

Shasta Regional Transportation Agency

Redding, California

Financial Statements and Independent Auditors' Reports

For the Year Ended June 30, 2015

Prepared by:
Chief Financial Officer



**Shasta Regional Transportation Agency
For the Year Ended June 30, 2015**

Table of Contents

	<u>Page</u>
Independent Auditors' Reports:	
Report on Financial Statements	1
Report on Internal Control Over Financial Reporting and on Compliance (Including Those Contained in the TDA Statutes and California Code of Regulations) and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Report on Compliance for the Transportation Planning Agency and on Internal Control Over Compliance Required by Transportation Development Act	7
Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance Required by OMB Circular A-133	9
Management's Discussion and Analysis (Required Supplementary Information) (Unaudited)	11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	21
Statement of Activities	22
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	27
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position	28
Statement of Revenues, Expenditures, and Changes in Fund Balances	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activity.....	30
Proprietary Funds:	
Statement of Net Position	31
Statement of Revenues, Expenses, and Changes in Net Position	32
Statement of Cash Flows	33
Fiduciary Funds:	
Statement of Fiduciary Net Position	34
Statement of Changes in Fiduciary Net Position	36
Notes to the Basic Financial Statements.....	39
Required Supplementary Information (Unaudited):	
Budgetary Comparison Schedule – Local Planning Fund	65
Notes to Budgetary Comparison Schedule	66
Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios	67
Schedule of the Contributions.....	68
Schedule of Funding Progress – Other Postemployment Benefit Plan.....	69

**Shasta Regional Transportation Agency
For the Year Ended June 30, 2015**

Table of Contents

	<u>Page</u>
Other Supplementary Information:	
Schedule of Allocations and Disbursements:	
Local Transportation Fund	73
State Transit Assistance Fund	74
Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Rate Carryover	75
Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover.....	76
Schedule of Expenditures of Federal Awards.....	77
Notes to the Schedule of Expenditures of Federal Awards	78
Schedule of Findings and Questioned Costs	79



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Shasta Regional Transportation Agency
Redding, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Shasta Regional Transportation Agency ("SRTA") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise SRTA'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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 governmental activities, business-type activities, each major fund, and aggregate remaining fund information of SRTA, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of GASB Statement No. 68 and 71

As discussed in Note 2 to the basic financial statements, SRTA implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 9 to the basic financial statements. In addition, net pension liability is reported in the Statement of Net Position in the amount of \$11,798 as of the measurement date. Net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of Jun 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date for California Public Employee Retirement System (“CalPERS”) plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedules, Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of the Contributions, and the Schedules of Funding Progress-Other Postemployment Benefits on pages 11 through 15, and 65 through 69 will be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SRTA’s basic financial statements. The Schedules of Allocations and Disbursements, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Rate Carryover, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover, and the Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of Directors
of the Shasta Regional Transportation Agency
Redding, California
Page Three

The Schedules of Allocations and Disbursements, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Rate Carryover, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 of Allocations and Disbursements, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Rate Carryover, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2016 on our consideration of SRTA'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 SRTA's internal control over financial reporting and compliance.

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Walnut Creek, California
February 5, 2016

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
(INCLUDING THOSE CONTAINED IN THE TDA STATUTES AND CALIFORNIA CODE OF
REGULATIONS) AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Board of Directors
of the Shasta Regional Transportation Agency
Redding, California

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 and the standards for financial statements and compliance audit contained in the TDA Statutes and California Code of Regulations issued by the California Department of Transportation, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Shasta Regional Transportation Agency ("SRTA"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise SRTA's basic financial statements, and have issued our report thereon dated February 5, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SRTA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SRTA's internal control. Accordingly, we do not express an opinion on the effectiveness of SRTA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 a 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses as item 2015-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany Schedule of Findings and Questioned Costs to be significant deficiencies as item 2015-002.

To the Board of Directors
of the Shasta Regional Transportation Agency
Redding, California
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SRTA'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*.

SRTA's Response to Findings

SRTA's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. SRTA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 on 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.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
February 5, 2016



**REPORT ON COMPLIANCE FOR TRANSPORTATION PLANNING AGENCY
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY TRANSPORTATION DEVELOPMENT ACT**

Independent Auditors' Report

To the Board of Directors
of the Shasta Regional Transportation Agency
Redding, California

Report on Compliance for Transportation Planning Agency

We have audited the Shasta Regional Transportation Agency's ("SRTA") compliance with the compliance requirements described in §6662 and §6663 of the California Code of Regulation, Title 21, Division 3, Chapter 3, Article 5.5 that could have a direct and material effect on SRTA's as Transportation Planning Agency for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Planning Agency.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for SRTA based on our audit of the 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 Transportation Development Act Guidebook – Statutes and California Codes of Regulations, April, 2013, issued by the California Department of Transportation Division of Mass Transportation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the SRTA occurred. An audit includes examining, on a test basis, evidence about the SRTA'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 SRTA. However, our audit does not provide a legal determination of the SRTA's compliance.

Opinion on SRTA as Transportation Planning Agency

In our opinion, SRTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on SRTA as Transportation Planning Agency for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of SRTA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the SRTA's internal control over compliance with the requirements that could have a direct and material effect on the Transportation Planning Agency to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Transportation Planning Agency and to test and report on internal control over compliance, 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 the SRTA'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 compliance requirement 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 compliance requirement 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 compliance requirement 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 on internal control over compliance and the results of that testing based on the requirements of §6662 and §6663 of the California Codes of Regulation, Title 21, Division 3, Chapter 3, Article 5.5. Accordingly this report is not suitable for any other purpose.

The PwC Group, LLP

Walnut Creek, California
February 5, 2016



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditors' Report

To the Board of Directors
of the Shasta Regional Transportation Agency
Redding, California

Report on Compliance for Each Major Federal Program

We have audited the Shasta Regional Transportation Agency's ("SRTA") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of SRTA's major federal programs for the year ended June 30, 2015. SRTA's major federal programs are identified in the summary of the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SRTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SRTA'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 SRTA's compliance.

Opinion on Each Major Federal Program

In our opinion, SRTA 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, 2015.

To the Board of Directors
of the Shasta Regional Transportation Agency
Redding, California
Page Two

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

SRTA's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The SRTA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of SRTA 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 SRTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SRTA'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 a 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003 that we consider to be significant deficiencies.

SRTA's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. SRTA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
February 5, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Shasta Regional Transportation Agency (SRTA), we offer readers of SRTA's financial statements this narrative overview and analysis of the financial activities of SRTA for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented herein, in conjunction with the rest of the report.

Financial Highlights

- SRTA's assets exceeded its liabilities at the close of the most recent fiscal year by \$1,055,128.
- SRTA's net position decreased by \$12,548 as a result of this fiscal year's operations.
- As of the close of the current fiscal year, SRTA's governmental funds reported combined ending fund balances of \$1,198,013, an increase of \$210,859 in comparison with the prior fiscal year. Approximately 38% of this total amount, or \$462,516, is available for spending at the Agency's discretion.
- At the end of the current fiscal year, unassigned fund balance for the Local Planning Fund was \$462,516 or 24% of total Local Planning Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SRTA's basic financial statements. SRTA's basic financial statements are made up of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements and required information.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of SRTA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of SRTA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SRTA is improving or deteriorating.

The *Statement of Activities* presents information showing how SRTA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected intergovernmental revenues and earned but unused vacation leave).

The government-wide financial statements can be found on pages 21-23 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SRTA, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SRTA can be classified as Governmental Funds, Proprietary Funds, or Fiduciary Funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

SRTA maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

SRTA adopts an annual appropriated budget for its Local Planning Fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 27-30 of this report.

At June 30, 2015, SRTA's governmental fund reported total fund balance of \$1,198,013, an increase of \$210,859 in comparison with the prior fiscal year's total ending fund balance.

Proprietary Funds – Proprietary funds account for operations (1) that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds can be found on pages 31-33 of this report

The **Building Rental Enterprise Fund** - this fund accounts for the financial transactions related to SRTA renting a portion of 1255 East Street in Redding, CA.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of SRTA. Fiduciary funds are not reflected in the government-wide and fund financial statements because the resources of those funds are not available to support SRTA's ongoing programs. Fiduciary Funds are reported in the financial section and can be found on pages 34-37 of this report.

The **Local Transportation Fund** is used to account for Transportation Development Act revenues, which are claimed by local agencies for pedestrian and bike facilities, transit services, and streets and roads.

The **State Transit Assistance Fund** is used to account for Transportation Development Act revenues, which are claimed by local agencies for transit and transportation planning purposes.

The **Loan Fund** is used to account for amounts available to loan jurisdictions for transit operations.

The **Non-Motorized Fund** is used to account for Transportation Act Revenue that is set aside exclusively for claims by local agencies exclusively for non-motorized projects.

The **Regional Surface Transportation Program Fund** represents an apportionment under the Intermodal Transportation Efficiency Act whereby the Agency allocates funds to agencies for projects included in the Federal Statewide Transportation Improvement Program

The **2% Bicycle & Pedestrian Fund** is used to account for Transportation Development Act revenues that are set aside exclusively for claims by local agencies exclusively for bicycle and pedestrian projects.

Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 39-62 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following table presents SRTA's net position as of June 30, 2015 and 2014:

	Net Position					
	June 30, 2015 and 2014					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014					
	2015	(As Restated)	2015	2014	2015	2014
Current and other assets	\$ 1,557,236	\$ 2,726,595	\$ 44,572	\$ -	\$ 1,601,808	\$ 2,726,595
Capital assets	620,156	72,016	513,034	-	1,133,190	72,016
Total assets	<u>2,177,392</u>	<u>2,798,611</u>	<u>557,606</u>	<u>-</u>	<u>2,734,998</u>	<u>2,798,611</u>
Deferred outflows of resources	101,204	70,393	-	-	101,204	70,393
Long-term liabilities	788,442	61,887	545,228	-	1,333,670	61,887
Other liabilities	402,174	1,739,441	7,381	-	409,555	1,739,441
Total liabilities	<u>1,190,616</u>	<u>1,801,328</u>	<u>552,609</u>	<u>-</u>	<u>1,743,225</u>	<u>1,801,328</u>
Deferred inflows of resources	37,849	-	-	-	37,849	-
Net position:						
Net investment in capital assets	111,751	72,016	(35,717)	-	76,034	72,016
Restricted for capital assets	267,192	-	-	-	267,192	-
Unrestricted	671,188	995,660	40,714	-	711,902	995,660
Total net position	<u>\$ 1,050,131</u>	<u>\$ 1,067,676</u>	<u>\$ 4,997</u>	<u>\$ -</u>	<u>\$ 1,055,128</u>	<u>\$ 1,067,676</u>

SRTA's net position exceeded liabilities by \$1,451,656 at the close of the current fiscal year. Overall, Capital assets experienced an increase of \$1,061,174 from prior fiscal year due to depreciation of assets of \$25,414 and the purchase of assets of \$1,086,588.

During the current fiscal year, SRTA's increase to net position was \$383,980. This increase is due to a \$401,349 capital contribution from the Loan Fund.

The following table demonstrates the changes in SRTA's net position for the year ended June 30, 2015:

**Changes in Net Position
For the Years Ended June 30, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u> <u>(As Restated)</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 10,682	\$ -	\$ 10,682	\$ -
Operating grants and contributions	1,360,718	4,921,378	-	-	1,360,718	4,921,378
General revenue:						
Investment earnings	164	941	-	-	164	941
Total revenues	<u>1,360,882</u>	<u>4,922,319</u>	<u>10,682</u>	<u>-</u>	<u>1,371,564</u>	<u>4,922,319</u>
Expenses:						
Transportation planning	1,378,427	4,836,123	-	-	1,378,427	4,836,123
Building rental	-	-	5,685	-	5,685	-
Total expenses	<u>1,378,427</u>	<u>4,836,123</u>	<u>5,685</u>	<u>-</u>	<u>1,384,112</u>	<u>4,836,123</u>
Increase (decrease) in net position	<u>(17,545)</u>	<u>86,196</u>	<u>4,997</u>	<u>-</u>	<u>(12,548)</u>	<u>86,196</u>
Net position - beginning of year	<u>1,067,676</u>	<u>981,480</u>	<u>-</u>	<u>-</u>	<u>1,067,676</u>	<u>981,480</u>
Net position - end of year	<u>\$ 1,050,131</u>	<u>\$ 1,067,676</u>	<u>\$ 4,997</u>	<u>\$ -</u>	<u>\$ 1,055,128</u>	<u>\$ 1,067,676</u>

Financial Analysis of SRTA's Funds

As noted earlier, SRTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of SRTA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SRTA's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of SRTA's net resources available for spending at the end of the fiscal year.

The Local Planning Fund is the operating fund of SRTA. At the end of the current fiscal year, total fund balance reached \$1,198,013, of which \$462,516 is available to spend at the government's discretion. As a measure of the Local Planning Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents 88% of total expenditures.

During the current fiscal year, SRTA's Local Planning Fund balance increased by \$210,859. This is due to capital lease proceeds exceeding the purchase costs of capital assets

General Planning Fund Budgetary Highlights

There was one adjustment in the Local Planning Fund budget due to new grants. Adopted appropriations were sufficient to cover all general fund operations during the fiscal year.

The Local Planning Fund expenditures were less than anticipated which did not require a draw upon existing fund balances. At the end of the fiscal year, the Local Planning Fund experienced an increase in available fund balance of \$206,038.

Capital Assets and Debt Administration

Capital Assets - SRTA's investment in capital assets as of June 30, 2015, amounts to \$1,133,190, net of accumulated depreciation. This investment in capital assets includes office equipment, furniture, software and a building. The increase in SRTA's investments in capital was primarily due to the purchase of a building.

Capital Assets (Net of Depreciation) June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 118,722	\$ -	\$ 116,278	\$ -	\$ 235,000	\$ -
Building	452,204	-	396,756	-	848,960	-
Improvements	6,698	7,701	-	-	6,698	7,701
Equipment and furniture	42,532	64,315	-	-	42,532	64,315
Total capital assets	\$ 620,156	\$ 72,016	\$ 513,034	\$ -	\$ 1,133,190	\$ 72,016

Additional information on SRTA's capital assets can be found in Note 6 on page 49 of this report.

Debt Administration – As of June 30, 2015, SRTA's debt totaled \$923,000, an increase of \$923,000 from the prior year. The primary reason of the increase was due to issuance of the capital leases for the purchase of the building.

Outstanding Debt June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital leases	\$ 775,597	\$ -	\$ 147,403	\$ -	\$ 923,000	\$ -

Additional information on SRTA's outstanding debt can be found in Note 8 on page 50 of this report.

Economic Factors and Next Fiscal Year's Budgets and Rates

The revenue and expenditure projections incorporated into the fiscal year 2015-16 budget are based upon historical data with inflationary increases; revenue estimates for grants and sales tax revenues provided by outside agencies such as the State Department of Transportation and the County Auditor's Office; and adjustments to expenditures to reflect the various stages of ongoing and new projects that SRTA will undertake in the coming year.

A priority of SRTA is to continue its longstanding policies of prudent fiscal management while ensuring long-term financial stability. The adopted budget for fiscal year 2015-16 projects no increase in fund balance of \$1,198,013.

Requests for Information

This financial report is designed to provide a general overview of SRTA's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to SRTA's Finance Officer at 1255 East Street, Suite 202, Redding, California 96001.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Shasta Regional Transportation Agency
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 964,007	\$ -	\$ 964,007
Restricted cash	267,192	-	267,192
Due from other governments	304,913	-	304,913
Internal balances	(44,572)	44,572	-
Prepaid items	18,305	-	18,305
Transportation Development Act reimbursements	47,391	-	47,391
Total current assets	<u>1,557,236</u>	<u>44,572</u>	<u>1,601,808</u>
Non-current assets:			
Capital assets:			
Nondepreciable	118,722	116,278	235,000
Depreciable, net of accumulated depreciation	501,434	396,756	898,190
Total capital assets, net	<u>620,156</u>	<u>513,034</u>	<u>1,133,190</u>
Total non-current assets	<u>620,156</u>	<u>513,034</u>	<u>1,133,190</u>
Total assets	<u>2,177,392</u>	<u>557,606</u>	<u>2,734,998</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	101,204	-	101,204
Total deferred outflows of resources	<u>101,204</u>	<u>-</u>	<u>101,204</u>
LIABILITIES			
Current liabilities:			
Accounts payable	113,826	2,941	116,767
Due to other governments	32,450	-	32,450
Unearned revenues	187,096	-	187,096
Transportation Development Act reimbursements	25,851	-	25,851
Accrued interest	4,821	916	5,737
Capital leases, due within one year	18,542	3,524	22,066
Compensated absences, due within one year	19,588	-	19,588
Total current liabilities	<u>402,174</u>	<u>7,381</u>	<u>409,555</u>
Long-term liabilities:			
Advance from Fiduciary Fund	-	401,349	401,349
Capital lease, due in more than one year	757,055	143,879	900,934
Compensated absences, due in more than one year	19,589	-	19,589
Net pension liability	11,798	-	11,798
Total long-term liabilities	<u>788,442</u>	<u>545,228</u>	<u>1,333,670</u>
Total liabilities	<u>1,190,616</u>	<u>552,609</u>	<u>1,743,225</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	37,849	-	37,849
Total deferred inflows of resources	<u>37,849</u>	<u>-</u>	<u>37,849</u>
NET POSITION			
Net investment in capital assets	111,751	(35,717)	76,034
Restricted for capital projects	267,192	-	267,192
Unrestricted	671,188	40,714	711,902
Total net position	<u>\$ 1,050,131</u>	<u>\$ 4,997</u>	<u>1,055,128</u>

See accompanying Notes to the Basic Financials Statements.

Shasta Regional Transportation Agency
Statement of Activities
For the Year Ended June 30, 2015

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Totals</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Transportation planning	\$ 1,378,427	\$ -	\$ 1,360,718	\$ 1,360,718
Total governmental activities	<u>1,378,427</u>	<u>-</u>	<u>1,360,718</u>	<u>1,360,718</u>
Business-type Activities:				
Real estate rental	5,685	10,682	-	10,682
Total business-type activities	<u>11,370</u>	<u>21,364</u>	<u>-</u>	<u>21,364</u>
Total primary government	<u>\$ 1,389,797</u>	<u>\$ 21,364</u>	<u>\$ 1,360,718</u>	<u>\$ 1,382,082</u>

Shasta Regional Transportation Agency
Statement of Activities (Continued)
For the Year Ended June 30, 2015

<u>Function/Programs</u>	<u>Net (Expense) Revenues and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Totals</u>
Governmental Activities:			
Transportation planning	\$ (17,709)	\$ -	\$ (17,709)
Total governmental activities	<u>(17,709)</u>	<u>-</u>	<u>(17,709)</u>
Business-type Activities:			
Real estate rental		4,997	4,997
Total business-type activities	<u>-</u>	<u>4,997</u>	<u>4,997</u>
Total primary government	<u>(17,709)</u>	<u>4,997</u>	<u>(12,712)</u>
General revenues:			
Investment income	164	-	\$ 164
Total general revenues	<u>164</u>	<u>-</u>	<u>\$ 164</u>
Changes in net position	<u>(17,545)</u>	<u>4,997</u>	<u>(12,548)</u>
Net Position:			
Beginning of Year (as restated, Note 15)	1,067,676	-	1,067,676
End of Year	<u>\$ 1,050,131</u>	<u>\$ 4,997</u>	<u>\$ 1,055,128</u>

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FUND FINANCIAL STATEMENTS

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Shasta Regional Transportation Agency
Balance Sheet
Governmental Funds
June 30, 2015

	<u>Local Planning Fund</u>
ASSETS	
Cash and cash equivalents	\$ 964,007
Restricted cash	267,192
Due from other governments	304,913
Prepaid items	18,305
Transportation Development Act reimbursements	<u>47,391</u>
Total assets	<u><u>\$ 1,601,808</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 113,826
Due to other governments	32,450
Due to other funds	44,572
Unearned revenues	187,096
Transportation Development Act reimbursements	<u>25,851</u>
Total liabilities	<u>403,795</u>
Fund Balances:	
Nonspendable	18,305
Restricted	267,192
Assigned	450,000
Unassigned	<u>462,516</u>
Total fund balances	<u>1,198,013</u>
Total liabilities and fund balances	<u><u>\$ 1,601,808</u></u>

Shasta Regional Transportation Agency
Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance of governmental fund	\$	1,198,013
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		620,156
Deferred outflows of resources related to pension:		
Pension contributions after measurement date	64,257	
Employer's actual contribution in excess of employer's proportionate share of contributions	<u>36,947</u>	101,204
Deferred inflows of resources related to pension:		
Actual pension plan investments earnings in excess of projected earnings	(3,545)	
Differences in proportions	<u>(34,304)</u>	(37,849)
Interest on long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental fund.		(4,821)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund:		
Capital leases	(775,597)	
Net pension liabilities	(11,798)	
Compensated absences	<u>(39,177)</u>	<u>(826,572)</u>
Net position of governmental activities	\$	<u><u>1,050,131</u></u>

Shasta Regional Transportation Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>Local Planning Fund</u>
Revenues:	
Federal Highway Administration	\$ 601,483
Federal Transit Administration	27,458
Transportation Development Act	205,852
Planning, Programming and Monitoring	269,456
Safe Routes to School	116,592
Proposition 84	134,574
Interest income	164
Other	1,422
Super Region Fees	3,881
Total revenues	<u>1,360,882</u>
Expenditures:	
Current:	
Planning and administration	1,352,066
Capital outlay	573,554
Total expenditures	<u>1,925,620</u>
Excess of revenues over (under) expenditures	<u>(564,738)</u>
Other Financing Sources (Uses)	
Proceeds from capital lease	775,597
Total other financing sources (uses)	<u>775,597</u>
Net change in fund balance	210,859
Fund Balances:	
Beginning of year	987,154
End of year	<u>\$ 1,198,013</u>

Shasta Regional Transportation Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Government-Wide Statement of Activity
For the Year Ended June 30, 2015

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance of governmental fund	\$	210,859
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the capital transaction is presented below:		
Capital Outlay		573,554
Depreciation		(25,414)
Changes in compensated absences do not use current financial resources and, therefore are not reported as an expenditure in governmental funds.		(10,678)
Pension expense reported on actual contributions rather than actuarial valuation.		14,552
Proceeds from a capital lease do not represent a current financial resource and, therefore not reported as a source in the statement of activities.		(775,597)
Interest on long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(4,821)</u>
Change in net position of governmental activities	\$	<u><u>(17,545)</u></u>

Shasta Regional Transportation Agency
Statement Net Position
Proprietary Funds
June 30, 2015

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Totals
ASSETS			
Current Assets:			
Due from other funds	\$ 40,549	\$ 4,023	\$ 44,572
Total current assets	40,549	4,023	44,572
Capital Assets:			
Land	22,560	93,718	116,278
Building	86,430	313,337	399,767
Accumulated depreciation	(100)	(2,911)	(3,011)
Total capital assets	108,890	404,144	513,034
Total assets	149,439	408,167	557,606
LIABILITIES			
Current Liabilities:			
Accounts payable	2,682	259	2,941
Accrued interest	916	-	916
Advance from Fiduciary Fund	-	401,349	401,349
Capital lease, due within one year	3,524	-	3,524
Total current liabilities	7,122	401,608	408,730
Long-term liabilities:			
Capital lease, due in more than one year	143,879	-	143,879
Total liabilities	151,001	401,608	552,609
NET POSITION			
Net investment in capital assets	(38,512)	2,795	(35,717)
Unrestricted	36,950	3,764	40,714
Total net position	\$ (1,562)	\$ 6,559	\$ 4,997

Shasta Regional Transportation Agency
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Totals
Operating Revenues:			
Rent revenues	\$ -	\$ 10,682	\$ 10,682
Operating Expenses:			
Depreciation	100	2,911	3,011
Repairs and maintenance	415	873	1,288
Utilities	131	339	470
Total operating expenses	<u>646</u>	<u>4,123</u>	<u>4,769</u>
Operating income (loss)	<u>(646)</u>	<u>6,559</u>	<u>5,913</u>
Non-Operating Expenses:			
Interest Expense	<u>(916)</u>	<u>-</u>	<u>(916)</u>
Change in net position	<u>(1,562)</u>	<u>6,559</u>	<u>4,997</u>
Net Position:			
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ (1,562)</u>	<u>\$ 6,559</u>	<u>\$ 4,997</u>

Shasta Regional Transportation Agency
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Totals
Cash Flows From Operating Activities:			
Cash received from customers	\$ -	\$ 10,682	\$ 10,682
Cash paid to suppliers	2,136	(953)	1,183
Net cash provided by operating activities	<u>2,136</u>	<u>9,729</u>	<u>11,865</u>
Cash Flows From Non-Capital Financing Activities:			
Due from other funds	(40,549)	(4,023)	(44,572)
Net cash used in non-capital financing activities	<u>(40,549)</u>	<u>(4,023)</u>	<u>(44,572)</u>
Cash Flows From Capital and Related Financing Activities:			
Advance from Fiduciary Fund	-	401,349	401,349
Proceeds from capital lease	147,403	-	147,403
Purchase of capital assets	(108,990)	(407,055)	(516,045)
Net cash provided by (used in) capital and related financing activities	<u>38,413</u>	<u>(5,706)</u>	<u>32,707</u>
Net Increase (Decrease) in cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provide by operating activities			
Operating income (loss)	\$ (646)	\$ 6,559	\$ 5,913
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	100	2,911	3,011
Change in assets and liabilities:			
Increase (decrease) in accounts payable	2,682	259	2,941
Total adjustment	<u>2,782</u>	<u>3,170</u>	<u>5,952</u>
Net cash provided by operating activities	<u>\$ 2,136</u>	<u>\$ 9,729</u>	<u>\$ 11,865</u>

Shasta Regional Transportation Agency
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	RSTP Fund	Loan Fund
ASSETS				
Cash and cash equivalents	\$ 918,624	\$ 745,222	\$ 1,619,221	\$ 606,738
Due from other governments	872,464	256,131	-	-
Advance to SRTA	-	-	-	401,349
Total assets	1,791,088	1,001,353	1,619,221	1,008,087
LIABILITIES				
Due to other governments	-	742,298	1,619,221	-
Total liabilities	-	742,298	1,619,221	-
NET POSITION				
Net position held in trust for other governments	\$ 1,791,088	\$ 259,055	\$ -	\$ 1,008,087

Shasta Regional Transportation Agency
Statement of Fiduciary Net Position (Continued)
Fiduciary Funds
June 30, 2015

	Private Purpose Trust Funds		
	Non-Motorized Fund	2% Bike & Pedestrian Fund	Total
ASSETS			
Cash and cash equivalents	\$ 243,701	\$ 212,073	\$ 4,345,579
Due from other governments	100,000	33,306	1,261,901
Advance to SRTA	-	-	401,349
Total assets	343,701	245,379	6,008,829
LIABILITIES			
Due to other governments	343,701	-	2,705,220
Total liabilities	343,701	-	2,705,220
NET POSITION			
Net position held in trust for other governments	\$ -	\$ 245,379	\$ 3,303,609

Shasta Regional Transportation Agency
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	RSTP Fund	Loan Fund
Additions:				
Local transportation assistance	\$ 7,058,412	\$ 972,780	\$ -	\$ -
RSTP	-	-	1,619,221	
Interest	5,044	2,836	-	3,779
Total additions	7,063,456	975,616	1,619,221	3,779
Deductions:				
Claims paid or payable to claimants:				
City of Anderson	361,017	96,868	131,695	-
City of Redding	3,104,883	1,148,455	1,168,439	-
City of Shasta Lake	341,463	124,651	128,501	-
County of Shasta	2,385,432	-	190,586	-
Shasta Senior Nutrition (CTSA)	326,392	-	-	-
Shasta Regional Transportation Agency (SRTA)	291,101	-	-	-
SRTA for 2% Bike & Pedestrian	133,221	-	-	-
SRTA for Non-Motorized	400,000			
Total deductions	7,343,509	1,369,974	1,619,221	-
Changes in fiduciary net position	(280,053)	(394,358)	-	3,779
Net Position:				
Beginning of year (as restated, Note 15)	2,071,141	653,413	-	1,004,308
End of year	<u>\$ 1,791,088</u>	<u>\$ 259,055</u>	<u>\$ -</u>	<u>\$ 1,008,087</u>

Shasta Regional Transportation Agency
Statement of Changes in Fiduciary Net Position (Continued)
Fiduciary Funds
For the Year Ended June 30, 2015

	<u>Private Purpose Trust Funds</u>		<u>Total</u>
	<u>Non-Motorized Fund</u>	<u>2% Bike & Pedestrian Fund</u>	
Additions:			
Local transportation assistance	\$ 95,049	\$ 133,221	\$ 8,259,462
RSTP			1,619,221
Interest		64	11,723
Total additions	<u>95,049</u>	<u>133,285</u>	<u>9,890,406</u>
Deductions:			
Claims paid or payable to claimants:			
City of Anderson	-	-	589,580
City of Redding	-	-	5,421,777
City of Shasta Lake	-	-	594,615
County of Shasta	95,049	-	2,671,067
Shasta Senior Nutrition (CTSA)	-	-	326,392
Shasta Regional Transportation Agency (SRTA)	-	-	291,101
SRTA for 2% Bike & Pedestrian	-	-	133,221
SRTA for Non-Motorized	-	-	400,000
Total deductions	<u>95,049</u>	<u>-</u>	<u>10,427,753</u>
Changes in fiduciary net position	-	133,285	(537,347)
Net Position:			
Beginning of year (as restated, Note 15)	-	112,094	3,840,956
End of year	<u>\$ -</u>	<u>\$ 245,379</u>	<u>\$ 3,303,609</u>

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Shasta Regional Transportation Agency
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 1 – Reporting Entity

The Shasta Regional Transportation Agency (“SRTA”) was designated as the Shasta County Metropolitan Planning Organization (“MPO”) by the Governor of California in 1981.

In 1981, SRTA, the City of Redding, the Redding Area Bus Authority (“RABA”), the City of Anderson, the County of Shasta (the “County”), and Caltrans approved a Memorandum of Understanding outlining legal foundations of the MPO, the planning process, the obligations and responsibilities, the organization makeup, and the funding process.

SRTA is responsible for the development and adoption of transportation policy; review and coordination of transportation planning; a Regional Transportation Plan; and a Regional and Federal Transportation Improvement Program. These planning activities enable the local jurisdictions within the County of Shasta to qualify for a variety of state and federal funding for transportation projects and facilities.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of SRTA have been prepared in conformity with accounting principles generally accepted of the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of SRTA’s accounting policies are described below.

A. Basis of Accounting and Measurement Focus

The accounts of SRTA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position/Balance Sheet reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Government-Wide Financial Statements

SRTA’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities for SRTA accompanied by a total column. Fiduciary activities of SRTA are not included in these statements.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting and Measurement Focus (Continued)

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of SRTA’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for SRTA in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. SRTA has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for that revenues subject to accrual (generally 60 days after year-end) are recognized when measurable and available. The primary revenue sources, which have been treated as susceptible to accrual by SRTA, are intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Revenues from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which SRTA must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to SRTA on a reimbursement basis.

Unavailable revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable and unearned revenues are removed from the Balance Sheet and revenues are recognized.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting and Measurement Focus (Continued)

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences.

SRTA reports the following major Governmental Fund:

Local Planning Fund – The Planning Fund is the general operating fund of the Agency and accounts for the revenues collected to provide services and finance the fundamental operations of the Agency. The major revenue sources for this fund are local transportation funds and federal and state planning grants. Expenditures are made for administration, as well as local and regional planning projects.

Proprietary Fund Financial Statements

Proprietary funds account for operations (1) that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds are accounted for on a flow of economic resources measurement basis. With this measurement focus, all assets and liabilities associated with the operation are recognized when they are earned and expenses and deductions are recognized when they are incurred. Non-exchange revenues are recognized when all eligibility requirements have been met. Cost reimbursement grant revenues are recognized when program revenues are incurred in accordance with program guidelines. When non-exchange revenues are received before eligibility requirements at met, they are reported as deferred revenues until earned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing activity. The principal operating revenue of SRTA is rents from a building. Operating expenses for the proprietary fund included general and administrative expenses and depreciation and amortization. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SRTA reports the following proprietary Funds:

Building Rental Enterprise Funds – these funds account for the financial transactions related to SRTA renting a portion of 1255 East Street in Redding, CA.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting and Measurement Focus (Continued)

Fiduciary funds, which include Private Purpose Trust Funds, are used to account for assets held by SRTA in a trustee capacity for individuals, private organizations and other governments. In its capacity as a Regional Transportation planning Agency, SRTA is responsible for the administration of several trust funds which benefit member agencies located within the county of Shasta and which provide funding for transportation planning, transit operations, pedestrian and bicycle facilities and streets and roads maintenance and improvements.

SRTA reports the following fiduciary funds:

Local Transportation Fund is used to account for Transportation Development Act revenues, which are claimed by local agencies for pedestrian and bike facilities, transit services, and streets and roads.

State Transit Assistance Fund is used to account for Transportation Development Act revenues, which are claimed by local agencies for transit and transportation planning purposes.

Loan Fund is used to account for amounts available to loan to jurisdictions for transit operations.

2% Bicycle & Pedestrian Fund is used to account for Transportation Development Act revenues that are set aside exclusively for claims by local agencies exclusively for bicycle and pedestrian projects.

Non-Motorized Fund is used to account for Transportation Act Revenue that is set aside exclusively for claims by local agencies exclusively for non-motorized projects.

Regional Surface Transportation Program Fund represents an apportionment under the Intermodal Transportation Efficiency Act whereby the Agency allocates funds to agencies for projects included in the Federal Statewide Transportation Improvement Program

B. Cash, Cash Equivalents, and Investments

SRTA pools its available cash for investment purposes. SRTA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items. Prepaid items do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is non-spendable.

D. Capital Assets

Capital assets include general office equipment, furniture and real estate. Capital assets are defined by SRTA as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital asset improvements are recorded as assets.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Office equipment and furniture	5 years
Building and building improvements	15-40 years

E. Compensated Absences

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available resources is reported as an expenditure and related fund liability of the governmental fund responsible for payment. Amounts of vested or accumulated vacation and sick leave and benefits that are not expected to be liquidated with expendable available resources are reported in the non-current portion of the obligations reported in the government-wide statement of net position with corresponding changes in account balances reported as expenses in the statement of activities.

Vacation accruals for non-management employees may not exceed fifty-two (52) times the employee's bi-weekly accrual rate. Management employees may not exceed seventy-eight (78) times the employee's bi-weekly accrual rate. There is no limit on the accrual of sick leave. Upon termination, other than discharge, an employee shall be entitled to payment of a percentage of accumulated sick leaves based on the number of years of service.

F. Overhead

Administrative and office overhead is allocated to each project on the basis of their approved indirect cost rate. Professional and specialized services are charged directly to the applicable project.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

G. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets plus deferred outflows of resources, and reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, SRTA's policy is to apply restricted net position first.

H. Fund Balances

In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body and that remain binding unless removed in the same manner. SRTA Board of Directors is considered the highest authority for SRTA.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Board and the Executive Director have the authority to assign amounts to be used for specific purposes.

Unassigned – This category is for any balances that have no restrictions placed upon them.

When expenditures are incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, SRTA's policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

J. Accounting Changes

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* – This Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of pension measurements.
- Explanations of how and why the net pension liability changed from year to year will improve transparency
- The summary net pension liability information, including ratios, will offer an indication of the extent to which the total pension liability is covered by resources held by the pension plan.
- The contribution schedules will provide measures to evaluate decisions related to the assessment of contribution rates—in comparison to actuarially, statutorily, or contractually determined rates, when such rates are determined. It also will provide information about whether employers and nonemployer contributing entities, if applicable, are keeping pace with those contribution rates.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Accounting Changes (Continued)

The consistency and transparency of the information reported by employers and governmental nonemployer contributing entities about pension transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the pension plan's fiduciary net position associated with the pensions of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations
- Immediate recognition in pension expense, rather than a choice of recognition periods, of the effects of changes of benefit terms and the effects of projected pension plan investment earnings
- Recognition of pension expense that incorporates deferred outflows of resources and deferred inflows of resources related to pensions over a defined, closed period, rather than a choice between an open or closed period

The comparability of reported pension information also will be improved by the changes related to the attribution method used to determine service cost and the total pension liability, requirements for immediate recognition in pension expense of certain items, and the establishment of standardized expense recognition periods for amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions.

This statement became effective for fiscal years beginning after June 15, 2014 and result in certain restatements as disclosed in Note 15 to the basic financial statements.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations

This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This statement became effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Application of this statement did not have significant impact on SRTA's financial statements for year ended June 30, 2015.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See Note 9 to the basic financial statements for further details and Note 15 for restatement as a result of this implementation.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amount and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 – Cash and Investments

At June 30, 2015, cash and investments are classified as follows:

Statement of Net Position:	
Governmental Activities	\$ 1,231,199
Fiduciary Funds	<u>4,345,579</u>
Total cash and investments	<u><u>\$ 5,576,778</u></u>

At June 30, 2015, cash and investments consisted of the followings:

Petty cash	\$ 100
Deposits with financial institution	3,912,833
Deposits with Shasta County Treasury Pool	<u>1,663,845</u>
Total cash and investments	<u><u>\$ 5,576,778</u></u>

Demand Deposits

At June 30, 2015, the carrying amount of SRTA's deposits was \$3,912,833 and the bank balances were \$3,975,090. The total bank balance was covered by federal depository insurance or by collateral held by SRTA's agent in SRTA's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure SRTA's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SRTA's name.

The market value of pledged securities must equal at least 110% of the SRTA's cash deposits. California law also allows institutions to secure SRTA deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. SRTA may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. SRTA, however, has not waived the collateralization requirements.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 3 – Cash and Investments (Continued)

Deposits with Shasta County Treasury Pools

SRTA maintains its State Transit Assistance and Local Transportation Funds (Fiduciary Funds) cash in the amount of \$1,663,845 in the Shasta County Treasury. The County pools these funds with those of other entities in the County and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Shasta's financial statements may be obtained by contacting the County of Shasta Auditor-Controller's office at 1450 Court Street, Room 238, Redding, California 96001. The Treasurer's investments and policies are overseen by the Shasta County Treasury Oversight Committee.

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Note 4 – Due From Other Governments

Due from other governments consists mainly of amounts due from state and federal agencies under grant agreements and other revenue sources. Management believes these amounts to be fully collectible and, accordingly, no allowance for doubtful accounts is required. Details at June 30, 2015 are as follows:

Local Transportation Fund	\$ 24,263
Department of Conservation	110,792
Caltrans	<u>169,858</u>
Total due from other governments	<u><u>\$ 304,913</u></u>

Note 5 – Advances from Fiduciary Fund

SRTA purchased a building at 1255 East Street in Redding, California. The Loan Fund advanced \$401,349 for the 40% of the square footage of the building that is leased to a for-profit entity. The Suite 101 Building Rental Enterprise Fund is expected, with annual Board approval, to annually return the advances to the Loan Fund with no interest over a seven year period from net rental income. There is no repayment schedule for the advances.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Capital Assets

SRTA purchased a building at 1255 East Street in Redding, California. SRTA occupies approximately 51% percent of the building with 9% available for lease to other governmental or not-for-profit organizations and 40% available for lease to for-profit entities. The total cost of the building was \$1,089,599. A portion of the costs (\$516,045), have been allocated to rental operations in propriety activities. The balance of the costs (\$573,554), have been allocated to the Planning Fund in governmental activities.

The 51% and 9% of the building were funded by an advanced lease payment from Umpqua Bank for \$923,000. After the initial purchase, SRTA restricted the remaining unspent lease proceeds in the amount of \$267,192 for future building remodeling costs. The 40% portion of the building leased to a for-profit entity was financed with an advance from the Fiduciary Loan Fund in the amount of \$401,349 (See Note 5).

A summary of changes in capital assets for the governmental activities for the year ended June 30, 2015 is as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ -	\$ 118,722	\$ -	\$ 118,722
Depreciable assets:				
Building	-	454,832	-	454,832
Improvements	9,686	-	-	9,686
Equipment and furniture	108,919	-	-	108,919
Total depreciable assets	118,605	454,832	-	573,437
Less: accumulated depreciation				
Building	-	(2,628)	-	(2,628)
Improvements	(1,985)	(1,003)	-	(2,988)
Equipment and furniture	(44,604)	(21,783)	-	(66,387)
Total accumulated depreciation	(46,589)	(25,414)	-	(72,003)
Total depreciable assets, net	72,016	429,418	-	501,434
Governmental activities capital assets, net	<u>\$ 72,016</u>	<u>\$ 548,140</u>	<u>\$ -</u>	<u>\$ 620,156</u>
Business-Type Activities:				
Capital Assets, not being depreciated				
Land	\$ -	\$ 116,278	\$ -	\$ 116,278
Depreciable assets:				
Building	-	399,767	-	399,767
Total depreciable assets	-	399,767	-	399,767
Less: accumulated depreciation				
Building	-	(3,011)	-	(3,011)
Total accumulated depreciation	-	(3,011)	-	(3,011)
Total depreciable assets, net	-	396,756	-	396,756
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ 513,034</u>	<u>\$ -</u>	<u>\$ 513,034</u>

Depreciation expenses in the amount of \$25,414 and \$3,011 for the year ended June 30, 2015 were charged to planning and administrative function for governmental activities and rental programs for the business-type activities.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Due To Other Governments

At June 30, 2015, due to other governments consisted of the following:

County of Shasta	\$	32,450
Total due to other governments	\$	32,450

Note 8 – Long-term Liabilities

Summary of changes in long-term liabilities for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014 (As Restated)	Additions	Deletions	Balance June 30, 2015	Due in One Year	Due in More Than One Year
Governmental Activities:						
Capital Lease	\$ -	\$ 775,597	\$ -	\$ 775,597	\$ 18,542	\$ 757,055
Compensated absences	28,499	25,658	(14,980)	39,177	19,588	19,589
Net pension liabilities (Note 9)	33,388	84,193	(105,783)	11,798	-	11,798
	\$ 61,887	\$ 885,448	\$ (120,763)	\$ 826,572	\$ 38,130	\$ 788,442
Business-type Activities:						
Capital Lease	\$ -	\$ 147,403	\$ -	\$ 147,403	\$ 3,524	\$ 143,879

Capital Leases

In April, 2015 SRTA purchased a portion of a building for occupancy which is included in capital assets at a cost of \$573,554 for SRTA planning activities and \$108,990 for rental activities. SRTA leases a portion of the building to Umpqua Bank under a Site and Facility Lease until October 1, 2030. The Site and Facility lease required an advanced payment from Umpqua Bank of \$923,000. The Site and Facility lease stipulates that Umpqua Bank shall lease the same portion of building back to SRTA under a lease agreement that qualifies as a capital lease for accounting purposes. The lease agreement between Umpqua Bank as the sub-lessor and SRTA as the sub-lessee requires SRTA to pay a total of \$923,000 plus interest in semi-annual payments through October, 2030. Interest on the lease is at 2.98%. SRTA holds title to the property. SRTA may prepay the lease payments up to 10% of the outstanding principal component of the lease payments without a prepayment premium.

Future minimum lease payments under the capital lease are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2016	\$ 40,480	\$ 7,693
2017	62,717	11,919
2018	62,699	11,916
2019	62,680	11,912
2020	62,661	11,909
Thereafter	687,825	130,723
Total minimum lease payments	979,062	186,072
Less amount representing interest	203,465	38,669
Present value of minimum lease payments	\$ 775,597	\$ 147,403

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Long-term Liabilities (Continued)

Compensated Absences

SRTA’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and totaled to \$39,177 for governmental activities at June 30, 2015 and are generally liquidated by the Local Planning Fund for the governmental activities.

Note 9 – Retirement Plan

The summary of changes of net pension liabilities and the related deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014 (As Restated)	Additions	Deletions	Balance June 30, 2015
Deferred outflows of resources:				
Pension contribution after measurement date	\$ 70,393	\$ 64,257	\$ (70,393)	\$ 64,257
Difference between employer contribution and employer's proportionate share of contribution	-	50,143	(13,196)	36,947
Total deferred outflows of resources	\$ 70,393	\$ 114,400	\$ (83,589)	\$ 101,204
Net pension liabilities	\$ 33,388	\$ 84,193	\$ (105,783)	\$ 11,798
Deferred inflows of Resources:				
Actual earnings on pension plan investment in excess of projected earnings	\$ -	\$ 4,431	\$ (886)	\$ 3,545
Adjustment due to difference in proportion	-	46,556	(12,252)	34,304
Total deferred inflows of resources	\$ -	\$ 50,987	\$ (13,138)	\$ 37,849

A. General Information about the Pension Plan

Plan Description

SRTA contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides 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. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Retirement Plan (Continued)

A. General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2013, the following employees were covered by the benefit terms:

	Plans	
	Classic	PEPRA
Active employees	6	2
Transferred and terminated employees	-	-
Retired Employees and Beneficiaries	-	-
Total	6	2

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic and PEPRA Safety CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

Following are the benefit provisions for each plan:

	Plans	
	Classic	PEPRA
Hire Date	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2% @ 55 of the average final 12 months compensation	2% @ 62 of the average final 36 months compensation
Vesting Schedule	5 Years of Service Credit	5 Years of Service Credit
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 55	52 - 67

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with SRTA to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Retirement Plans (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") 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 Public agency cost-sharing plans covered by either the Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average contribution rate were as follows:

<u>Plans</u>	<u>Active Employee Contribution Rate</u>	<u>Average Employer Contribution Rate</u>
Classic	6.891%	12.082%
PEPRA	6.250%	6.250%

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Retirement Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65 percent. Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statement. The long-term expected rate of return on pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. 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.

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.

The table below reflects 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 geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Retirement Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents SRTA’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what SRTA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	Plan's Aggregate Net Pension Liability		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.50%)	Rate (7.50%)	(8.50%)
Classic Plan:	\$ 22,710	\$ 11,798	\$ 2,742

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Classic Plan:			
Balance at: 6/30/13 (Valuation date)	\$ 77,634	\$ 44,246	\$ 33,388
Balance at: 6/30/14 (Measurement date)	82,254	70,456	11,798
Net Changes during 2013-2014	4,620	26,210	(21,590)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Retirement Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

SRTA’s proportionate share of the net pension liability was as follows:

	Classic Plan
June 30, 2013	0.00102%
June 30, 2014	0.00048%
Change - Increase (Decrease)	-0.00054%

For the year ended June 30, 2015, SRTA recognized pension expense in the amount of \$49,705

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

At June 30, 2015, the SRTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Classic Plan	
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Difference between projected and actual earning on pension plan investments	-	(3,545)
Adjustment due to differences in proportions	-	(34,304)
Difference between employer's actual contributions and proportionate share of contributions	36,947	-
Total	\$ 36,947	\$ (37,849)

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Retirement Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

\$64,257 is reported as deferred outflows of resources related to pensions resulting from the SRTA’s contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources Classic Plan
2016	\$ 58
2017	58
2018	(131)
2019	(887)
2020	-
Thereafter	-
	\$ (902)

C. Payable to the Pension Plan

At June 30, 2015, SRTA reported a payable of \$3,271 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 10 – Deferred Compensation Plan

SRTA offers its employees a deferred compensation plan (the “Plan”) created in accordance with IRS Code Section 457. Amounts deferred by employees and the related income are held in trust by the plan provider for the exclusive benefit of the participants and their beneficiaries. The amounts are not owned by SRTA nor are they available to SRTA’s creditors. The Plan allows employees to make voluntary contributions to the Plan up to the limits prescribed by the IRS. SRTA does not match non-management employee voluntary contributions. SRTA does match management employee voluntary contributions up to 50% of the limits prescribed by IRS regulations.

SRTA does not participate in Social Security but participates in a FICA Alternative Plan which requires a 7.5% contribution split between employee and employer. By law, SRTA determines the contribution split. SRTA contributes 6.2% to the FICA Alternative Plan.

Under the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, SRTA is not required to report the value of the plan assets since the assets are held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the values of the plan assets and any related liability to plan participants have been excluded from SRTA’s financial statements.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 11 – Other Postemployment Benefits

A. Plan Description

SRTA's postemployment healthcare plan ("OPEB") provides medical benefits to eligible retired SRTA employees and their beneficiaries pursuant to California Government Code Section 31694 et. Seq. SRTA's OPEB Plan is administered by the CalPRS. Members of the OPEB Plan include retirees of SRTA and of other employer plan sponsors, as well as their eligible dependents. SRTA is considered a plan sponsor.

In July, 2012, SRTA and the Retirement System adopted an Internal Revenue Code ("IRC") Section 401(h) account that provides for these benefits. Under GASB Statement No. 43, *Reporting for Post Employment Benefit Plans Other Than Pensions*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the liability related to the plan is required to be determined for both retirement systems and employers. GASB Statement No. 45 is not limited to the reporting of vested benefits.

CalPERS retiree health premiums are community-rated as described in Paragraph 13a (2) of GASB Statement No. 45. The premium rates reflect the projected health claims experience for all participating employers and the same premiums are charged for both active employees and retirees. For this reason, there is no implicit rate subsidy and only direct subsidies are valued.

SRTA retirees, depending upon employment status as of June 30, 2012, how soon they retire after termination of employment and elections made by the members, will receive one of the following two options for health benefits:

1. Retiree health benefits through CalPERS, with a limited employer subsidy. The limit was \$269 in fiscal year 2012, and will continue to increase at 5% per year of service.

The health plans can include coverage for an eligible spouse and/or dependents. After a member's death, a surviving spouse is eligible to continue coverage. The maximum subsidy for a surviving spouse is the same as it is for a retiree.

SRTA will pay 58% of the premium for spousal coverage and 62% of the premium for other dependent coverage.

2. Coverage through CalPERS plans, with a monthly subsidy of 100% of the premium.

The health plans can include coverage for an eligible spouse and/or dependents. After the member's death, a surviving spouse is eligible to continue health plan coverage. SRTA will pay 58% of the premium for spousal coverage and 62% of the premium for other dependent coverage.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of \$187 per month or a \$15 per year of service, whichever is greater.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 11 – Other Postemployment Benefits (Continued)

B. Funding Policy

SRTA, as a plan sponsor, determines the contributions into CalPERS to fund the OPEB Plan. SRTA has decided to pay the liability as incurred. During fiscal year 2014-15, expenditures of \$14,492 were recognized for post-retirement health insurance contributions for the liability.

C. Annual OPEB Cost and Net OPEB Obligation

SRTA’s annual OPEB cost is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45. The ARC represents an accounting expense, but SRTA is not required to contribute the ARC into a trust. If SRTA does not set aside funds equal to the ARC each year, then a net OPEB obligation is disclosed. The current ARC rate is 15.9% of annual covered payroll and is determined as part of an actuarial valuation as of July 1, 2013.

The following table shows the components of SRTA’s Annual OPEB Cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and changes in SRTA’s Net OPEB Obligations:

Annual Required Contribution ("ARC")	\$	14,492
Interest on Net OPEB Obligation (Asset)		-
Adjustment to ARC		-
Annual OPEB costs		14,492
Contribution made		(14,492)
Increase (decrease) in net OPEB obligations		-
Net OPEB Obligation:		
Beginning of year		-
End of year	\$	-

D. Three -Year Trend Information

SRTA’s Annual OPEB cost, the percentage of Annual OPEB Cost contributed to the plan and the Net OPEB Obligation are as follows:

Fiscal Year June 30	OPEB Cost	Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2013	\$ 14,492	\$ -	0%	\$ 14,492
2014	14,492	28,984	200%	-
2015	14,492	14,492	100%	-

E. Funded Status and Funding Progress

As of July 1, 2013, the latest actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$74,273 and the actuarial value of assets was \$0 resulting in an actuarial unfunded liabilities in the amount of \$74,273. The covered payroll (annual payroll of active employees covered by the plan) was \$467,846 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.9%

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 11 – Other Postemployment Benefits (Continued)

E. Funded Status and Funding Progress (Continued)

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 revisions as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of CalPERS. Any variations in future experience from that expected from these assumptions will affect the estimated costs of health benefits. In the June 30, 2013 actuarial valuation, an open/rolling amortization period of 30 years is used. This is the longest amortization period available and will result in the lowest level of ARC and Net OPEB obligations status for the employers' accounting statements.

The following key assumptions were used in the calculation of the liability for retiree benefits using the Alternative Measurement Method for employers in plans with fewer than 100 plan members:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll over a 30 year period
Discount Rate	7.61%
Healthcare Cost Trend	Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. The ultimate trend rate was 4.50%.
Payroll Growth Rate	2.00%
Long-Term Inflation	2.80%
Asset Valuation	There were no assets placed in an irrevocable trust.
Estimated retirement age of employees	65

Note 12 – Risk Management

SRTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. These risks are covered by commercial insurance purchased from Alliant Insurance Services, Inc. There have been no reductions in insurance coverage as compared to the previous year, and, for the past fiscal year, no settlement amounts have occurred.

SRTA's insurance coverage is as follows:

Personal Injury-\$2,000,000
Public Officials Errors and Omissions-\$2,000,000
Products/Completed Operations- \$2,000,000
Employment Practices- \$2,000,000
Crime- \$1,000,000
Property-\$2,411,000

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 13 – Lease Revenue

SRTA leases a portion of a building included in capital assets at a cost of \$407,055 to Stifel, Nicholas & Company under a Lease Subordination Agreement (Agreement) dated April 16, 2015 on a Multi-Tenant Office Lease (Lease) dated November 12, 2008 and amended by the seller of the building and the lessee. The Lease requires the lessee to pay a minimum monthly rental of \$4,273 through December, 2017. The lessee has the right to terminate the lease after July 31, 2015 with six month notice to SRTA.

Future minimum rental revenue payments are as follows:

<u>Year ended June 30,</u>	
2016	\$ 51,276
2017	51,276
2018	<u>25,638</u>
	<u>\$ 128,190</u>

Note 14 – Commitments and Contingencies

A. Litigations

There are currently no claims and legal actions pending against SRTA.

B. Grants

SRTA received federal and state financial assistance from the California Department of Transportation. This financial assistance is provided to SRTA as a reimbursement of expenditures incurred in the administration of certain programs. Federal and state financial assistance is recognized as revenue at the time related expenditures are incurred, not when the funds are actually received. Although SRTA’s financial assistance programs have been audited through June 30, 2015, in accordance with the provisions of OMB Circular A-133, these programs may be subject to further financial and compliance audits by the reimbursing agencies. The amount of any expenditure that may be disallowed by the reimbursing agencies cannot be determined at this time.

C. Non-Motorized Projects Commitments

In the fiscal year ended June 30, 2014, SRTA awarded the City of Anderson \$50,000 for non-motorized projects. No amounts were paid to the City of Anderson as of June 30, 2014 and 2015. In the fiscal year ended June 30, 2014, SRTA awarded the City of Shasta Lake \$20,000 for non-motorized projects. The City of Shasta Lake has spent \$11,645 as of June 30, 2015. In the fiscal year ended June 30, 2015, SRTA awarded \$400,000 to the County of Shasta for a non-motorized project. The County has spent \$95,049 as of June 30, 2015.

D. Other Commitments

SRTA has contracted with two consulting firms for services related Sustainable Communities Planning Grant for \$122,085 for services that must be completed by June 2016. SRTA has contracted with a consulting firm to provide on-call travel demand model services with a not-to-exceed of \$50,000 for the year ending June 30, 2016.

E. Operating Leases

SRTA leased office space for \$3,056 per month. The lease was terminated on April 15, 2015 when the leased building was purchased by SRTA. Rent expense for the year ended June 30, 2015 was \$30,560.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 15 – Prior Period Adjustments

The summary of prior period adjustments is as follows:

	Governmental Activities	Private Purpose Trust Funds			Fiduciary Fund
		Local Transportation Fund	State Transit Assistance Fund	2% Bike & Pedestrian Fund	
Beginning net position	\$ 1,030,671	\$ -	\$ -	\$ -	\$ 1,004,308
A Net pension liabilities	(33,388)	-	-	-	-
A Pension contribution after measurement date	70,393	-	-	-	-
B Due to other government	-	2,476,850	653,413	112,094	3,242,357
C Due from other government	-	(405,709)	-	-	-
Beginning net position, as Restated	<u>\$ 1,067,676</u>	<u>\$ 2,071,141</u>	<u>\$ 653,413</u>	<u>\$ 112,094</u>	<u>\$ 4,246,665</u>

A. GASB Statement No. 68 and 71 Implementation

The implementation of GASB Statement No. 68 and 71 required an adjustment to net pension liability and deferred outflows of resources related to pensions in the amounts of \$33,388 and \$70,393, respectively, at July 1, 2014.

B. Correction of Fiduciary Fund Types

For financial statement purposes, SRTA has reclassified fiduciary funds from expendable trusts funds to private-purposes trust funds. Accordingly, amount shown in due to other governments is now presented as beginning net position on the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Due to other government in the amount of \$2,476,850, \$653,413, and \$112,094 at June 30, 2014 reported in the Local Transportation Fund, State Transit Assistance Fund, and 2% Bike & Pedestrian Fund are restated and presented as net position held in trust for other governments.

C. Correction of Due from Other Government

As a result of completion of June 30, 2014 audits of the local jurisdictions, net position held in trust for other government reported in Local Transportation Private-Purpose Trust Fund was reduced by \$405,709. It is to reduce the amounts due from other government that would have been available to the local jurisdictions.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

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Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - Local Planning Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Highway Administration	\$ 787,105	\$ 663,643	\$ 601,483	\$ (62,160)
Federal Transit Administration	28,631	28,631	27,458	(1,173)
Transportation Development Act	226,242	176,777	205,852	29,075
Planning, Programming and Monitoring	218,247	264,776	269,456	4,680
Safe Routes to School	125,885	116,160	116,592	432
Proposition 84	260,246	205,815	134,574	(71,241)
Interest income	-	-	164	164
Other	2,000	2,000	1,422	(578)
Super Region Fees	2,190	5,612	3,881	(1,731)
Total revenues	1,650,546	1,463,414	1,360,882	(102,532)
Expenditures:				
Current:				
Planning and administration	1,650,546	1,463,414	1,352,066	(111,348)
Capital outlay	-	573,554	573,554	-
Total expenditures	1,650,546	2,036,968	1,925,620	(111,348)
Excess of revenues over (under) expenditures	-	(573,554)	(564,738)	8,816
Other Financing Sources:				
Proceeds from capital lease	-	775,597	775,597	-
Total other financing sources	-	775,597	775,597	-
Net change in fund balance	-	202,043	210,859	8,816
Fund Balances:				
Beginning of year	987,154	987,154	987,154	-
End of year	\$ 987,154	\$ 1,189,197	\$ 1,198,013	\$ 8,816

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2015

Budgetary and Budgetary Accounting

The operating budget for SRTA is prepared on a basis consistent with generally accepted accounting principles and is adopted as a part of the Overall Work Program for SRTA. The executive director is authorized to transfer budget amounts between accounts within any element of the Overall Work Program. Any revisions which alter the total expenditures of any element require approval by the Board of Directors and Caltrans.

Budgets are adopted annually on the accrual basis for the Local Planning Fund. Amendments to the adopted budget require SRTA's Board approval. Reported budget amounts are as originally adopted and subsequently amended. Annual appropriations lapse at fiscal year end.

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

Measurement Date	<u>June 30, 2014¹</u>
Proportion of the net pension liability	0.00019%
Proportionate share of the net pension liability	\$ 11,798
Covered employee payroll	<u>\$ 471,663</u>
Proportionate share of the net pension liability as a percentage of covered employee payroll	<u>2.50%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>85.66%</u>

¹ Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of implementation; therefore, only one year is shown.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from Plan changes which occurred after June 30, 2013 as that have minimal cost impact.

Change in Assumptions - None

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2015

	2014-15	2013-14 ¹
Actuarially determined contribution ²	\$ 64,257	\$ 51,538
Contributions in relation to the actuarially determined contributions ²	(64,257)	(70,393)
Contribution deficiency (excess)	\$ -	\$ (18,855)
Covered employee payroll ^{3,4}	\$ 463,693	\$ 471,663
Contributions as a percentage of covered employee payroll	13.86%	14.92%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year \$457,925 (2012-13) was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from Plan changes which occurred after June 30, 2013 as that have minimal cost impact.

Change in Assumptions - None

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Schedule of Funding Progress - Other Postemployment Benefit Plan
For the Year Ended June 30, 2015

Actuarial ¹ Valuation Date	Entry Age Actuarial Accrued Liabilities (AAL) (a)	Actuarial Valuation of Assets (AVA) (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
July 1, 2013	\$ 74,273	\$ -	\$ 74,273	0.00%	\$ 467,846	15.88%

¹ Only available information is presented.

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OTHER SUPPLEMENTARY INFORMATION

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Shasta Regional Transportation Agency
Schedule of Allocations and Disbursements
Local Transportation Fund
For the Year Ended June 30, 2015

	Allocations and Disbursements				Totals
	Under Public Utilities Code Sections				
	99233.1	99260	99275	99400 (a) (c) & (d)	
Allocations:					
County of Shasta	\$ -	\$ -	\$ -	2,385,432	\$ 2,385,432
City of Redding	-	-	-	1,463,409	1,463,409
City of Anderson	-	-	-	361,017	361,017
City of Shasta Lake	-	-	-	341,463	341,463
Redding Area Bus Authority	-	1,641,474	-	-	1,641,474
Shasta Regional Transportation Agency	824,322	-	-	-	824,322
Consolidated Transportation Services Agency (CTSA)	-	-	326,392	-	326,392
Total allocations	\$ 824,322	\$ 1,641,474	\$ 326,392	\$ 4,551,321	\$ 7,343,509
Disbursements:					
County of Shasta	\$ -	\$ -	\$ -	2,385,432	\$ 2,385,432
City of Redding	-	-	-	1,463,409	1,463,409
City of Anderson	-	-	-	361,017	361,017
City of Shasta Lake	-	-	-	341,463	341,463
Redding Area Bus Authority	-	1,641,474	-	-	1,641,474
Shasta Regional Transportation Agency	824,322	-	-	-	824,322
Consolidated Transportation Services Agency (CTSA)	-	-	326,392	-	326,392
Total disbursements	\$ 824,322	\$ 1,641,474	\$ 326,392	\$ 4,551,321	\$ 7,343,509

Shasta Regional Transportation Agency
Schedule of Allocations and Disbursements
State Transit Assistance Fund
For the Year Ended June 30, 2015

	California Administrative Code Section 6730(a)
Allocations:	
City of Redding	\$ 1,148,455
City of Anderson	96,868
City of Shasta Lake	124,651
	124,651
Total allocations	\$ 1,369,974
 Disbursements:	
City of Redding	\$ 1,008,988
City of Anderson	71,631
City of Shasta Lake	87,112
	87,112
Total disbursements	\$ 1,167,731

**Shasta Regional Transportation Agency
Schedule of Cost Allocation Plan Reconciliation
and Indirect Cost Rate Carryover
For the Year Ended June 30, 2015**

Direct Expenses at June 30, 2015	\$	597,798
Approved Indirect cost rate for June 30, 2014		35.39%
Total allocable indirect expenses at June 30, 2015		211,561
Actual indirect expenses at June 30, 2015		343,654
Over recovery of indirect expenses at June 30, 2015		132,093
Less: Depreciation taken grant funded capital assets		(15,039)
Over recovered indirect expenses at June 30, 2015	\$	117,054

Shasta Regional Transportation Agency
Schedule of Cost Allocation Plan Reconciliation
and Indirect Cost Allocation Carryover
For the Year Ended June 30, 2015

	Actual Expense	Direct Expense	Indirect Expense
Direct expenses:			
Salaries	\$ 593,552	\$ 451,700	\$ 141,852
Employee benefits	194,854	146,098	48,756
Total salaries and employee benefits	<u>788,406</u>	<u>597,798</u>	<u>190,608</u>
Advertising	1,118	1,118	-
Bank Charges	171	-	171
Books and Educational materials	10	-	10
Communication	6,969	67	6,902
Computer Support	20,401	4,036	16,365
Conferences	2,185	435	1,750
Consultants	385,796	385,796	-
Depreciation	25,414	-	25,414
Dues and Subscriptions	6,142	4,123	2,019
Education and Training	2,489	870	1,619
Insurance	7,123	-	7,123
Interest	4,821	-	4,821
Licenses	1,679	1,451	228
Meetings	451	451	-
Printing	750	750	-
Postage	511	56	455
Professional Services	53,359	37,769	15,590
Public Notice	2,749	2,681	68
Rent	30,560	-	30,560
Repairs and Maintenance	8,769	-	8,769
Security	465	-	465
Software	5,853	4,582	1,271
Supplies	17,456	1,173	16,283
Travel	12,039	6,169	5,870
Utilities	7,293	-	7,293
Total expenses	<u>\$ 1,392,979</u>	<u>\$ 1,049,325</u>	<u>\$ 343,654</u>

**Shasta Regional Transportation Agency
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Transportation			
<i>Highway Planning and Construction Cluster</i>			
<i>Pass-through the State of California Department of Transportation:</i>			
Federal Apportionment Exchange Program	20.205	X15-6496(007)	\$ 1,619,221
Federal Highway Administration - Metropolitan Planning	20.205	74A0821	628,940
Federal Safe Routes to School Program	20.205	SRTSLNI-6093	116,592
Total Highway Planning and Construction Cluster			<u>2,364,753</u>
<i>Metropolitan Transportation Planning Cluster</i>			
<i>Pass-through the State of California Department of Transportation:</i>			
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	74A0821	269,456
Total U.S. Department of Transportation			<u>2,634,209</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,634,209</u></u>

Shasta Regional Transportation Agency
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (“GASB”) Codification, consists of the primary government, which is the Shasta Regional Transportation Agency (“SRTA”), for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the SRTA’s financial statements to be misleading or incomplete.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within the Local Planning Fund of SRTA. SRTA utilizes the modified accrual basis of accounting for the Local Planning Fund. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Office of Management and Budget (“OMB”) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of SRTA’s basic financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of SRTA. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the State of California Department of Transportation. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of SRTA.

Note 3 – Subrecipients

The Local Planning Fund of SRTA provided federal awards to subrecipients as follows:

Program Title	CFDA Numbers	Amount Provided
Federal Apportionment Exchange	20.205	\$ 1,619,221
Safe Route to School	20.205	112,910
Federal Highway Administration	20.205	90,368
Total provided to subrecipients		\$ 1,822,499

**Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Section I – Summary of Auditor’s Results

Financial Statements

Types of auditors’ report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? **2015-001**
- Significant deficiency(ies) identified? **2015-002**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **2015-003**

Type of auditor’s report issued on compliance for major federal programs **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

Identification of major federal programs:

CFDA Numbers	Major Program or Cluster	Federal Expenditures
20.205	Highway Planning and Construction Cluster	\$ 2,364,753
	Total Expenditures of All Major Federal Programs	\$ 2,364,753
	Total Expenditures of Federal Awards	\$ 2,634,209
	Percent of Total Expenditures of Federal Awards	89.77%

Dollar threshold for distinguishing type A and type B programs: **\$300,000**

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133? **No**

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Section II – Financial Statement Findings

2015-001 Internal Control over Financial Reporting

Criteria:

Effective internal control over financial reporting provides reasonable assurance for the accuracy of accounting records.

In accordance with *Governmental Accounting Standard Board (“GASB”) Statement No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* paragraph 69, the fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. GASB Statement No. 34 paragraph 72 defines private-purpose trust funds, such as a fund used to report escheat property, should be used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. GASB Statement No. 34 is effective for the year beginning after June 30, 2003 based on SRTA’s total annual revenue.

Condition:

During the year ended June 30, 2015, SRTA corrected several of its fiduciary funds previously reported as expendable trust funds to private-purpose trust funds in accordance with GASB Statement No. 34.

SRTA was a component unit of the County of Shasta, which reported these Transportation Development Act trust funds as special revenue funds. When SRTA became an independent transportation planning agency, SRTA began to incorrectly use expendable trust funds to account for Transportation Development Act revenues, which are claimed by local agencies. These funds should have been reported as private-purpose trust funds in the fiduciary fund statements.

Cause:

SRTA was misinformed as to the reporting of fund types.

Effect:

Prior period adjustments were reported for the Local Transportation Fund, State Transit Assistance Fund, and 2% Bike & Pedestrian Fund in the amount of \$2,476,850, \$653,413, and \$112,094, respectively.

Recommendation:

We recommended SRTA review GASB statements more thoroughly to prevent future material prior period adjustments.

Views of Responsible Officials and Planned Corrective Action:

The financial statements have been restated to reflect the change in fund type from expendable trust funds to private-purpose trust funds. Management will work with external auditor in future GASB implementations to avoid material prior period adjustments.

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Section II – Financial Statement Findings

2015-002 Internal Control over Procurement Process and Contract Management

Criteria:

Pursuant to the Cost Principle (OMB Circular A-87), Attachment B, SRTA needs to consider the following when procuring professional services: (1) nature and scope of the service rendered in relation to the service required (2) adequacy of the contractual agreement for the service.

Pursuant to SRTA’s internal policies and procedures, SRTA may participate in the California Multiple Awards Schedule (“CMAS”) Program. In order to protect the interests of the agency and insure value, the agency must document a reasonableness of price (price/cost analysis) of CMAS-listed vendors that the agency anticipates using under contract by compiling with the requirements of Section 802.12 Cost/Price Analysis.

Condition:

During our test of SRTA’s procurement process, we noted that SRTA is being investigated by the California Department of Transportation (“Caltrans”) during the year ended June 30, 2015 related to contracts entered into prior to July 1, 2014.

The following two contracts are being reviewed due to SRTA did not entirely score and rank the candidates based on the scope of work outline in the request for proposal (“RFP”). Additional questions were asked during the interview process and the responses provided by the candidates on new questions were being used to score and rank the candidates.

- (a) The contract with DKS Associates to perform model updates and complex modeling projects associated with state mandate was entered into in 2012. The contract term was for August 30, 2012 through August 30, 2015.
- (b) The contract with Rincon Consultants, Inc. to prepare an environment impact report for the 2015 Regional Transportation Plan for the County of Shasta was executed on July 23, 2013. However, it was noted that the work commenced on July 15, 2013.

In addition, SRTA entered into a three year contract for on-call services with Vestra Resources on May 12, 2010 while still being part of the County of Shasta through CMAS Program. When the contract expired on August 31, 2012, SRTA relied on the discount pricing obtained through CMAS Program instead of procure the contract through competitive bid and/or price/cost analysis on its own. Furthermore, the contract with Vestra Resources was amended after the end of the contract term.

Cause:

Policies and procedures are not sufficient to ensure that 1) specific scopes of work are included in the RFP and 2) the ranking and scoring process are based on the scope of work from the RFP. Monitoring activities are not adequate to ensure that 1) contracts are procured in accordance with SRTA’s policy and procedures, and 2) amendment to the contract was completed prior to the end of the contract term.

Effect:

Reimbursement requests for expenditures incurred could be denied.

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Section II – Financial Statement Findings (Continued)

2015-002 Internal Control over Procurement Process and Contract Management (Continued)

Recommendation:

We recommended SRTA update its “Issuance of RFP” policy to ensure all the RFPs have a clearly defined scope of work. In addition, the panel members who are ranking the candidates should have adequate knowledge and experience relating to the scope of work and understand the ranking and scoring process.

With regard to the procurement process, we recommended SRTA follow its procurement policies and procedures to ensure that contracts are entered into after going through proper competitive bidding process or after obtaining sufficient price/cost analysis.

We also recommended SRTA review its contracts with all vendor prior to the end of contract terms. When amendment to the contracts is desired, the amendments should be executed prior to the end of contract term.

Views of Responsible Officials and Planned Corrective Action:

SRTA has already taken the following action:

- 1) SRTA now insures that all Requests for Proposal include a well-defined scope of work.
- 2) On-call contracts contain a thorough list of representative work tasks that may be requested
- 3) SRTA no longer utilizes CMAS for procurement
- 4) SRTA has developed a procurement checklist that is included in new procurement documentation to insure compliance with all procurement policies.
- 5) Procurement documentation now includes vendor evaluation criteria, evaluation score sheets and results are included and explained in a procurement memo.
- 6) SRTA now maintains a master list of all procurements, including contract start and end dates. Electronic due date reminders have been added.

The Executive Director, senior planners and the Chief Fiscal Officer are responsible for these actions.

**Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015**

Section III – Federal Awards Findings and Questions Costs

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

2015-003 Reporting – Internal Control and Compliance over Reporting

Programs:

Federal Highway Administration (CFDA Number 20.205, U.S. Department of Transportation, Passed through State of California, Department of Transportation (“Caltrans”), Award Number 74A0821)

Criteria:

Pursuant to **Article I – Section 2 Quarterly Progress Reports** in the Master Fund Transfer Agreement between Shasta Regional Transportation Agency and the State of California, Department of Transportation, SRTA is required to submit the Quarterly Progress Report (“QPR”) that include all work elements for transportation planning tasks, projects, and products funded wholly or in part by any of the fund sources: (i) FHWA Metropolitan Planning; (ii) FTA Metropolitan Planning; (iii) FHWA State Planning and Research-Partnership Planning; (iv) FTA State Planning and Research, no later than thirty (30) calendar days after the closing of each quarter.

Pursuant to the same Article, Caltrans may withhold payment of Requests for Reimbursement submitted pending the submission of required documentation.

Condition:

During our testing of SRTA’s compliance with the reporting requirement, we noted that the third and fourth QPR were submitted after the due date. The third QPR was due April 30, 2015 and it was submitted to the Caltrans on May 12, 2015. The fourth QPR was due July 31, 2015 and it was submitted to the Caltrans on August 6, 2015.

Cause:

Policies and procedures are not being followed to ensure timely submission of the required reports.

Effect:

The delay in submission of QPR may lead to the Caltrans withhold the payment of Requests for Reimbursement submitted.

Questioned Cost:

None

Recommendation:

We recommended SRTA improve its monitoring activities to ensure submitting the QPR timely.

Views of Responsible Officials and Planned Corrective Action:

In January 2016, SRTA added the quarterly QPR due dates on the calendar for the entire fiscal year. This will assist in the timely filing of the QPR.

**Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015**

Section III – Federal Awards Findings and Questions Costs (Continued)

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

2014-01 Subrecipient Monitoring – Internal Control over Reporting

Program:

Federal Apportionment Exchange (CFDA Number 20.205, U.S. Department of Transportation, Passed Through State of California, Department of Transportation, Award Number X14-6496(004))

Condition:

Per the terms of the agreement between Shasta Regional Transportation Agency (Agency) and the State of California (the pass-through entity), cities and counties that receive these funds are required to adhere to multiple requirements. To satisfy these requirements, SRTA obtains annual compliance representations from each recipient. However, those representations do not include the following requirements:

- Complying with OMB Circular A-87, Cost Principles for State and Local Government;
- Complying with 49 CFR, Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments;
- Agreement that Contact Cost Principles and Procedures, 48 CFR, Federal Acquisition Regulations System, Ch. 1, Part 31, shall be used to determine the allowability of individual project cost items.

It was noted that SRTA obtained compliance representations from each participating city and county, however, the representations obtained do not have the verbiage required for the above-mentioned representations.

Recommendation:

SRTA should revise compliance certification policies and incorporate them into the grant monitoring procedures.

Status:

Finding was resolved during the year ended June 30, 2015.

**Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015**

Section III – Federal Awards Findings and Questions Costs (Continued)

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2014-02 Reporting – Internal Control over Reporting

Program:

Federal Apportionment Exchange (CFDA Number 20.205, U.S. Department of Transportation, Passed Through State of California, Department of Transportation, Award Number X14-6496(004))

Condition:

Per the terms of the agreement between Shasta Regional Transportation Agency (Agency) and the State of California (State), SRTA is required to annually submit a list of all local project sponsors who allocated funds in the preceding fiscal year and those amounts allocated.

It was noted that SRTA did not submit any listings to the State. SRTA did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of SRTA to ensure compliance with the identified requirements. Although we did not identify any questioned costs associated with this finding; however, potential exists for penalties or denied reimbursements as a result in the future.

Recommendation:

SRTA should file the required listings as soon as possible.

Status:

Finding was resolved during the year ended June 30, 2015.

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2014-03 Reporting – Internal Control over Reporting

Program:

Metropolitan Planning Grant (CFDA Number 20.505, U.S. Department of Transportation, Passed Through State of California, Department of Transportation, Award Number PPM12-6093(034))

Condition:

Per the terms of the agreement between SRTA and the State of California (the pass-through entity), SRTA is required to prepare a final report of expenditures including a final invoice reporting actual costs expended in accordance with the agreed upon PPM activities plan and submit that report and invoice no later than 60 days following the completion of expenditures. SRTA did not send a final report of expenditures which addressed the agreed upon PPM activities to the State. SRTA did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of SRTA to ensure compliance with the identified requirements. Although no questioned costs associated with this finding, there is a potential for penalties or denied reimbursements in the future.

Recommendation:

SRTA should complete all the requirements for the final report of expenditures and improve efforts in following agency grant monitoring policies.

Status:

Finding was resolved during the year ended June 30, 2015.