBOLDT TRANSIT AUTHORITY
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	Combined DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
OPERATING REVENUES									
Fares	\$ 899,148	\$ -	\$ 35,822	\$ 157	\$ 7,172	\$ 18,222	\$ 80,938	\$ 14,863	\$ 1,056,322
Contract Transportation	257,343	90,000	2,629	956,923	-	181,554	-	-	1,488,449
Other Operating Revenue	91,083	46,103	-	-	-	-	-	-	137,188
Total Operating Revenues	1,247,574	136,103	38,451	957,080	7,172	199,776	80,938	14,863	2,681,959
OPERATING EXPENSES									
Labor and Benefits	3,123,187	47,775	95,383	633,301	80,726	95,928	248,104	72,969	4,397,373
Professional Services	54,369	-	-	1,845	-	15,638	-	-	71,852
Purchased Transportation	-	-	-	-	-	146,436	-	-	146,436
Repairs, Supplies, & Maintenance	621,014	74,640	52,302	132,765	19,905	74,784	93,833	24,578	1,093,821
Casualty and Liability Insurance	122,418	-	37,593	6,547	12,144	-	34,753	11,785	225,240
Facility Expenses	234,674	8,159	2,714	27,119	2,711	-	14,351	3,136	292,864
Allocated Maintenance	(339,112)	1,862	43,599	139,516	34,793	-	97,661	23,543	1,862
Leases and Rentals	6,120	-	-	-	-	-	-	-	6,120
Allocated Administration	(245,281)	-	31,535	100,953	25,165	3,592	70,639	17,029	3,632
Advertising	9,995	-	-	-	29	-	-	-	10,024
Depreciation	1,208,606	-	37,813	-	25,101	-	85,132	20,160	1,376,812
Total Operating Expenses	4,795,990	132,436	300,939	1,042,046	200,574	336,378	644,473	173,200	7,626,036
OPERATING INCOME (LOSS)	(3,548,416)	3,669	(262,488)	(84,966)	(193,402)	(136,602)	(563,535)	(158,337)	(4,944,077)
NONOPERATING REVENUES									
Advertising	33,600	-	-	-	-	-	-	-	33,600
Rents & Leases	110,121	-	-	-	-	-	-	-	110,121
Operating Grants	-	-	-	-	-	-	-	-	-
TDA Assessments	1,494,192	-	235,078	-	177,873	135,078	263,645	137,939	2,443,805
Federal - FTA	-	-	-	-	-	-	300,000	-	300,000
State Operating - STAF	253,721	8,130	2,728	17,816	5,240	1,368	6,945	5,027	300,975
Interest Income	29,911	-	-	-	-	-	-	-	29,911
Proceeds on Disposal of Capital Assets	8,731	-	-	-	-	-	-	-	8,731
CalOES Expenses	(11,167)	-	-	-	-	-	-	-	(11,167)
Total Nonoperating Revenues	1,919,109	8,130	237,806	17,816	183,113	136,446	570,590	142,966	3,215,976
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(1,629,307)	11,799	(24,682)	(67,150)	(10,289)	(156)	7,055	(15,371)	(1,728,101)
CAPITAL GRANTS									
Capital Grants:									
Federal - FTA	348,500	-	-	-	78,722	-	-	-	427,222
State - Prop IB Cal OES	280,656	-	-	-	-	-	-	-	280,656
State - STAF	5,716	-	-	-	-	-	-	-	5,716
Other / County	146,272	-	-	-	-	-	-	-	146,272
Total Capital Grants	781,144	-	-	-	78,722	-	-	-	859,866
CHANGE IN NET POSITION	\$ (848,163)	\$ 11,799	\$ (24,682)	\$ (67,150)	\$ 68,433	\$ (156)	\$ 7,055	\$ (15,371)	\$ (868,235)
NET POSITION, BEGINNING OF YEAR	\$ 9,398,052	\$ 18,226	\$ 458,343	\$ (941,904)	\$ 15,426	\$ 67,897	\$ 705,941	\$ 239,241	\$ 9,961,222
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-	-	-
NET POSITION, END OF YEAR	\$ 8,549,889	\$ 30,025	\$ 433,661	\$ (1,009,054)	\$ 83,859	\$ 67,741	\$ 712,996	\$ 223,870	\$ 9,092,987

See accompanying notes and independent auditors' report

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

ASSETS

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
<u>Current Assets</u>									
<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
Total Cash and Cash Equivalents	2,026,290	20,431	221,222	39,338	50,913	90,682	15,897	124,563	2,589,336
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
Total Current Assets	2,926,989	23,161	221,222	85,432	50,913	90,682	205,897	195,563	3,799,859
Property, Plant and Equipment, Net	9,929,961	-	275,372	-	-	-	751,784	203,007	11,160,124
Deferred Outflows of Resources	560,363	-	-	-	-	-	-	-	560,363
TOTAL ASSETS	\$ 13,417,313	\$ 23,161	\$ 496,594	\$ 85,432	\$ 50,913	\$ 90,682	\$ 957,681	\$ 398,570	\$ 15,520,346

LIABILITIES AND NET POSITION

	RTS	AMRTS MAINT.	WILLOW CREEK	ETS	TNT	DAR	SOHUM- INTERCITY	SOHUM- LOCAL	TOTAL
<u>Current Liabilities</u>									
Trade Payable	\$ 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
Total Current Liabilities	1,187,820	4,935	-	4,402	-	22,785	-	-	1,219,942
<u>Long-Term Liabilities</u>									
Lease Deposit	3,000	-	-	-	-	-	-	-	3,000
Pension Liability	989,558	-	35,099	225,361	35,488	-	60,226	23,573	1,369,305
Net OPEB Obligation	1,296,236	-	3,152	797,572	-	-	191,514	135,756	2,424,230
Total Long-Term Liabilities	2,288,794	-	38,251	1,022,933	35,488	-	251,740	159,329	3,796,535
TOTAL LIABILITIES	3,476,614	4,935	38,251	1,027,335	35,488	22,785	251,740	159,329	5,016,477
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
Total Restricted Net Position	860,726	-	2,673	-	-	-	-	65,611	929,010
<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>
Total Net Position	9,398,052	18,226	458,343	(941,903)	15,425	67,897	705,941	239,241	9,961,222
TOTAL LIABILITIES AND NET POSITION	\$ 13,417,313	\$ 23,161	\$ 496,594	\$ 85,432	\$ 50,913	\$ 90,682	\$ 957,681	\$ 398,570	\$ 15,520,346

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	\$ 1,598,563
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	2,382,035
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

HUMBOLDT TRANSIT AUTHORITY
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS *
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
June 30, 2017

	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 243,840	\$ 203,417	\$ 183,998
Contribution in relation to the actuarially determined contribution	(243,840)	(203,417)	(183,998)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,962,831	\$ 1,845,624	\$ 1,701,088
Contributions as a percentage of covered-employee payroll	12.42%	11.02%	10.82%
NOTES TO SCHEDULE:			
Actuarial valuation date	6/30/2014	6/30/2013	6/30/2012

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

HUMBOLDT TRANSIT AUTHORITY
SCHEDULE OF HTA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE LAST TEN
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
June 30, 2017
LAST TEN YEARS *

	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30,
Plan's proportion of the net pension liability	0.020911%	0.019949%	0.021640%
Plan's proportionate share of the net pension liability	\$ 1,809,418	\$ 1,369,305	\$ 1,346,438
Plan's covered-employee payroll **	\$ 1,799,344	\$ 1,845,624	\$ 1,701,088
Plan's proportionate share of the net pension liability as percentage of covered-employee payroll	100.56%	74.19%	79.15%
CalPERS State-wide fiduciary net positions	\$10,923,476,287	\$10,896,039,068	\$10,639,461,174
CalPERS State-wide total pension liability	\$14,397,353,530	\$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	77.68%	82.07%	81.21%

NOTES TO SCHEDULE:

Benefit changes: There were no changes to benefit terms in 2017

Changes in assumptions: There were no changes in assumptions in 2017

Changes in assumptions: For 2016 audit, the discount rate was changed from 7.5%(net of administrative costs) to 7.65% to correct for an adjustment to exclude administrative expense.

* Fiscal Year 2015 was the first year of implementation.

** Valuation year payroll increased by assumed 3% increase.

MANAGEMENT LETTER

DRAFT

December 18, 2017

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

Ladies and Gentlemen,

We have audited the financial statements of Humboldt Transit Authority (HTA) for the year ended June 30, 2017 and have issued our report thereon dated December 18, 2017. As part of our audit, we reviewed and tested HTA's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards.

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

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

Our study and evaluation of HTA's system of internal accounting control for the year ended June 30, 2017 which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, we submit, for your consideration, our comments and recommendations on the operating methods, accounting policies and procedures, and other matters which came to our attention during the course of the audit.

CURRENT YEAR FINDINGS

1. Compliance with TDA Fund Eligibility:

Excess Operating Funds Received:

As shown in Note 2 to the financial statements, the following systems did not meet the compliance requirements of Section 6634 of the California Administrative Code dealing with TDA fund eligibility. Fund eligibility is determined by subtracting actual fare revenues, depreciation, and any federal operating funds received from operating expenses. This amount represents the maximum allowable TDA funding for operating expenses for the fiscal year ended June 30, 2017.

	<u>SoHum Inter City</u>	<u>Arcata DAR</u>	<u>Willow Creek</u>	<u>So Hum Local</u>
Operating Costs	\$ 644,473	\$ 147,840	\$ 300,939	\$ 173,200
Less Depreciation	(85,132)	-	(37,813)	(20,160)
Less Fare Revenues	(80,938)	(18,222)	(38,451)	(14,863)
Less Federal Operating Funds	(300,000)	-	-	-
Maximum TDA Fund Eligibility	178,403	129,618	224,675	138,177
STAF Operating Funds Received	6,945	-	2,728	5,027
TDA Funds Received	263,645	135,078	235,078	137,939
	270,590	135,078	237,806	142,966
Excess TDA Funds Received	<u>\$ 92,187</u>	<u>\$ 5,460</u>	<u>\$ 13,131</u>	<u>\$ 4,789</u>

Recommendation: HTA has several options to remedy this situation:

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

2. Non-Compliance with TDA Minimum Fare box Recovery Ratios

Per TDA Code Section 99268.8, minimum mandatory Fare box Recovery Ratio compliance testing for the two Southern Humboldt routes began for the year ended June 30, 2013. Southern Humboldt Local route is required to maintain a fare box ratio of 10%. According to our calculations, fare box recovery ratio for the Southern Humboldt Local route was 9.71% and did not meet the minimum 10% for June 30, 2017.

If an operator fails to maintain its required fare box ratio for two fiscal years, (not necessarily consecutive years), the TDA/STA allocation will be reduced during a subsequent penalty year by the amount of the difference between the required fare revenues and the actual fare revenues received in the second year of non-compliance. In this fiscal year, which is the noncompliance year, there is no change in eligibility since all operators are allowed one grace year for a first time failure to meet a required fare box recovery ratio.

Recommendation: HTA needs to increase ridership, thus increase fare revenue and reduce operating costs for the Southern Humboldt Local route in order to meet the minimum fare box ratio in the future.

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

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

ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP