

SHASTA REGIONAL TRANSPORTATION AGENCY

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
JUNE 30, 2013

SHASTA REGIONAL TRANSPORTATION AGENCY  
 BASIC FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS. ....	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS. ....	4-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position. ....	10
Statement of Activities. ....	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet. ....	12
Statement of Revenues, Expenditures and Changes in Fund Balance. ....	13
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities. ....	14
Fiduciary Funds:	
Statement of Net Position . ....	15
Statement of Changes in Fiduciary Net Position. ....	16
Notes to Financial Statements. ....	17-35
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Local Planning Fund. ....	S-1
Notes to Required Supplemental Information. ....	S-2

(Continued)

OTHER SUPPLEMENTARY INFORMATION:

Schedule of Allocations and Disbursements:

Local Transportation Fund. . . . .	S-3
State Transit Assistance Fund. . . . .	S-4
Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Rate Carryover . . . . .	S-5
Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover. . . . .	S-6

OTHER REPORTS:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and Compliance with the Transportation Development Act, the California Administrative Code, and the Rules and Regulations of the Shasta Regional Transportation Agency. . . . .	S-7 - S-9
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Single Audit Section:

Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133. . . . .	S-10 - S-12
Schedules of Expenditures of Federal Awards. . . . .	S-13
Notes to Schedule of Expenditures of Federal Awards. . . . .	S-14
Findings and Questioned Costs Section:	
Schedule of Findings and Questioned Costs - Federal Programs. . . . .	S-15 - S-22
Schedule of Findings and Questioned Costs - Transportation Development Act Programs. . . . .	S-23
Schedule of Prior Year Findings - Federal Programs. . . . .	S-24 - S-26
Schedule of Prior Year Findings - Transportation Development Act Programs. . . . .	S-27 - S-29



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## REPORT OF INDEPENDENT AUDITORS

Honorable Chairman and Members of the Board  
Shasta Regional Transportation Agency  
Redding, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shasta Regional Transportation Agency, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 audits 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 opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 to 9 and S-1 to S-2 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 the Agency's basic financial statements. The statements of allocations and disbursements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The statements of allocations and disbursements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of allocations and disbursements 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 December 17, 2013, on our consideration of Shasta Regional Transportation Agency'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 the 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 Shasta Regional Transportation Agency's internal control over financial reporting and compliance.

*D. N. Scott & Company LLP*

Redding, California  
December 17, 2013

## 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, 2013. 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 \$944,475.
- SRTA's net position decreased by \$59,625 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 \$885,448, a decrease of \$17,117 in comparison with the prior fiscal year. Approximately 49% of this total amount, or \$435,448, is available for spending at the Agency's discretion (Fund Balance Residual).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$435,448 or 25% of total General 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 Basic 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 assets. 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 assets 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 10-11 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 either Governmental 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 for the Local Planning Fund.

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 12-13 of this report.

At June 30, 2013, SRTA's governmental fund reported total fund balance of \$885,448, a decrease of \$17,117 in comparison with the prior fiscal year's total ending fund balance. The components of total fund balance are as follows:

**Assigned Fund Balance** - is comprised of a bond approved reserve.

**Unassigned Fund Balance** - of \$435,448 represents the balance of the remaining fund for SRTA's Local Planning Fund.

**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 15-16 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.

**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 17-35 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, 2013:

#### Net Position:

	<u>Governmental Activities</u>
Current and other assets	\$ 1,268,269
Capital assets	<u>88,692</u>
Total assets	<u>1,356,961</u>
Long-term liabilities outstanding	15,173
OPEB liabilities	14,492
Other liabilities	<u>382,821</u>
Total liabilities	<u>412,486</u>
Net position:	
Invested in capital assets	88,692
Unrestricted	<u>855,783</u>
Total net position	\$ <u>944,475</u>

SRTA's net position exceeded liabilities by \$944,475 at the close of the current fiscal year. Overall, Capital assets experienced a decrease of \$12,843 from prior fiscal year due to depreciation of assets of \$21,438 and the purchase of assets of \$8,593.

During the current fiscal year, SRTA's decrease to net position was \$59,625. This decrease is due to several factors which both decreased and increased net position of governmental activities.

The following table demonstrates the changes in SRTA's net position for the year ended June 30, 2013:

**Changes in Net Position:**

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ -
Operating grants and contributions	1,696,761
General revenues:	
Investment earnings	<u>40</u>
Total revenues	<u>1,696,801</u>
Expenses:	
General government	<u>1,756,426</u>
Total revenues	<u>1,756,426</u>
Decrease in net position	( 59,625)
Net position - beginning	<u>1,004,100</u>
Net position - ending	\$ <u>944,475</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 \$885,448, all of which 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 25% of total expenditures.

During the current fiscal year, SRTA's Local Planning Fund balance decreased by \$17,117. This is due to expenditures being more than anticipated.

**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 a decrease in available fund balance of \$17,117.

**Capital Assets and Debt Administration**

**Capital Assets** SRTA's investment in capital assets as of June 30, 2013, amounts to \$88,692, net of accumulated depreciation. This investment in capital assets includes office equipment, furniture, software, commuter buses, and highway call boxes. The decrease in SRTA's investments in capital was due to depreciation and disposals.

**Capital Assets (net of depreciation):**

	<u>Governmental Activities</u>
Equipment and furniture	\$ 79,988
Leasehold improvements	<u>8,704</u>
Total	\$ <u><u>88,692</u></u>

Additional information on SRTA's capital assets can be found in Note 4 on page 25 of this report.

**Economic Factors and Next Fiscal Year's Budgets and Rates**

The revenue and expenditure projections incorporated into the fiscal year 2013-14 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 2013-14 projects no increase in fund balance of \$885,448.

**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.

## BASIC FINANCIAL STATEMENTS

SHASTA REGIONAL TRANSPORTATION AGENCY

STATEMENT OF NET POSITION  
JUNE 30, 2013

ASSETS		Governmental <u>Activities</u>
Current assets:		
Cash		\$ 432,633
Due from other governmental agencies		833,414
Prepaid expenses		2,222
Capital assets, net of accumulated depreciation		<u>88,692</u>
Total assets		<u>1,356,961</u>
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable		72,930
Due to other governmental agencies		103,135
Accrued payroll and benefits		58,551
Deferred revenues		162,697
Compensated absences		<u>15,173</u>
Total liabilities		<u>412,486</u>
Net position:		
Invested in capital assets		88,692
Unrestricted		<u>855,783</u>
Total net position		<u>\$ 944,475</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Operating Charges for Services</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Transportation planning	\$ <u>1,756,426</u>	\$ <u>-</u>	\$ <u>1,696,761</u>	\$( 59,665)
		General revenues:		
				<u>40</u>
				( 59,625)
				<u>1,004,100</u>
				\$ <u>944,475</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>Local Planning Fund</u>
Assets:	
Cash	\$ 432,633
Due from other governmental agencies	833,414
Prepaid expenses	<u>2,222</u>
Total assets	<u>\$ 1,268,269</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 72,930
Accrued payroll and benefits	44,059
Due to other governmental agencies	103,135
Deferred revenue	<u>162,697</u>
Total liabilities	<u>382,821</u>
Fund Balances:	
Unassigned	435,448
Assigned	<u>450,000</u>
Total fund balances	<u>885,448</u>
Total liabilities and fund balances	<u>\$ 1,268,269</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances of governmental funds	\$ 885,448
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	88,692
Long-term liabilities such as OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	( 29,665)
Net position of governmental activities	<u>\$ 944,475</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Local Planning Fund</u>
Revenues:	
Federal Highway Administration	\$ 600,833
Federal Transit Administration	141,237
Transportation Development Act	124,936
Metropolitan Planning Grant	185,346
Travel enhancement	140,000
Safe Routes to School	135,071
Proposition 84	158,128
Interest income	40
Other	3,690
State planning and research	<u>207,520</u>
Total revenues	<u>1,696,801</u>
Expenditures:	
Planning and administration	<u>1,713,918</u>
Total expenditures	<u>1,713,918</u>
Excess (deficiency) of revenues over expenditures	( <u>17,117</u> )
Net change in fund balances	( <u>17,117</u> )
Fund balance, beginning of year	<u>902,565</u>
Fund balance, end of year	\$ <u>885,448</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

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

Net change in fund balances - total governmental funds	\$( 17,117)
(1) 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 asset transaction is presented below:	
Capital outlay	8,595
Depreciation	( 21,438)
(2) Accrued vacation and other leave do not use current financial resources and, therefore, are not reported as an expenditure in governmental funds	( 15,173)
(3) Accrued OPEB obligations do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	( <u>14,492</u> )
Change in net position of governmental activities	\$( <u>59,625</u> )

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2013

	<u>Expendable Trust Funds</u>			<u>Total Fiduciary Funds</u>
	<u>Local Transportation Fund</u>	<u>State Transit Assistance Fund</u>	<u>Loan Fund</u>	
<b>Assets:</b>				
Cash and investments	\$ 1,448,988	\$ 1,127,924	\$ 1,000,291	\$ 3,577,203
Due from other governmental agencies	1,415,864	280,835	-	1,696,699
Due from other funds	<u>8,374</u>	<u>252,635</u>	<u>-</u>	<u>261,009</u>
Total assets	<u>2,873,226</u>	<u>1,661,394</u>	<u>1,000,291</u>	<u>5,534,911</u>
<b>Liabilities:</b>				
Due to other governmental agencies	2,620,591	1,653,020	-	4,273,611
Due to other funds	<u>252,635</u>	<u>8,374</u>	<u>-</u>	<u>261,009</u>
Total liabilities	<u>2,873,226</u>	<u>1,661,394</u>	<u>-</u>	<u>4,534,620</u>
<b>Net position:</b>				
Restricted	<u>-</u>	<u>-</u>	<u>1,000,291</u>	<u>1,000,291</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,291</u>	<u>\$ 1,000,291</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	Expendable Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	Loan Fund	Total Fiduciary Funds
Additions:				
Local transportation assistance	\$ 6,610,553	\$ -	\$ -	\$ 6,610,553
State transit assistance	-	1,051,269	-	1,051,269
Transfers in	-	-	1,000,000	1,000,000
Interest	<u>5,327</u>	<u>4,591</u>	<u>291</u>	<u>10,209</u>
Total additions	<u>6,615,880</u>	<u>1,055,860</u>	<u>1,000,291</u>	<u>8,672,031</u>
Deductions:				
Claims paid or payable to claimants:				
City of Anderson	190,648	64,590	-	255,238
City of Redding	2,763,106	1,956,787	-	4,719,893
City of Shasta Lake	371,884	95,524	-	467,408
County of Shasta	1,888,500	149,917	-	2,038,417
Shasta Senior Nutrition (CTSA)	271,344	-	-	271,344
Shasta Regional Transportation Agency	130,398	-	-	130,398
Transfers out	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Total deductions	<u>6,615,880</u>	<u>2,266,818</u>	<u>-</u>	<u>8,882,698</u>
Change in net position	-	(1,210,958)	1,000,291	( 210,667)
Net position, beginning of year	<u>-</u>	<u>1,210,958</u>	<u>-</u>	<u>1,210,958</u>
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,291</u>	<u>\$ 1,000,291</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Shasta Regional Transportation Agency (Agency).

A. Reporting Entity

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

In 1981, the Agency, the City of Redding, the Redding Area Bus Authority (RABA), the City of Anderson, the County of Shasta (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.

The Agency 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.

B. Basis of Accounting/Measurement Focus

The accounts of the Agency 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.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements - The Agency Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the Agency. Fiduciary activities of the Agency are not included in these statements.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including 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. The types of transactions reported as program revenues for the Agency are operating grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Generally accepted governmental accounting standards require the classification of net position into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

*Invested in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. The Agency does not have related debt.

*Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Unrestricted net position* - This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Agency applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as private-sector standards issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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 fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-wide Financial Statements. The Agency has presented all major funds that meet the qualifications.

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 Sheets. 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. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue source, which has been treated as susceptible to accrual by the Agency, is intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental funds aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications; restricted, committed, assigned, and unassigned.

**Restricted fund balance.** This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed fund balance.** These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Agency's Board - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the funds have been specifically committed for the use in satisfying those contractual requirements.

**Assigned fund balance.** This classification reflects the amounts constrained by the Agency's Board's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board and Executive Director have the authority to assign amounts to be used for specific purposes.

**Unassigned fund balance.** This fund balance is the residual classification that includes amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Financial Statements - Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position. The Agency's fiduciary funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting.

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.

- C. Cash and Investments - Cash and investments include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired. Cash deposits are stated at cost, which approximates fair value. Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 40. Investment income is recorded as revenue in the individual funds based on the computed average interest rate of all investments and the average daily cash balance of each fund. Additional cash and investment information and fair values are presented in Note 2.
- D. In-Kind Income/Expenditures - In-kind income/expenditures by the County of Shasta, the City of Redding, the City of Anderson, the City of Shasta Lake, and Redding Area Bus Authority were expended on behalf of the Shasta Regional Transportation Agency. This activity was budgeted but the income/expenditures are not included in these financial statements.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets - Capital assets, which include general office equipment, furniture and leasehold improvements, are reported in the applicable governmental column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date on which they were contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Office equipment and furniture	5 years
Leasehold improvements	5 years

F. Compensated Absences - It is the Agency's policy to permit employees to accumulate earned, but unused, vacation and sick leave benefits. Upon separation or retirement, employees are paid for accumulated, unused vacation benefits only and the vested percentage of unused sick leave. Vacation and a portion of sick pay is accrued when incurred in the Government-wide financial statements. In accordance with GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements", a liability for these amounts is reported in the governmental funds financial statements only if they have matured, for example, as a result of employee resignations and retirements prior to year-end and are paid by the Agency subsequent to year-end.

Employees, upon separation or retirement, receive a percentage payment for accumulated unused sick leave. Employees eligible for retirement benefits may also apply their unused sick leave toward determining their length of service for purposes of determining their retirement benefits.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Stewardship, Compliance, and Accountability - Budgetary Information - Budgets are adopted annually on the cash basis for the Local Planning Fund. Amendments to the adopted budget require the Agency's Board approval. Reported budget amounts are as originally adopted and subsequently amended. Annual appropriations lapse at fiscal year end.

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

Note 2: CASH AND INVESTMENTS

The cash and investments at June 30, 2013, consist of the following:

Statement of net position	\$ 432,633
Fiduciary funds	<u>3,577,203</u>
Total	\$ <u>4,009,836</u>

Required disclosures for the Agency's deposit and investment risks at June 30, 2013, were as follows:

Credit risk	Not rated
Concentration of credit risk	Not applicable
Interest rate risk	Not available

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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Note 2: CASH AND INVESTMENTS (Continued)

Custodial Risk - At June 30, 2013, the carrying amount of the Agency's deposits was \$432,633, of which \$432,633 is unrestricted. The bank balance was \$496,310. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

The Agency maintains its State Transit Assistance and Local Transportation Funds (Fiduciary Funds) cash 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 3: DUE TO/FROM OTHER GOVERNMENTAL AGENCIES

Amounts due to/from governmental agencies consist of the following at June 30, 2013:

	<u>Due From</u>	<u>Due to</u>
County of Shasta	\$ -	\$ 34,763
City of Redding	-	39,674
Redding Area Bus Authority	-	20,116
City of Anderson	-	8,582

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Note 3: DUE TO/FROM OTHER GOVERNMENTAL AGENCIES (Continued)

	<u>Due From</u>	<u>Due to</u>
Local Transportation Fund	64,859	-
Department of Conservation	163,280	-
Caltrans	<u>605,275</u>	<u>-</u>
	<u>\$ 833,414</u>	<u>\$ 103,135</u>

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.

Note 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Equipment/furniture	\$ 96,896	\$ 5,913	\$ -	\$ 102,809
Leasehold improvements	<u>7,004</u>	<u>2,682</u>	<u>-</u>	<u>9,686</u>
Total capital assets	<u>103,900</u>	<u>8,595</u>	<u>-</u>	<u>112,495</u>
Less accumulated depreciation:				
Equipment/furniture	( 2,333)	( 20,488)	-	( 22,821)
Leasehold improvements	<u>( 32)</u>	<u>( 950)</u>	<u>-</u>	<u>( 982)</u>
Total accumulated depreciation	<u>( 2,365)</u>	<u>( 21,438)</u>	<u>-</u>	<u>( 23,803)</u>
Total capital assets, net of depreciation	<u>\$ 101,535</u>	<u>\$ ( 12,843)</u>	<u>\$ -</u>	<u>\$ 88,692</u>

Depreciation expense of \$21,438 was charged to the general government function.

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Note 5: INTERFUND ACTIVITY

The composition of interfund balances at June 30, 2013, was as follows:

<u>Due to Other Funds</u>	<u>Due From Other Funds</u>	<u>Amount</u>
State Transit Assistance Fund	Local Transportation Fund	\$ 252,635
Local Transportation Fund	State Transit Assistance Fund	8,374

Expenditures were initially paid by the State Transit Assistance Fund reimbursed by the Local Transportation Fund or initially paid by the Local Transportation Fund to be reimbursed by the State Transit Assistance Fund.

Transfers to/from other funds:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Local Transportation Fund	Loan Fund	\$ 1,000,000(1)
Local Transportation Fund	Local Planning Fund	130,398(2)

- (1) This transfer was used to create the Loan Fund.
- (2) The Agency's Local Planning Fund received money from the Local Transportation Fund for administration and planning activities.

Note 6: OTHER INFORMATION - RISK FINANCING

The Agency 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 independent third parties. 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.

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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Note 7: RELATED PARTY TRANSACTIONS

The Agency utilizes the Auditor-Controller of the County of Shasta for maintenance of its books and records in the Local Transportation and State Transit Assistance Funds. Financial transactions are initiated and approved by the Agency, but the County Auditor-Controller performs data entry, report generation, warrant issuance, and other related functions on behalf of the Agency. The County Treasurer deposits the Agency's cash into the County's cash management investment pool where it is commingled and invested with the funds of other pool participants.

The Agency is not a component unit of the County of Shasta; however, the Agency's investment pool deposits are included in the basic financial statements of the County of Shasta in an investment trust fund.

Note 8: COMMITMENTS AND CONTINGENCIES

The Agency received federal and state financial assistance from the California Department of Transportation. This financial assistance is provided to the Agency 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 the Agency's financial assistance programs have been audited through June 30, 2013, 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 although the Agency expects such amounts, if any, to be immaterial.

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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Note 9: DEFERRED COMPENSATION PLAN

The Agency offers its employees a deferred compensation plan (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 the Agency nor are they available to the Agency's creditors. The Plan allows employees to make voluntary contributions to the Plan up to the limits prescribed by the IRS. The Agency does not match non-management employee voluntary contributions. The Agency does match management employee voluntary contributions up to 50% of the limits prescribed by IRS regulations.

The Agency 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, the Agency determines the contribution split. The Agency 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", the Agency 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 the Agency's financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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Note 10: RETIREMENT PLANS

Plan Description - The Agency's Plan provides retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is part of the Public Agency portion of the CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The Agency selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through action of the Board. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, Lincoln Plaza, 400 Q Street, Sacramento, California 95811.

Funding Policy - Active plan members are required to contribute 7% of their annual covered salary. The member contribution can be paid by the member or by the Agency in accordance with labor agreements. The Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.603%. The contribution requirements of the plan members are established by State statute and the employer contribution rates are established and may be amended by CalPERS.

Annual Pension Cost - For fiscal year 2012-13, the Agency's annual pension cost was \$46,329. The required contributions for fiscal year 2012-13 were determined as part of the November 30, 2012, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 7.0%; and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75% and a production growth component of 0.25%.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Note 10: RETIREMENT PLANS (Continued)

In order to dampen the effect of short-term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However, in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets. The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year closed period. In addition, beginning with the June 30, 2004 valuation, all gains or losses are tracked and amortized over a rolling 30 year period. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	N/A	N/A	N/A
June 30, 2012	N/A	N/A	N/A
June 30, 2013	\$ 46,329	100%	-0-

Information for the year ended June 30, 2013, has been used in the preceding paragraph when possible. However, information provided by the California Public Employees Retirement System (CalPERS) for the year ended June 30, 2013 was not available.

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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Note 11: OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Agency's postemployment healthcare plan (OPEB) provides medical benefits to eligible retired Agency employees and their beneficiaries pursuant to California Government Code Section 31694 et. Seq. The Agency's OPEB Plan is administered by the California Public Employees Retirement System (CalPERS). Members of the OPEB Plan include retirees of the Agency and of other employer plan sponsors, as well as their eligible dependents. The Agency is considered a plan sponsor.

In July, 2012, the Agency 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.

The Agency 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.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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Note 11: OTHER POST EMPLOYMENT BENEFITS (Continued)

The Agency 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. The Agency 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.

Funding Policy - The Agency, as a plan sponsor, determines the contributions into CalPERS to fund the OPEB Plan. The Agency has decided to pay the liability as incurred. During fiscal year 2012-13, expenditures of \$14,492 were recognized for post-retirement health insurance contributions for the liability.

The Agency is required to contribute 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 the Agency is not required to contribute the ARC into a trust. If the Agency 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.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Note 11: OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Asset) - The following table shows the components of the Agency's Annual OPEB Cost for the fiscal year ended June 30, 2013, the amount actually contributed to the plan, and changes in the Agency's Net OPEB Obligations (Asset):

	Fiscal Year Ended <u>June 30, 2013</u>
Annual required contribution	\$ 14,492
Interest on net OPEB obligations (asset)	-
Adjustment to ARC	<u>-</u>
Annual OPEB costs (expense)	14,492
Contributions made	<u>-</u>
Increase in net OPEB obligation	14,492
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	\$ <u>14,492</u>

The Agency's Annual OPEB cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation (Asset) are as follows:

Fiscal Year Ended <u>June 30,</u>	<u>OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2013	\$ 14,492	\$ -	0%	\$ 14,492

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Note 11: OTHER POST EMPLOYMENT BENEFITS (Continued)

The funded status of the plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Status</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/13	\$ 74,273	\$ -	\$ 74,273	0%	\$ 467,846	15.9%

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.

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.

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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Note 12: OPERATING LEASES

The Agency leases office space for \$3,056 per month. The lease expires June 30, 2013. Included in expense for the year ended June 30, 2013 was \$36,672.

The following is a schedule of future minimum rental payments required under the above operating leases for the years ending June 30,:

2014	\$ 36,672
2015	<u>36,672</u>
Total	\$ <u>73,344</u>

Note 13: 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.

Note 14: SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through December 17, 2013, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SHASTA REGIONAL TRANSPORTATION AGENCY

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
LOCAL PLANNING FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal Highway Administration	\$ 842,945	\$ 851,197	\$ 600,833	\$( 250,364)
Federal Transit Administration	163,185	163,185	141,237	( 21,948)
Transportation Development Act	65,540	65,540	124,936	59,396
Programming, planning and monitoring	333,102	375,237	185,346	( 189,891)
Safe Routes to School	140,101	418,605	135,071	( 283,534)
Proposition 84	35,000	314,094	158,128	( 155,966)
Interest income	-	-	40	40
Transportation enhancement	-	-	140,000	140,000
Other	22,568	22,567	3,690	( 18,877)
SPR	<u>230,000</u>	<u>209,413</u>	<u>207,520</u>	<u>( 1,893)</u>
Total revenues	<u>1,832,441</u>	<u>2,419,838</u>	<u>1,696,801</u>	<u>( 723,037)</u>
Expenditures:				
Planning and administration	<u>1,832,441</u>	<u>2,419,838</u>	<u>1,713,918</u>	<u>705,920</u>
Total expenditures	<u>1,832,441</u>	<u>2,419,838</u>	<u>1,713,918</u>	<u>705,920</u>
Excess (deficiency) of revenues over expenditures	-	-	( 17,117)	( 17,117)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	( 17,117)	( 17,117)
Fund balances, beginning of year	<u>902,565</u>	<u>902,565</u>	<u>902,565</u>	<u>-</u>
Fund balances, end of year	<u>\$ 902,565</u>	<u>\$ 902,565</u>	<u>\$ 885,448</u>	<u>\$( 17,117)</u>

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO REQUIRED  
SUPPLEMENTARY INFORMATION  
JUNE 30, 2013

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Note 1: BUDGETS AND BUDGETARY ACCOUNTING

The operating budget for the Agency is prepared on a basis consistent with generally accepted accounting principles and is adopted as a part of the Overall Work Program for the Agency. 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.

OTHER SUPPLEMENTARY INFORMATION

SHASTA REGIONAL TRANSPORTATION AGENCY  
 LOCAL TRANSPORTATION FUND  
 STATEMENT OF ALLOCATIONS AND DISBURSEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2013

Allocations and Disbursements Under Public Utilities Code Sections					
99400					
	<u>99233.1</u>	<u>99260</u>	<u>99275</u>	<u>(a) (c) &amp; (d)</u>	<u>Total</u>
<b>Allocations:</b>					
County of Shasta	\$ -	\$ -	\$ -	\$ 2,305,009	\$ 2,305,009
City of Redding	-	-	-	524,558	524,558
City of Anderson	-	-	-	322,778	322,778
City of Shasta Lake	-	-	-	330,946	330,946
Redding Area Bus Authority	-	2,511,897	-	-	2,511,897
Shasta Regional Transportation Agency	65,539	-	-	-	65,539
Consolidated Transportation Services Agency (CTSA)	<u>-</u>	<u>-</u>	<u>311,237</u>	<u>-</u>	<u>311,237</u>
Total allocations	\$ <u>65,539</u>	\$ <u>2,511,897</u>	\$ <u>311,237</u>	\$ <u>3,483,291</u>	\$ <u>6,371,964</u>
 <b>Disbursements:</b>					
County of Shasta	\$ -	\$ -	\$ -	\$ 2,305,009	\$ 2,305,009
City of Redding	-	-	-	315,233	315,233
City of Anderson	-	-	-	315,266	315,266
City of Shasta Lake	-	-	-	321,253	321,253
Redding Area Bus Authority	-	2,511,897	-	-	2,511,897
Shasta Regional Transportation Agency	60,077	-	-	-	60,077
Consolidated Transportation Services Agency (CTSA)	<u>-</u>	<u>-</u>	<u>285,301</u>	<u>-</u>	<u>285,301</u>
Total disbursements	\$ <u>60,077</u>	\$ <u>2,511,897</u>	\$ <u>285,301</u>	\$ <u>3,256,761</u>	\$ <u>6,114,036</u>

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND  
STATEMENT OF ALLOCATIONS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

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	California Administrative Code Section 6730(a)
	<u>Actual</u>
Allocations:	
City of Anderson	\$ 56,029
City of Redding	505,653
City of Shasta Lake	56,826
County of Shasta	<u>149,917</u>
Total allocations	\$ <u>768,425</u>
Disbursements:	
City of Anderson	\$ 42,021
City of Redding	379,239
City of Shasta Lake	42,621
County of Shasta	<u>149,917</u>
Total disbursements	\$ <u>613,798</u>

SHASTA REGIONAL TRANSPORTATION AGENCY

SCHEDULE OF COST ALLOCATION PLAN RECONCILIATION  
AND INDIRECT COST RATE CARRYOVER  
FOR THE YEAR ENDED JUNE 30, 2013

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Direct expenses at June 30, 2013	\$ 449,649
Approved indirect cost rate for June 30, 2013	<u>60.11%</u>
Total allocable indirect expenses at June 30, 2013	<u>270,284</u>
Actual indirect expenses at June 30, 2013	<u>331,368</u>
Under recovery of indirect expenses at June 30, 2013	<u>61,084</u>
Less: Depreciation taken on grant funded capital assets	<u>( 14,149)</u>
Unrecovered indirect expenses at June 30, 2013	\$ <u>46,935</u>

SHASTA REGIONAL TRANSPORTATION AGENCY

SCHEDULE OF COST ALLOCATION PLAN RECONCILIATION  
AND INDIRECT COST ALLOCATION CARRYOVER  
FOR THE YEAR ENDED JUNE 30, 2013

The following is a reconciliation of Shasta Regional Transportation Agency's expenses per the basic financial statements to the expenses per Shasta Regional Transportation Agency's cost allocation plan for the year ended June 30, 2013:

	<u>Actual Expense</u>	<u>Direct Expense</u>	<u>Indirect Expense</u>
Direct expenses:			
Salaries	\$ 472,646	\$ 338,514	\$ 134,132
Employee benefits	157,516	109,467	48,049
Consultants	<u>1,668</u>	<u>1,668</u>	<u>-</u>
Total direct costs	<u>631,830</u>	<u>449,649</u>	<u>182,181</u>
Advertising	1,449	-	1,449
Books and educational materials	253	-	253
Communication	7,104	145	6,959
Computer support	13,288	-	13,288
Consultants	784,375	784,375	-
Conferences	1,631	1,131	500
Depreciation	21,438	-	21,438
Drug testing	80	-	80
Dues and subscriptions	4,872	3,456	1,416
Insurance	7,030	-	7,030
Meetings	120	90	30
Postage	1,272	-	1,272
Professional services	63,524	29,630	33,894
Public notice	1,608	1,499	109
Rent	36,672	-	36,672
Repairs and maintenance	5,431	-	5,431
Security	448	-	448
Software	5,154	2,149	3,005
Supplies	8,026	-	8,026
Travel	14,354	12,935	1,419
Utilities	<u>6,468</u>	<u>-</u>	<u>6,468</u>
Total costs	<u>\$ 1,616,427</u>	<u>\$ 1,285,059</u>	<u>\$ 331,368</u>

## OTHER REPORTS



D. H. SCOTT & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS  
A LIMITED LIABILITY PARTNERSHIP

David H. Scott, APC, CPA  
Keith F. Hunting, CPA  
Vivian R. Piche', CPA  
Paul J. Catanese, APC, CPA/MBA  
Larry T. Dahl, CPA

Charlie J. Burns, CPA  
Casey M. Cancilla, CPA  
Lori Goyne, CPA/ABV  
Cheryl Hull, CPA  
Gerald R. Tadina, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS* AND THE  
TRANSPORTATION DEVELOPMENT ACT, THE  
CALIFORNIA ADMINISTRATIVE CODE, AND THE RULES AND  
REGULATIONS OF THE SHASTA REGIONAL TRANSPORTATION AGENCY

Honorable Chairman and Members of the Board  
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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shasta Regional Transportation Agency, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Shasta Regional Transportation Agency's basic financial statements and have issued our report thereon dated December 17, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shasta Regional Transportation Agency'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 Shasta Regional Transportation Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Shasta Regional Transportation Agency's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2013-1 through 2013-6 and TDA 2013-1.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shasta Regional Transportation Agency'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: 2013-1 through 2013-6 and TDA 2013-1.

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the California Administrative Code, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency, for the year ended June 30, 2013. 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 tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and the Transportation Development Act and is described in the accompanying schedule of findings and questioned costs as item 2013-1.

## **Shasta Regional Transportation Agency's Response to Findings**

Shasta Regional Transportation Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Shasta Regional Transportation Agency'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.

*D. H. Scott & Company LLP*

Redding, California  
December 17, 2013



**D. H. SCOTT & COMPANY**  
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A LIMITED LIABILITY PARTNERSHIP

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

Honorable Chairman and Members of the Board  
Shasta Regional Transportation Agency  
Redding, California

**Report on Compliance for Each Major Federal Program**

We have audited Shasta Regional Transportation Agency's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Shasta Regional Transportation Agency's major federal programs for the year ended June 30, 2013. Shasta Regional Transportation Agency's major federal programs are identified in the summary of auditor's 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 Shasta Regional Transportation Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shasta Regional Transportation Agency'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 Shasta Regional Transportation Agency's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Shasta Regional Transportation Agency 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, 2013.

### ***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 items 2013-1 through 2013-6 and TDA 2013-1. Our opinion on each major federal program is not modified with respect to these matters.

Shasta Regional Transportation Agency's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Shasta Regional Transportation Agency'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 Shasta Regional Transportation Agency 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 Shasta Regional Transportation Agency'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 Shasta Regional Transportation Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We do consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-1 through 2013-6 and TDA 2013-1 to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control 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.

*D. N. Scott & Company LLP*

Redding, California  
December 17, 2013

SHASTA REGIONAL TRANSPORTATION AGENCY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Transportation:</u></b>			
Passed through State of California, Department of Transportation			
Highway Research & Development	20.200	TX03-6093(17)	\$ 140,000
Federal Highway Administration	20.205	74A0142	735,670
Safe Routes to School	20.205	SRTSLN1-6093	135,071
Metropolitan Planning Grant	20.505	74A0142	185,346
State Planning and Research	20.215	74A0142	207,520
Rural Statewide Google Transit Implementation Project	20.509	649190	<u>6,400</u>
Total expenditures of federal awards			\$ <u>1,410,007</u>

SHASTA REGIONAL TRANSPORTATION AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

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Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Shasta Regional Transportation Agency Metropolitan Planning Organization Fund and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2: SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Metropolitan Planning Organization Fund of the Shasta Regional Transportation Agency provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Federal Highway Administration	20.205	\$ <u>484,020</u>
Total federal expenditures provided to subrecipients		\$ <u>484,020</u>

SHASTA REGIONAL TRANSPORTATION AGENCY  
METROPOLITAN PLANNING ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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SUMMARY OF AUDITORS' RESULTS

Financial statements

Type of auditors' report issued on financial statements	Unqualified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified that are not considered to be material weaknesses	No
Noncompliance which is material to the financial statements	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified that are not considered to be material weaknesses	Yes
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133	Yes
The dollar threshold used to distinguish between Type "A" and Type "B" programs was	\$300,000
Identified as a major program was: Department of Transportation (20.205)	
Auditee qualified as a low risk auditee under Section 0.530 of OMB Circular A-133	No

FINDINGS - BASIC FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

See pages S-16 - S-22

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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SIGNIFICANT DEFICIENCIES

**Finding 2013-1**

Federal Program: Safe Routes to School  
Federal Agency: U.S. Department of Transportation  
CFDA Number: 20.205  
Passed Through: State of California, Department of Transportation  
Grant Number: X12-6093  
Award Year: 2012

Criteria:

Per the terms of the contract between the Agency and the State of California (the pass-through entity), the Agency is required to ensure that no members of its elected board, council, or other key decision makers are on the Federal Government Excluded Parties List System (EPLS).

Statement of Condition:

We noted that the Agency did not check the EPLS to ensure that its elected board, council, or other key decision makers are included on the list.

Questioned Costs:

None

Cause of Effect:

The Agency did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements. Although we did not identify any questioned costs associated with this finding, potential exists for penalties or denied reimbursements as a result in the future.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency is checking the EPLS annually and this has been incorporated in the new grant monitoring policies and procedures that were adopted at year end.

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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**Finding 2013-2**

Federal Program:	Federal Apportionment Exchange
Federal Agency:	U.S. Department of Transportation
CFDA Number:	20.205
Passed Through:	State of California, Department of Transportation
Grant Number:	X12-6093
Award Year:	2011/2012

Criteria:

Per the terms of the agreement between the 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, the Agency obtains annual compliance representations from each recipient. However, those representations do not include the following requirements:

- o Complying with OMB Circular A-87, Cost Principles for State and Local Government;
- o Complying with 49 CFR, Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments;
- o Agreement that Contract 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.
- o Establishment of a special fund for the purpose of depositing Exchange Funds within their Special Gas Tax Street Improvement Fund or County Road Fund.

Statement of Condition:

We noted that the Agency is obtaining compliance representations from each participating city and county, however, the representations obtained do not address the above-mentioned requirements.

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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Questioned Costs:

None.

Cause of Effect:

The Agency did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements. Although we did not identify any questioned costs associated with this finding, potential exists for penalties or denied reimbursements as a result in the future.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency will revise the compliance certification. The correct certification process has been incorporated in the new grant monitoring policies and procedures.

**Finding 2013-3**

Federal Program: Federal Highway Administration  
Grant Number: 74A0142  
Federal Agency: U.S. Department of Transportation  
CFDA Number: 20.205  
Award Year: 2012-2013

Criteria:

Per the terms of the agreement between the Agency and the State of California (the pass-through entity), the Agency is required to submit quarterly progress reports within 30 calendar days of the close of each quarter, as well as a year-end close-out documentation package within 60 days of June 30 of each year.

Statement of Condition:

We noted that the Agency did not submit all quarterly progress reports, nor did it submit the year-end close-out documentation.

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

---

Questioned Costs:

None.

Cause of Effect:

The Agency did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements. Although we did not identify any questioned costs associated with this finding, potential exists for penalties or denied reimbursements as a result in the future.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency will submit quarterly progress reports separately from billing to ensure timely filing of reports. This process is incorporated into the new grant monitoring policies and procedures.

**Finding 2013-4**

Federal Program: Highway Research and Development Program  
Grant Number: TX03-6093(017)  
Federal Agency: U.S. Department of Transportation  
CFDA Number: 20.200  
Award Year: 2003

Criteria:

Per the terms of the agreement between the Agency and the State of California (the pass-through entity), the Agency is required to annually submit a list of all local project sponsors who are allocated funds in the preceding fiscal year and those amounts allocated.

Statement of Condition:

We noted that the Agency did not submit any listings to the State.

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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Questioned Costs:

None

Cause of Effect:

The Agency did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency 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.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has completed this grant and has adopted new grant monitoring policies and procedures to identify and comply with grant requirements.

**Finding 2013-5**

Federal Program: Highway Research and Development Program  
Grant Number: TX03-6093(017)  
Federal Agency: U.S. Department of Transportation  
CFDA Number: 20.200  
Award Year: 2003

Criteria:

Per the terms of the agreement between the Agency and the State of California (the pass-through entity), the Agency is required to reference requirements regarding the grants in contracts and agreements developed as well as including all fiscal provisions of the grant agreement in such contracts and agreements.

Statement of Condition:

We noted that the Agency did not include funding requirements and fiscal provisions of the grant in agreements made with other parties.

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

---

Questioned Costs:

None.

Cause of Effect:

The Agency did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements. Although we did not identify any questioned costs associated with this finding, potential exists for penalties or denied reimbursements as a result in the future.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has completed this grant and has adopted new grant monitoring policies and procedures to identify and comply with grant requirements.

**Finding 2013-6**

Federal Program: Safe Routes to School  
Federal Agency: U.S. Department of Transportation  
CFDA Number: 20.205  
Passed Through: State of California, Department of Transportation  
Grant Number: X12-6093  
Award Year: 2012

Criteria:

Per the terms of the contract between the Agency and the State of California (the pass-through entity), all contractors, subcontractors, and sub-recipients that receive these funds are required to adhere to multiple requirements, as well as submit certifications of such to the State annually. Of those, the Agency is not currently confirming that the contractors, subcontractors, and sub-recipients are adhering to the following:

- o Agreement that 48 CFR, Chapter 1, Part 31 will be used to determine the allowability of individual cost items;

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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- Complying with 49 CFR, Part 18, Uniform Administrative Requirements for Grants;
- Agreement to not discriminate on the basis of race, color, national origin, or sex, as mandated by 49 CFR, part 26;
- Complying with annual Certifications and Assurances for FTA, including "Certifications and Assurances Required of Each Applicant" and the "Lobbying Certification" in compliance with 49 U.S.C. Chapter 53 (the Agency is to submit these certifications to the State annually).

Statement of Condition:

The Personal Service Agreements (PSA) and service contracts we reviewed did not outline the above mentioned requirements, nor did the Agency submit the above-referenced certifications to the State.

Questioned Costs:

None.

Cause of effect:

The Agency did not appear to adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements. Because the Agency did not ensure adherence to the above requirements, we are unable to determine if there are questioned costs associated with this finding. Costs may have been incurred under contracts that were not in compliance with all requirements.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has developed new PSA agreements that incorporate the required adherence requirements. A new PSA has been incorporated into the new grant monitoring policies and procedures.

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
TRANSPORTATION DEVELOPMENT ACT PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2013

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**Finding TDA 2013-1**

Finding Regarding CTSA and Performance Criteria

Criteria:

PUC Section 99275.5 states that the Agency must adopt criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services. Additionally, it states that the claimant must be in compliance with Section 99268.5 or the performance criteria or fare recovery ratios adopted by resolution of the Agency.

Statement of Condition:

The Agency has adopted criteria, rules and regulations for the evaluation of claims filed under Article 4.5 of the TDA. Policy 6-5 and Section 1309 in the new TDA policies and procedures establishes these requirements as well as performance criteria as designated in Section 99268.5. This policy states that the Community Transit Service Agency (CTSA) will receive TDA subsidy of less than \$15 per passenger trip, and that the cost per hour shall not exceed \$35 per service hour with an allowance for changes in the CPI.

The Agency did not monitor CTSA compliance with the performance criteria as set forth in Policy 6-5 and Section 1309 in the new TDA policies and procedures.

Questioned Costs:

None.

Cause of Effect:

While the Agency has policies and procedures in place to monitor performance criteria of CTSA claimants, these policies were not followed appropriately due to employee/management override.

Shasta Regional Transportation Agency Corrective Action Plan:

The Agency is reviewing the CTSA services and the related costs of those services to determine the appropriate performance criteria and measurements for the CTSA. The Memorandum of Understanding with the CTSA will be revised to reflect requirements of the Agency and of the TDA. The Agency's TDA policies and procedures will be amended to reflect these changes.

SHASTA REGIONAL TRANSPORTATION AGENCY

SCHEDULE OF PRIOR YEAR FINDINGS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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**Finding 2012-1**

Federal Program: Transportation Enhancement  
Federal Agency: U.S. Department of Transportation  
CFDA Number: 20.200  
Passed Through: State of California Department of Transportation  
Grant Number: Unknown  
Award Year: 2000, 2002, 2003, and 2004

The Agency was unable to provide grant award documents, contracts or other documents pertaining to this grant, so we were unable to determine compliance with this program.

Status: The Agency was able to provide grant documentation and we were able to determine compliance with this program.

**Finding 2012-2**

Federal Program: Federal Apportionment Exchange  
Federal Agency: U.S. Department of Transportation  
Grant Number: X12-6093 (035)  
Award Year: 2011-2012

The Agency did not obtain certain compliance representations from each participating city and county.

Status: The Agency has revised the compliance certification. The correct certification process has been incorporated in the new grant monitoring policies and procedures. The Agency is obtaining most of the required certification in 2012-13. The recommendation has been partially implemented. See current year finding 2013-2.

**Finding 2012-3**

Federal Program: Safe Routes to School  
CFDA Number: 20.205  
Passed Through: State of California Department of Transportation  
Federal Agency: U.S. Department of Transportation  
Grant Number: SRTSLNI-6093(033) and SRTSLNI-6093(28)  
Award Year: 2009 and 2012

SHASTA REGIONAL TRANSPORTATION AGENCY

SCHEDULE OF PRIOR YEAR FINDINGS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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The Agency submitted a Student Tally and Parent Survey at the time of application of a new grant. However, that submission was not within two months of the beginning of the project. The Agency did not submit a Student Tally and Parent Survey for the project that was completed during the year, nor did it submit the required final report documentation to the state.

Status: The Agency filed the final report documentation. The monitoring of sub-recipients has been incorporated in the new grant monitoring policies and procedures. The recommendation has been implemented.

**Finding 2012-4**

Federal Program: Safe Routes to School  
CFDA Number: 20.205  
Passed Through: State of California Department of Transportation  
Federal Agency: U.S. Department of Transportation  
Grant Number: SRTSLNI-6093(033) and SRTSLNI-6093(28)  
Award Year: 2009 and 2012

The Agency did not check the EPLS to ensure that its elected board, council, or other key decision makers are included on the list.

Status: The Agency was unable to confirm that it checks the EPLS although the procedure has been incorporated in the new grant monitoring policies and procedures. The recommendation has not been implemented. See current year finding 2013-1.

**Finding 2012-5**

Federal Program: Safe Routes to School  
CFDA Number: 20.205  
Passed Through: State of California Department of Transportation  
Federal Agency: U.S. Department of Transportation  
Grant Number: SRTSLNI-6093(033) and SRTSLNI-6093(28)  
Award Year: 2009 and 2012

SHASTA REGIONAL TRANSPORTATION AGENCY

SCHEDULE OF PRIOR YEAR FINDINGS -  
FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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The Personal Service Agreements (PSA) and service contracts we reviewed did not outline the following requirements, nor did the Agency submit the below-referenced certifications to the State.

- o Agreement that 48 CFR, Chapter 1, Part 31 will be used to determine the allowability of individual cost items;
- o Complying with 49 CFR, Part 18, Uniform Administrative Requirements for Grants;
- o Agreement to not discriminate on the basis of race, color, national origin, or sex, as mandated by 49 CFR, part 26;
- o Complying with annual Certifications and Assurances for FTA, including "Certifications and Assurances Required of Each Applicant" and the "Lobbying Certification" in compliance with 49 U.S.C. Chapter 53 (the Agency is to submit these certifications to the State annually).

Status: The Agency developed a new PSA agreement that incorporates the required adherence requirements. A new PSA was incorporated into the new grant monitoring policies and procedures. However, no PSA's were in place under this new policy prior to June 30, 2013. Therefore, the recommendation has been partially implemented. See current year finding 2013-6.

**Finding 2012-6**

Federal Program: Safe Routes to School  
CFDA Number: 20.205  
Passed Through: State of California Department of Transportation  
Federal Agency: U.S. Department of Transportation  
Grant Number: SRTSLNI-6093(033) and SRTSLNI-6093(028)  
Award Year: 2009 and 2012

The Agency did not appear to follow certain federal procurement policies and procedures. The Agency disposed of assets purchased partially with FHWA funds without obtaining prior approval from the State of California FHWA office.

Status: The Agency has developed a process to monitor capital asset purchases, disposals and the source of funding on assets. All grant requirements are now being incorporated into the new grant monitoring policies and procedures. The recommendation has been implemented.

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF PRIOR YEAR FINDINGS  
TRANSPORTATION DEVELOPMENT ACT PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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**Finding TDA 2012-1**

The Agency submitted revised monthly claims to the Auditor-Controller that did not have board approval. The condition occurred again 2012-13 because the County continued to allow unauthorized revisions.

Status: The Agency eliminated the true-up process and instituted new policies with regard to unused apportionments and revised claims. The Agency has originating authority on all accounts with the County.

**Finding TDA 2012-2**

The Agency adopted Policy 6-1 "Policy to Determine Productivity Improvement of Transit Operators". However, the Agency was adhering to their internal policy to make these productivity improvement recommendations to the transit operators.

Status: The Agency now makes productivity improvement recommendations.

**Finding TDA 2012-3**

The Agency did not have a policy in place stating how pedestrian and bicycle facilities will be funded or how they will handle such claims.

Status: The Agency will adopt policies in December, 2013.

**Finding TDA 2012-4**

The Agency had no documentation of review of claimant audits in order to ensure compliance with relevant TDA statutes pertaining to the inclusion of required TDA audits on this audit.

Status: The Agency now obtains such notifications.

**Finding TDA 2012-5**

The Agency had no documentation regarding the staffing of vehicles that would indicate efforts towards compliance.

Status: The Agency now obtains staffing documentation.

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF PRIOR YEAR FINDINGS  
TRANSPORTATION DEVELOPMENT ACT PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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**Finding TDA 2012-6**

The Agency did not assess fare box ratio penalties on a timely basis.

Status: The Agency retroactively adopted policies that eliminated the penalty.

**Finding TDA 2012-7**

The Agency did not document calculations and review of efficiency standards.

Status: The Agency now documents calculations and review of efficiency standards.

**Finding TDA 2012-8**

The Agency did not obtain the required CHP certification prior to the approval of the claim.

Status: The Agency now obtains the required CHP certification.

**Finding TDA 2012-9**

The Agency did not have any documentation to support the Agency's consideration of known increases or increases in budgeted line items that are in excess of 15% of the preceding year.

Status: The Agency now has documentation on the increases.

**Finding TDA 2012-10**

There is no documentation in the Agency records to support Agency efforts to meet the 50% LTF test.

Status: The Agency now documents the 50% LTF test.

**Finding TDA 2012-11**

The Agency overpaid RABA approximately \$1,500,000 in the past four years for RABA's operations. In addition, the Agency has paid the City of Shasta Lake approximately \$535,000 in past years while failing to require the City of Shasta Lake to currently demonstrate a need for the prior payments.

SHASTA REGIONAL TRANSPORTATION AGENCY  
SCHEDULE OF PRIOR YEAR FINDINGS  
TRANSPORTATION DEVELOPMENT ACT PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2013

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Status: The Agency has either collected or accounted for all overpayments. The Agency no longer permits unaccounted for overpayments.

**Finding TDA 2012-12**

The Agency has stated that claims for the CTSA will be 5% of all TDA revenue from the state. This CTSA 5% allocation calculation is performed with estimated revenue numbers for the claims process but they did not allow for more funding to the CTSA upon true up. However, the Agency was not monitoring performance criteria of the CTSA.

Status: The Agency now adjusts for final revenue numbers in the next year. The Agency has developed policies and procedures for monitoring compliance, however, they did not monitor CTSA performance criteria during the year. See current year finding TDA 2013-1.