

Shasta Regional Transportation Agency

Redding, California

Financial Statements and Independent Auditors' Reports

For the Year Ended June 30, 2017

Prepared by:
Chief Financial Officer



**Shasta Regional Transportation Agency
For the Year Ended June 30, 2017**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Shasta Regional Transportation Agency ("SRTA") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SRTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of SRTA, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
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Emphasis Matter

Prior Period Adjustments

Local Transportation Special Revenue Fund and State Transit Assistance Special Revenue Fund beginning Fund Balances were restated due to GASB 84 implementation as discussed in the Note 15. The restatement amount was \$2,518,166. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of the Contributions, and the Schedules of Funding Progress - Other Postemployment Benefits Plan on pages 13 through 17, and 67 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SRTA's basic financial statements. The Schedules of Allocations and Disbursements, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Rate Carryover, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover, and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Allocations and Disbursements, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Rate Carryover, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Allocations and Disbursements, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Rate Carryover, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Directors
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017 on our consideration of SRTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SRTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SRTA's internal control over financial reporting and compliance.

The PwC Group, LLP

Walnut Creek, California
November 21, 2017

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the TDA Statutes and California Code of Regulations issued by the California Department of Transportation, the financial statements of the governmental activities, business-type activities, and each major fund of the Shasta Regional Transportation Agency ("SRTA"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SRTA's basic financial statements, and have issued our report thereon dated November 21, 2017.

Internal Control over Financial Reporting

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

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness.

To the Board of Directors
of the Shasta Regional Transportation Agency
Redding, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether SRTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

The PwC Group, LLP

Walnut Creek, California
November 21, 2017



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

Independent Auditors' Report

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

Report on Compliance for Transportation Planning Agency Required by Transportation Development Act

We have audited the Shasta Regional Transportation Agency's ("SRTA") compliance with the compliance requirements described in §6662 and §6663 of the California Code of Regulation, Title 21, Division 3, Chapter 3, Article 5.5 applicable to SRTA's compliance as Transportation Planning Agency ("TPA") for the year ended June 30, 2017.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of SRTA's management.

Auditor's Responsibility

Our responsibility is to express an opinion on SRTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Transportation Development Act Guidebook – Statutes and California Codes of Regulations, April, 2013, issued by the California Department of Transportation Division of Mass Transportation. Those standards and Transportation Development Act Guidebook – Statutes and California Codes of Regulations, April, 2013, issued by the California Department of Transportation Division of Mass Transportation require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on SRTA as TPA occurred. An audit includes examining, on a test basis, evidence about SRTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the SRTA's compliance with these requirements.

Opinion on SRTA as Transportation Planning Agency

In our opinion, SRTA complied, in all material respects, with the compliance requirements referred to above that are applicable to SRTA as Transportation Planning Agency for the year ended June 30, 2017.

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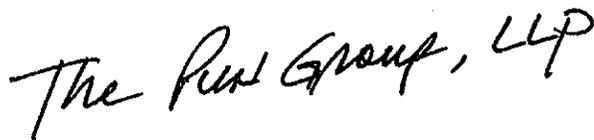
Report on Internal Control over Compliance

Management of SRTA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the SRTA's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SRTA's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of §6662 and §6663 of the California Codes of Regulation, Title 21, Division 3, Chapter 3, Article 5.5. Accordingly this report is not suitable for any other purpose.

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

Walnut Creek, California
November 21, 2017



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the Shasta Regional Transportation Agency's ("SRTA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SRTA's major federal programs for the year ended June 30, 2017. SRTA's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SRTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SRTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SRTA's compliance.

Opinion on Each Major Federal Program

In our opinion, SRTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of SRTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SRTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SRTA's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be significant deficiencies.

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

To the Board of Directors
of the Shasta Regional Transportation Agency
Redding, California
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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The PwC Group, LLP

Walnut Creek, California
November 21, 2017

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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, 2017. We encourage readers to consider the information presented herein, in conjunction with the rest of the report.

Financial Highlights

- SRTA's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,744,350.
- SRTA's net position increased by \$231,069 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 \$2,701,160 a decrease of (\$300,274) in comparison with the prior fiscal year. Approximately .19% of this total amount, or \$5,153, is available for spending at the Agency's discretion.
- At the end of the current fiscal year, unassigned fund balance for the Local Planning Fund was \$0 or 0.00% of total Local Planning Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SRTA's basic financial statements. SRTA's basic financial statements are made up of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to 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 SRTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SRTA is improving or deteriorating.

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

The government-wide financial statements can be found on pages 23-25 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 funds of SRTA can be classified as Governmental Funds or Proprietary 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 three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balances.

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

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.

SRTA adopts an annual appropriated budget for all governmental funds. 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 29-32 of this report.

At June 30, 2017, SRTA's governmental fund reported total fund balance of \$2,701,160, a decrease of (\$300,274) in comparison with the prior fiscal year's total ending fund balance.

Proprietary Funds – Proprietary funds account for operations (1) that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds can be found on pages 33-35 of this report

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

Notes to the 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 37-63 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, 2016 and 2017:

Net Position June 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2016		2017	2016	2016	
	2017	(As Restated)			2017	(As Restated)
Current and other assets	\$ 3,375,046	\$ 3,378,059	\$ 71,996	\$ 378,242	\$ 3,447,042	\$ 3,756,301
Internal balance	440,237	398,568	(440,237)	(398,568)	-	-
Capital assets	1,154,914	1,101,673	598,495	601,327	1,753,409	1,703,000
Total assets	4,970,197	4,878,300	230,254	581,001	5,200,451	5,459,301
Deferred outflows of resources	275,527	206,755	-	-	275,527	206,755
Long-term liabilities	725,112	761,095	128,153	480,144	853,265	1,241,239
Other liabilities	848,539	826,471	10,833	26,504	859,372	852,975
Total liabilities	1,573,651	1,587,566	138,986	506,648	1,712,637	2,094,214
Deferred inflows of resources	18,991	58,561	-	-	18,991	58,561
Net position:						
Net investment in capital assets	438,623	359,973	462,364	113,435	900,987	473,408
Restricted	3,214,459	3,078,955	-	-	3,214,459	3,078,955
Unrestricted	-	-	(371,096)	(39,082)	(371,096)	(39,082)
Total net position	\$ 3,653,082	\$ 3,438,928	\$ 91,268	\$ 74,353	\$ 3,744,350	\$ 3,513,281

SRTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,653,082 at the close of the current fiscal year. Overall, Capital assets experienced an increase of \$53,241 from prior fiscal year due to depreciation of assets of \$68,645 and the purchase of assets of \$121,886.

During the current fiscal year, SRTA's increase in net position was \$231,069. This increase is due to \$479,746 of unexpected local transportation assistance offset by a loss in transportation planning activities.

The following table demonstrates the changes in SRTA's net position for the year ended June 30, 2017:

Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u> <u>(As Restated)</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u> <u>(As Restated)</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,541	\$ -	\$ 59,736	\$ 45,401	\$ 65,277	\$ 45,401
Operating grants and contributions	9,720,839	11,581,356	-	-	9,720,839	11,581,356
General revenue:						
Investment earnings	16,736	11,049	-	-	16,736	11,049
Total revenues	<u>9,743,116</u>	<u>11,592,405</u>	<u>59,736</u>	<u>45,401</u>	<u>9,802,852</u>	<u>11,637,806</u>
Expenses:						
Trans. plan./local assistance	9,528,962	12,449,881	-	-	9,528,962	12,449,881
Building rental	-	-	42,821	33,381	42,821	33,381
Total expenses	<u>9,528,962</u>	<u>12,449,881</u>	<u>42,821</u>	<u>33,381</u>	<u>9,571,783</u>	<u>12,483,262</u>
Transfers	-	(57,336)	-	57,336	-	-
Increase (decrease) in net position	<u>214,154</u>	<u>(914,812)</u>	<u>16,915</u>	<u>69,356</u>	<u>231,069</u>	<u>(845,456)</u>
Net position - beginning of year (as restated)	<u>3,438,928</u>	<u>4,353,740</u>	<u>74,353</u>	<u>4,997</u>	<u>3,513,281</u>	<u>4,358,737</u>
Net position - end of year	<u>\$ 3,653,082</u>	<u>\$ 3,438,928</u>	<u>\$ 91,268</u>	<u>\$ 74,353</u>	<u>\$ 3,744,350</u>	<u>\$ 3,513,281</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 \$9,213, \$5,153 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 0.045% of total expenditures.

During the current fiscal year, SRTA's Local Planning Fund balance decreased by (\$474,055). This is due to the purchase costs of capital assets and the limitations in recognizing revenue collected more than sixty days after year end.

General Planning Fund Budgetary Highlights

There were three adjustments in the Local Planning Fund budget due to grants. Adopted appropriations were sufficient to cover all general fund operations during the fiscal year.

The Local Planning Fund revenues collected within sixty days of year end were less than anticipated which required 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 (\$474,055).

Capital Assets and Debt Administration

Capital Assets - SRTA's capital assets as of June 30, 2017, amounts to \$1,753,409 net of accumulated depreciation. Capital assets includes office equipment, furniture, software and a building. The increase in SRTA's Capital was primarily due to the remodeling of a building.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 118,722	\$ 118,722	\$ 116,278	\$ 116,278	\$ 235,000	\$ 235,000
Building	1,009,884	956,507	482,217	485,049	1,492,101	1,441,556
Improvements	4,692	5,695	-	-	4,692	5,695
Equipment and furniture	21,616	20,749	-	-	21,616	20,749
Total capital assets	<u>\$ 1,154,914</u>	<u>\$ 1,101,673</u>	<u>\$ 598,495</u>	<u>\$ 601,327</u>	<u>\$ 1,753,409</u>	<u>\$ 1,703,000</u>

Additional information on SRTA's capital assets can be found in Note 6 on page 47 of this report.

Debt Administration – As of June 30, 2017, SRTA's debt totaled \$852,422, a decrease of \$48,512 from the prior year. The reason of the decrease was a payment made on the capital leases for the purchase of the building.

Outstanding Debt June 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital leases	<u>\$ 716,291</u>	<u>\$ 757,055</u>	<u>\$ 136,131</u>	<u>\$ 143,879</u>	<u>\$ 852,422</u>	<u>\$ 900,934</u>

Additional information on SRTA's outstanding debt can be found in Note 8 on page 48-49 of this report.

Economic Factors and Next Fiscal Year's Budgets and Rates

The revenue and expenditure projections incorporated into the fiscal year 2017-18 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 2017-18 projects no increase in fund balance of \$9,213.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Shasta Regional Transportation Agency
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets:			
Cash	\$ 2,374,024	\$ 71,996	\$ 2,446,020
Due from other governments	996,962	-	996,962
Internal balances	440,237	(440,237)	-
Prepaid items	4,060	-	4,060
Total current assets	<u>3,815,283</u>	<u>(368,241)</u>	<u>3,447,042</u>
Non-current assets:			
Capital assets:			
Nondepreciable	118,722	116,278	235,000
Depreciable, net of accumulated depreciation	1,036,192	482,217	1,518,409
Total capital assets, net	<u>1,154,914</u>	<u>598,495</u>	<u>1,753,409</u>
Total non-current assets	<u>1,154,914</u>	<u>598,495</u>	<u>1,753,409</u>
Total assets	<u>4,970,197</u>	<u>230,254</u>	<u>5,200,451</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	<u>275,527</u>	-	<u>275,527</u>
Total deferred outflows of resources	<u>275,527</u>	-	<u>275,527</u>
LIABILITIES			
Current liabilities:			
Accounts payable	112,905	841	113,746
Due to other governments	283,209	-	283,209
Unearned revenues	397,275	-	397,275
Accrued interest	5,336	1,014	6,350
Security Deposits	-	1,000	1,000
Capital leases, due within one year	41,979	7,978	49,957
Compensated absences, due within one year	7,835	-	7,835
Total current liabilities	<u>848,539</u>	<u>10,833</u>	<u>859,372</u>
Long-term liabilities:			
Capital lease, due in more than one year	674,312	128,153	802,465
Compensated absences, due in more than one year	42,930	-	42,930
Net pension liability	7,870	-	7,870
Total long-term liabilities	<u>725,112</u>	<u>128,153</u>	<u>853,265</u>
Total liabilities	<u>1,573,651</u>	<u>138,986</u>	<u>1,712,637</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	<u>18,991</u>	-	<u>18,991</u>
Total deferred inflows of resources	<u>18,991</u>	-	<u>18,991</u>
NET POSITION			
Net investment in capital assets	438,623	462,364	900,987
Restricted	3,214,459	-	3,214,459
Unrestricted (deficit)	-	(371,096)	(371,096)
Total net position	<u>\$ 3,653,082</u>	<u>\$ 91,268</u>	<u>\$ 3,744,350</u>

Shasta Regional Transportation Agency
Statement of Activities
For the Year Ended June 30, 2017

Function/Programs	Program Revenues			Totals
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Transportation planning and administration	\$ 1,834,651	\$ 5,541	\$ 1,604,179	\$ 1,609,720
Local transportation assistance	7,694,311	-	8,116,660	8,116,660
Total governmental activities	9,528,962	5,541	9,720,839	9,726,380
Business-type Activities:				
Real estate rental	42,821	59,736	-	59,736
Total business-type activities	42,821	59,736	-	59,736
Total primary government	\$ 9,571,783	\$ 65,277	\$ 9,720,839	\$ 9,786,116

Shasta Regional Transportation Agency
Statement of Activities (Continued)
For the Year Ended June 30, 2017

<u>Function/Programs</u>	<u>Net (Expense) Revenues and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Governmental Activities:			
Transportation planning and administration	\$ (224,931)	\$ -	\$ (224,931)
Local transportation assistance	422,349	-	422,349
Total governmental activities	<u>197,418</u>	<u>-</u>	<u>197,418</u>
Business-type Activities:			
Real estate rental	-	16,915	16,915
Total business-type activities	<u>-</u>	<u>16,915</u>	<u>16,915</u>
Total primary government	<u>197,418</u>	<u>16,915</u>	<u>214,333</u>
General revenues and transfers:			
Investment income	16,736	-	16,736
Total general revenues	<u>16,736</u>	<u>-</u>	<u>16,736</u>
Changes in net position	<u>214,154</u>	<u>16,915</u>	<u>231,069</u>
Net Position:			
Beginning of Year, as restated (Note 15)	3,438,928	74,353	3,513,281
End of Year	<u>\$ 3,653,082</u>	<u>\$ 91,268</u>	<u>\$ 3,744,350</u>

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FUND FINANCIAL STATEMENTS

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Shasta Regional Transportation Agency
Balance Sheet
Governmental Funds
June 30, 2017

	Local Planning Fund	Special Revenue Funds		Total Governmental Funds
		Local Transportation Fund	State Transit Assistance Fund	
ASSETS				
Cash	\$ 191,417	\$ 1,950,523	\$ 232,084	\$ 2,374,024
Due from other governments	812,006	-	184,956	996,962
Due from other funds	96,224	236,901	-	333,125
Advances to other funds	-	344,013	-	344,013
Prepaid items	4,060	-	-	4,060
Total assets	\$ 1,103,707	\$ 2,531,437	\$ 417,040	\$ 4,052,184
LIABILITIES, DEFERRED INFLOWS OF RESOURCES ,AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 62,207	\$ 50,698	\$ -	\$ 112,905
Due to other governments	77,377	4,440	201,392	283,209
Due to other funds	236,901	-	-	236,901
Unearned revenues	397,275	-	-	397,275
Total liabilities	773,760	55,138	201,392	1,030,290
Deferred inflows of resoueces:				
Unavailable revenue	320,734	-	-	320,734
Total deferred inflows of resources	320,734	-	-	320,734
Fund Balances:				
Nonspendable	4,060	-	-	4,060
Restricted for highways, transit and non-motorized	-	2,476,299	215,648	2,691,947
Assigned	5,153	-	-	5,153
Total fund balances	9,213	2,476,299	215,648	2,701,160
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,103,707	\$ 2,531,437	\$ 417,040	\$ 4,052,184

Shasta Regional Transportation Agency
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

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

Fund balances of governmental funds		\$ 2,701,160
Revenues in the Statement of Activities that do not provide current financial resources are not reported as resources in the governmental funds.		320,734
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		1,154,914
Deferred outflows of resources related to pension:		
Pension contributions after measurement date	\$ 62,819	
Employer's actual contribution in excess of employer's proportionate share of contributions	70,309	
Adjustment due to difference in proportion	42,005	
Difference between expected and actual experience	1,548	
Net difference between projected and actual earnings on pension plan investments	98,846	275,527
Deferred inflows of resources related to pension:		
Change in assumptions		(18,991)
Interest on long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental fund.		(5,336)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund:		
Capital leases	(716,291)	
Net pension liabilities	(7,870)	
Compensated absences	(50,765)	(774,926)
Net position of governmental activities		\$ 3,653,082

Shasta Regional Transportation Agency
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Local Planning Fund	Special Revenue Funds		Total Governmental Funds
		Local Transportation Fund	State Transit Assistance Fund	
Revenues:				
Sales tax	\$ -	\$ 7,444,488	\$ 672,172	\$ 8,116,660
Intergovernmental:				
Federal Highway Administration	579,819	-	-	579,819
Federal Transit Administration	138,342	-	-	138,342
Planning, Programming and Monitoring	170,303	-	-	170,303
Strategic Planning and Research	31,881	-	-	31,881
Safe Routes to School/ATP	245,070	-	-	245,070
Low Carbon Transit Operations Program	58,519	-	-	58,519
Interest income	984	13,305	2,447	16,736
Charges for services	5,541	-	-	5,541
Other revenue	59,511	-	-	59,511
Total revenues	<u>1,289,970</u>	<u>7,457,793</u>	<u>674,619</u>	<u>9,422,382</u>
Expenditures:				
Current:				
Planning and administration	1,844,039	-	-	1,844,039
Transportation programs:				
Street and Roads	-	4,099,049	-	4,099,049
Transit	-	2,646,595	805,568	3,452,163
Bike & Pedestrian	-	58,099	-	58,099
Non-Motorized	-	85,000	-	85,000
Capital outlay	121,886	-	-	121,886
Debt service:				
Principle retirement	40,764	-	-	40,764
Interest	21,656	-	-	21,656
Total expenditures	<u>2,028,345</u>	<u>6,888,743</u>	<u>805,568</u>	<u>9,722,656</u>
Excess of revenues over (under) expenditures	<u>(738,375)</u>	<u>569,050</u>	<u>(130,949)</u>	<u>(300,274)</u>
Other financing sources (uses):				
Transfers in	264,320	-	-	264,320
Transfers out	-	(264,320)	-	(264,320)
Total other financing sources (uses)	<u>264,320</u>	<u>(264,320)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(474,055)</u>	<u>304,730</u>	<u>(130,949)</u>	<u>(300,274)</u>
Fund Balances:				
Beginning of year, as restated (Note 15)	483,268	2,171,569	346,597	3,001,434
End of year	<u>\$ 9,213</u>	<u>\$ 2,476,299</u>	<u>\$ 215,648</u>	<u>\$ 2,701,160</u>

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Shasta Regional Transportation Agency
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Government-Wide Statement of Activity
For the Year Ended June 30, 2017

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

Net change in fund balances of governmental funds	\$	(300,274)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as resources in the governmental funds.		320,734
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the capital transaction is presented below:		
Capital Outlay		121,886
Depreciation		(68,645)
Changes in compensated absences do not use current financial resources and, therefore are not reported as an expenditure in governmental funds.		1,873
Pension credit, net of reporting contribution made after measurement date in the amount of \$62,819 is reported in the Statement of Activities.		97,512
Payments on a capital lease do not represent a current financial resource and, therefore not reported as a use in the statement of activities.		40,764
Changes in interest do not use current financial resources and, therefore are not reported as an expenditure in the governmental funds.		304
Change in net position of governmental activities	\$	<u>214,154</u>

Shasta Regional Transportation Agency
Statement of Net Position
Proprietary Funds
June 30, 2017

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Totals
ASSETS			
Current Assets:			
Cash		\$ 71,996	\$ 71,996
Total current assets	-	71,996	71,996
Capital Assets:			
Nondepreciable	22,560	93,718	116,278
Depreciable	204,426	321,823	526,249
Accumulated depreciation	(12,876)	(31,156)	(44,032)
Total capital assets	214,110	384,385	598,495
Total assets	214,110	456,381	670,491
LIABILITIES			
Current Liabilities:			
Accounts payable	157	684	841
Interest payable	1,014	-	1,014
Security Deposits	1,000	-	1,000
Due to other funds	96,224	-	96,224
Advance from other fund	-	344,013	344,013
Capital lease, due within one year	7,978	-	7,978
Total current liabilities	106,373	344,697	451,070
Long-term liabilities:			
Capital lease, due in more than one year	128,153	-	128,153
Total liabilities	234,526	344,697	579,223
NET POSITION			
Net investment in capital assets	77,979	384,385	462,364
Unrestricted (deficit)	(98,395)	(272,701)	(371,096)
Total net position	\$ (20,416)	\$ 111,684	\$ 91,268

Shasta Regional Transportation Agency
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Totals
Operating Revenues:			
Rent revenues	\$ 8,460	\$ 51,276	\$ 59,736
Operating Expenses:			
Depreciation	8,698	14,265	22,963
Repairs and maintenance/Taxes/Insurance	2,662	10,624	13,286
Utilities	476	1,980	2,456
Total operating expenses	11,836	26,869	38,705
Operating income (loss)	(3,376)	24,407	21,031
Non-Operating Expenses:			
Interest Expense	4,116	-	4,116
Change in net position	(7,492)	24,407	16,915
Net Position:			
Beginning of Year	(12,924)	87,277	74,353
End of Year	<u>\$ (20,416)</u>	<u>\$ 111,684</u>	<u>\$ 91,268</u>

Shasta Regional Transportation Agency
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Totals
Cash Flows From Operating Activities:			
Cash received from customers	\$ 9,460	\$ 51,276	\$ 60,736
Cash paid to suppliers	(20,441)	(12,145)	(32,586)
Net cash provided by (used in) operating activities	(10,981)	39,131	28,150
Cash Flows From Noncapital Financing Activities:			
Change in due to/due from other funds	41,669	-	41,669
Net cash provided by noncapital financing activities	41,669	-	41,669
Cash Flows From Capital and Related Financing Activities:			
Interest paid	(4,173)	-	(4,173)
Principal paid on capital lease	(7,748)	-	(7,748)
Purchase of capital assets	(18,767)	(1,364)	(20,131)
Net cash (used in) capital and related financing activities	(30,688)	(1,364)	(32,052)
Net increase in cash and cash equivalents	-	37,767	37,767
Cash and cash equivalents, beginning of year	-	34,229	34,229
Cash and cash equivalents, end of year	\$ -	\$ 71,996	\$ 71,996
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (3,376)	\$ 24,407	\$ 21,031
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	8,698	14,265	22,963
Change in assets and liabilities:			
Increase (decrease) in accounts payable	(17,303)	459	(16,844)
Increase (decrease) in security deposit	1,000	-	1,000
Total adjustment	(7,605)	14,724	7,119
Net cash provided by (used in) operating activities	\$ (10,981)	\$ 39,131	\$ 28,150

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Shasta Regional Transportation Agency
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Note 1 – Reporting Entity

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Accounting and Measurement Focus

The accounts of SRTA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

The Statement of Net Position/Balance Sheet reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

Government-Wide Financial Statements

SRTA’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for SRTA accompanied by a total column.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

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

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

- Charges for services
- Operating grants and contributions

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balances. An accompanying reconciliation explains the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements.

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

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

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

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

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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

SRTA reports the following major Governmental Funds:

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

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

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

Proprietary Fund Financial Statements

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

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

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

SRTA reports the following proprietary Funds:

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

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Cash, Cash Equivalents, and Investments

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

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

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

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

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

C. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosure about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

D. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans) or “advances to/from other funds” (i.e., long-term in nature). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Governmental-Wide Financial Statements as “internal balances”.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 -- Summary of Significant Accounting Policies (Continued)

E. Prepaid Items

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

F. Capital Assets

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

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

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

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

G. Compensated Absences

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

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

H. Overhead

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

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Net Position

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

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

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

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

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

J. Fund Balances

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is SRTA's policy to use externally restricted resources first, the unrestricted resources-committed, assigned, and unassigned-in order as needed. SRTA has no formal policy of assignment of fund balance. So it is presumed that the order of spending is first committed fund balance, then assigned fund balance, and last of all, unassigned fund balance.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Pensions

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

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

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

L. Accounting Changes

GASB Statement No. 77, *Tax Abatement Disclosure*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. 2) The gross dollar amount of taxes abated during the period 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This statement did not have a significant impact on SRTA's financial statements for the year ended June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement did not have a significant impact on SRTA's financial statements for the year ended June 30, 2017.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Accounting Changes (Continued)

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement did not have a significant impact on SRTA's financial statements for the year ended June 30, 2017.

GASB Statement No. 82, *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement did not have a significant impact on SRTA's financial statements for the year ended June 30, 2017.

GASB Statement No. 84 *Fiduciary Activities*. This statement establishes standards relating accounting and financial reporting for identifying and financial reporting of fiduciary activities. Those provisions are effective for reporting periods beginning after December 15, 2018; however SRTA has elected early implementation. See Note 15 for details.

M. Use of Estimates

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

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash

At June 30, 2017, cash is classified as follows:

Statement of Net Position:	
Governmental Activities	\$ 2,374,024
Business-type Activities	71,996
Total cash	\$ 2,446,020

At June 30, 2017, cash and investments consisted of the followings:

Petty cash	\$ 100
Deposits with financial institution	1,826,670
Cash Pooled with Shasta County Treasury	619,250
Total cash	\$ 2,446,020

Demand Deposits

At June 30, 2017, the carrying amount of SRTA’s deposits was \$1,826,670 and the bank balances were \$1,853,977. The total bank balance was covered by federal depository insurance or by collateral held by SRTA’s agent in SRTA’s name as discussed below.

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

The market value of pledged securities must equal at least 110% of the SRTA's cash deposits. California law also allows institutions to secure SRTA deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. SRTA may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). SRTA has waived the collateralization requirements for deposits insured by FDIC.

Cash Pooled with Shasta County Treasury

SRTA maintains its State Transit Assistance and Local Transportation Funds cash in the amount of \$619,250 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. Interest earned is deposited quarterly into participating funds. 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 investment pool is not registered within the Securities and Exchange Commission (“SEC”), and a treasury oversight committee provides oversight to insure that investments comply with the approved County investment policy. At June 30, 2017, the weighted average maturity for the Shasta County Treasury is 1.2 years. The Shasta County Treasury is not rated by the rating agency. At the year end, the Shasta County Treasury was not exposed to custodial credit risk.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Due From Other Governments

Due from other governments consists mainly of amounts due from Caltrans in the amount of \$996,902 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 5 – Interfund Transactions

A. Internal Balances

At June 30, 2017, SRTA had the following internal balances.

Internal Receivable	Internal Payable
	Business-Type
	Activities
Governmental Activities	\$ 440,237

B. Due From/To Other Funds

At June 30, 2017, SRTA had the following due from/to other funds

	Due From Other Funds		
	Governmental Funds		
	Local Planning Fund	Local Transportation Fund	Total
Governmental Funds:			
Local Planning Fund	\$ -	\$ 236,901	\$ 236,901
Proprietary Funds:			
Suite 201	96,224	-	96,224
Total	\$ 96,224	\$ 236,901	\$ 333,125

The purpose of due from/to other funds is to cover short-term cash shortfall.

C. Advances To and From

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

At June 30, 2017, the advances from the Local Transportation Special Revenue Fund are in the amount of \$344,013.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Capital Assets

SRTA purchased a building at 1255 East Street in Redding, California. SRTA occupies approximately 51% percent of the building with 9% available for lease to other governmental or not-for-profit organizations and 40% available for lease to for-profit entities. The original cost of the building was \$1,089,599 with an additional \$632,113 for remodeling. A portion of the costs in the amount of \$622,396, have been allocated to rental operations in propriety activities. The balance of the costs in the amount of \$1,099,316, have been allocated to the Planning Fund in governmental activities.

The 51% and 9% of the building were funded by an advanced lease payment from Umpqua Bank for \$923,000. After the initial purchase, SRTA restricted the remaining unspent lease proceeds in the amount of \$15,355 for future building remodeling costs. The 40% portion of the building leased to a for-profit entity was financed with an advance from the Loan Special Revenue Fund in the amount of \$401,349 (See Note 5).

A summary of changes in capital assets for the governmental activities for the year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 118,722	\$ -	\$ -	\$ 118,722
Depreciable assets:				
Building	980,594	99,314	-	1,079,908
Improvements	9,686	-	-	9,686
Equipment and furniture	108,919	22,572	-	131,491
Total depreciable assets	<u>1,099,199</u>	<u>121,886</u>	<u>-</u>	<u>1,221,085</u>
Less: accumulated depreciation				
Building	(24,087)	(45,937)	-	(70,024)
Improvements	(3,991)	(1,003)	-	(4,994)
Equipment and furniture	(88,170)	(21,705)	-	(109,875)
Total accumulated depreciation	<u>(116,248)</u>	<u>(68,645)</u>	<u>-</u>	<u>(184,893)</u>
Total depreciable assets, net	<u>982,951</u>	<u>53,241</u>	<u>-</u>	<u>1,036,192</u>
Governmental activities capital assets, net	<u>\$ 1,101,673</u>	<u>\$ 53,241</u>	<u>\$ -</u>	<u>\$ 1,154,914</u>
Business-Type Activities:				
Capital Assets, not being depreciated				
Land	\$ 116,278	\$ -	\$ -	\$ 116,278
Depreciable assets:				
Building	506,118	20,131	-	526,249
Total depreciable assets	<u>506,118</u>	<u>20,131</u>	<u>-</u>	<u>526,249</u>
Less: accumulated depreciation				
Building	(21,069)	(22,963)	-	(44,032)
Total accumulated depreciation	<u>(21,069)</u>	<u>(22,963)</u>	<u>-</u>	<u>(44,032)</u>
Total depreciable assets, net	<u>485,049</u>	<u>(2,832)</u>	<u>-</u>	<u>482,217</u>
Business-type activities capital assets, net	<u>\$ 601,327</u>	<u>\$ (2,832)</u>	<u>\$ -</u>	<u>\$ 598,495</u>

Depreciation expenses in the amount of \$68,645 and \$22,963 for the year ended June 30, 2017 were charged to planning and administrative function for governmental activities and rental programs for the business-type activities.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Due To Other Governments

At June 30, 2017, due to other governments consisted of the following:

City of Redding	\$ 195,122
City of Anderson	18,772
City of Shasta Lake	12,806
County of Shasta	52,069
Tehama County Resource Conservation District	4,440
Total due to other governments	<u><u>\$ 283,209</u></u>

Note 8 – Long-term Liabilities

Summary of changes in long-term liabilities for the year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due in</u> <u>One Year</u>	<u>Due in</u> <u>More Than</u> <u>One Year</u>
Governmental Activities:						
Capital Lease	\$ 757,055	\$ -	\$ (40,764)	\$ 716,291	\$ 41,979	\$ 674,312
Compensated absences	52,638	42,631	(44,504)	50,765	7,835	42,930
Net pension liabilities (assets) (Note 9)	(2,960)	230,048	(219,218)	7,870	-	7,870
	<u>\$ 806,733</u>	<u>\$ 272,679</u>	<u>\$ (304,486)</u>	<u>\$ 774,926</u>	<u>\$ 49,814</u>	<u>\$ 725,112</u>
Business-type Activities:						
Capital Lease	<u>\$ 143,879</u>	<u>\$ -</u>	<u>\$ (7,748)</u>	<u>\$ 136,131</u>	<u>\$ 7,978</u>	<u>\$ 128,153</u>

Capital Leases

In April, 2016 SRTA purchased a portion of a building for occupancy which is included in capital assets at a cost of \$573,554 for SRTA planning activities and \$108,990 for rental activities. SRTA leases a portion of the building to Umpqua Bank under a Site and Facility Lease until October 1, 2030. The Site and Facility lease required an advanced payment from Umpqua Bank of \$923,000. The Site and Facility lease stipulates that Umpqua Bank shall lease the same portion of building back to SRTA under a lease agreement that qualifies as a capital lease for accounting purposes. The lease agreement between Umpqua Bank as the sub-lessor and SRTA as the sub-lessee requires SRTA to pay a total of \$923,000 plus interest in semi-annual payments through October, 2030. Interest on the lease is at 2.98%. SRTA holds title to the property. SRTA may prepay the lease payments up to 10% of the outstanding principal component of the lease payments without a prepayment premium.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-term Liabilities (Continued)

Capital Leases (Continued)

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

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2018	\$ 62,699	\$ 11,916
2019	62,680	11,912
2020	62,661	11,909
2021	62,641	11,905
2022	62,621	11,901
Thereafter	<u>562,564</u>	<u>106,916</u>
Total minimum lease payments	875,866	166,459
Less amount representing interest	<u>(159,575)</u>	<u>(30,328)</u>
Present value of minimum lease payments	<u>\$ 716,291</u>	<u>\$ 136,131</u>

Compensated Absences

SRTA's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and totaled to \$50,765 for governmental activities at June 30, 2017 and are generally liquidated by the Local Planning Fund for the governmental activities.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Retirement Plan

Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources at June 30, 2017 is as follows:

Deferred outflows of resources:	
Pension contribution after measurement date	\$ 62,819
Adjustment due to difference in proportion	42,004
Net difference between projected and actual earnings on pension plan investments	98,846
Difference between expected and actual experience	1,548
Difference between employer contribution and employer's proportionate share of contribution	<u>70,310</u>
Total deferred outflows of resources	<u>\$ 275,527</u>
Net pension liabilities/(assets)	<u>\$ 7,870</u>
Deferred inflows of Resources:	
Change in assumption	<u>\$ 18,991</u>
Total deferred inflows of resources	<u>\$ 18,991</u>
Pension Expense (Credit)	<u>\$ (34,693)</u>

A. General Information about the Pension Plan

Plan Description

SRTA contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814 and from CalPERS's website.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Retirement Plan (Continued)

A. General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2015 valuation date, the following employees were covered by the benefit terms:

	Plans	
	Classic	PEPRA
Active employees	6	2
Transferred and terminated employees	2	-
Retired Employees and Beneficiaries	-	-
Total	8	2

Benefit Provided

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

Following are the benefit provisions for each plan:

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

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

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

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Retirement Plans (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The Public agency cost-sharing plans covered by either the Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates were as follows:

Plans	Year Ended June 30, 2017		Measurement Period 2015-16	
	Active Employee Contribution Rate	Employer Contribution Rate	Active Employee Contribution Rate	Employer Contribution Rate
Classic	7.000%	9.558%	7.000%	9.353%
PEPRA	6.500%	6.930%	6.500%	6.250%

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Retirement Plan (Continued)

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

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund ("PERF"). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund ("PERF") cash flows. Taking into account historical returns of all the PERF's asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table in the following page reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Retirement Plan (Continued)

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

Discount Rate (Continued)

The target allocation shown was adopted by the Board effective July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	1.05%
	<u>100.00%</u>		

¹An expected inflation of 2.5% used for this period

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

The following presents SRTA's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what SRTA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
\$ 12,261	\$ 7,870	\$ 4,241

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

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

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Balance at: 6/30/15 (Valuation date)	\$ 177,586	\$ 180,546	\$ (2,960)
Balance at: 6/30/16 (Measurement date)	328,692	320,822	7,870
Net Changes during 2015-2016	151,106	140,276	10,830

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Retirement Plan (Continued)

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

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

The following, is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement period ended June 30, 2016.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date. Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of the market value assets.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the SRTA’s share of contributions during measurement period.

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

June 30, 2016	-0.00004312%
June 30, 2017	0.00009095%
Change - Increase (Decrease)	0.00013407%

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Retirement Plan (Continued)

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

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

For the year ended June 30, 2017, SRTA recognized pension credit in the amount of \$34,693.

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

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired).

At June 30, 2017, the SRTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 62,819	\$ -
Difference between expected and actual experience	1,548	-
Changes of assumptions	-	(18,991)
Net difference between projected and actual earning on pension plan investments	98,846	-
Adjustment due to differences in proportions	42,004	-
Difference between employer's actual contributions and proportionate share of contributions	70,310	-
Total	\$ 275,527	\$ (18,991)

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Retirement Plan (Continued)

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

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

\$62,819 is reported as deferred outflows of resources related to pensions resulting from the SRTA’s contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2018	\$ 64,054
2019	54,853
2020	49,208
2021	25,602
2022	-
Thereafter	-
	\$ 193,717

Note 10 – Deferred Compensation Plan

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

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

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

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Other Postemployment Benefits

A. Plan Description

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

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

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

Retiree medical benefits are also offered to employees eligible for medical insurance as determined by the board of directors and consistent with CalPERS requirements under the state Public Employees' Medical and Hospital Care Act (PEMHCA). SRTA is legally required only to pay the PEMHCA minimum in medical premiums for active and retired employees. However, SRTA has elected to pay amounts above the PEMHCA minimum for full-time employees, administered consistent with PEMHCA standards, as follows:

1. All full-time employees hired prior to July 1, 2012, who retire from the Agency, shall receive up to 100% of the employer-share of medical insurance premiums currently in effect for active employees.

Alternately, effective July 1, 2016, the employee may elect to participate in Number 3. below. Such election shall be in-lieu of the above offer and in effect and irrevocable upon election made in writing. Participation in this option precludes the employee from receiving any Agency retiree premium payment above the required PEMHCA minimum.

2. All full-time employees hired between July 1, 2012, and June 30, 2016, who retire from the Agency, shall receive 25% of the employer-share medical premiums after five years of service. Vesting will continue at 2.5% per year until fifteen years of total service at which time the employee is fully vested at a 50% maximum contribution rate.

Alternately, effective July 1, 2016, the employee may elect to participate in Number 3. below. Such election shall be in-lieu of the above offer and in effect and irrevocable upon election made in writing. Participation in this option precludes the employee from receiving any Agency retiree premium payment above the required PEMHCA minimum.

3. All other employees who qualify for CalPERS medical insurance under this section may elect to participate in an in-lieu retiree medical plan where the Agency will match up to 3% of an employee's annual compensation to a retirement savings plan on a dollar-for-dollar basis. The employee shall immediately vest in all Agency contributions. Eligible retirement savings plans made available by the Agency include IRS Section 457 and 401(a) plans, and may include other plans approved by the board of directors.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Other Postemployment Benefits (Continued)

A. Plan Description (Continued)

4. 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.
5. SRTA will pay 58% of the premium for spousal coverage and 62% of the premium for other dependent coverage.
6. The health plans can include coverage for an eligible spouse and/or dependents. After the member's death, a surviving spouse is eligible to continue health plan coverage. SRTA will pay 58% of the premium for spousal coverage and 62% of the premium for other dependent coverage.
7. 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

B. Funding Policy

SRTA, as a plan sponsor, determines the contributions into CalPERS to fund the OPEB Plan. SRTA has decided to pay the liability as incurred. During fiscal year 2016-17, expenditures of \$33,235 were recognized for post-retirement health insurance contributions for the liability.

C. Annual OPEB Cost and Net OPEB Obligation

SRTA's annual OPEB cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45. The ARC represents an accounting expense, but SRTA is not required to contribute the ARC into a trust. If SRTA does not set aside funds equal to the ARC each year, then a net OPEB obligation is disclosed. The current ARC rate is 34% of annual covered payroll and is determined as part of an actuarial valuation as of July 1, 2015.

The following table shows the components of SRTA's Annual OPEB Cost for the fiscal year ended June 30, 2017, the amount actually contributed to the plan, and changes in SRTA's Net OPEB Obligations:

Annual Required Contribution ("ARC")	\$	33,235
Interest on Net OPEB Obligation (Asset)		-
Adjustment to ARC		-
Annual OPEB costs		33,235
Contribution made		(33,235)
Increase (decrease) in net OPEB obligations		-
Net OPEB Obligation:		
Beginning of year		-
End of year	\$	-

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Other Postemployment Benefits (Continued)

D. Three -Year Trend Information

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

Fiscal Year June 30	OPEB Cost	Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2015	\$ 14,492	\$ 28,984	200%	-
2016	33,235	33,235	100%	-
2017	\$ 33,235	\$ 33,235	100%	-

E. Funded Status and Funding Progress

As of July 1, 2015, the latest actuarial valuation date, the plan was 17% funded. The actuarial accrued liability for benefits was \$267,594 and the actuarial value of assets was \$44,793 resulting in an actuarial unfunded liability in the amount of \$222,801. The covered payroll (annual payroll of active employees covered by the plan) was \$655,595 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 34%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of CalPERS. Any variations in future experience from that expected from these assumptions will affect the estimated costs of health benefits. In the July 1, 2015 actuarial valuation, an open/rolling amortization period of 30 years is used. This is the longest amortization period available and will result in the lowest level of ARC and Net OPEB obligations status for the employers’ accounting statements.

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

- Actuarial Cost Method – Entry Age
- Amortization Method – Level percentage of payroll over a 30 year period
- Discount Rate – 7.36%
- Healthcare Cost Trend – The ultimate trend rate was 4.0%
- Payroll Growth Rate – 3.0%
- Long-Term Inflation Rate – 2.75%

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 12 – Risk Management

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

SRTA's insurance coverage with Associated Industries Insurance Co. is as follows:

Personal Injury-\$2,000,000
Public Officials Errors and Omissions-\$2,000,000
Products/Completed Operations- \$2,000,000
Employment Practices- \$2,000,000
Crime- \$1,000,000
Property-\$3,219,144
Workers' Compensation-\$1,000,000

Note 13 – Lease Revenue

SRTA leases a portion of a building included in capital assets at a cost of \$414,177 to Stifel, Nicholas & Company under a Lease Subordination Agreement (Agreement) dated April 16, 2016 on a Multi-Tenant Office Lease (Lease) dated November 12, 2008 and amended by the seller of the building and the lessee. The Lease requires the lessee to pay a minimum monthly rental of \$4,273 through December, 2017. The lessee has the right to terminate the lease after July 31, 2016 with six month notice to SRTA.

Future minimum rental revenue payments are as follows:

<u>Year Ended June 30,</u>	
2018	<u>\$ 25,638</u>

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – Commitments and Contingencies

A. Litigations

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

B. Grants

SRTA received federal and state financial assistance from the California Department of Transportation Caltrans. This financial assistance is provided to SRTA as a reimbursement of expenditures incurred in the administration of certain programs. Federal and state financial assistance is recognized as revenue at the time related expenditures are incurred, not when the funds are actually received. Although SRTA's financial assistance programs have been audited through June 30, 2017, in accordance with the provisions of Uniform Guidance, these programs may be subject to further financial and compliance audits by the reimbursing agencies.

SRTA is currently under indirect cost allocation plan audit by the Caltrans' Independent Office of Audits and Investigations. In management's opinion, the ultimate liabilities, if any, resulting from the audit will not materially affect SRTA's financial position.

C. Commitments

As of June 30, 2017, SRTA has outstanding commitments as follows:

Non-Motorized Projects	Committed	Spent
City of Shasta Lake	\$ 20,000	\$ 11,645
County of Shasta	235,000	41,470
City of Redding	393,482	85,000
Other Commitments	Committed	Spent
On-call Travel Demands Services	150,000	19,488
On-call GIS Services	60,000	19,341
Computer Maintenance	110,000	43,424
Legal Services	150,000	4,735
City of Redding- Hilltop Corridor Signal Study	40,000	2,773
City of Redding- Victor Ave Corridor Phasing Plan	70,000	30,000
City of Shasta Lake-Cascade Blvd. Development Assessment	85,000	-
City of Shasta Lake- Micro-Transit Study	42,500	6,696
Architect- Infill & Redevelopment Incentive Program	175,000	-
Consultant- Sustainable Shasta: A Walk and Bike Network for Downtown	447,890	-
Consultant- North State Express Connect Business Plan	205,852	-
On-call Environmental Services	75,000	-
Travel Demand Modeling Software Agreement	19,800	-
Consultant- Go Shasta	250,000	152,576

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 15 – Prior Period Restatements

SRTA restated the July 1, 2016 net positions and fund balances as follows:

	Local Planning Fund	Special Revenue Funds		Total	Fiduciary Funds
		Local Transportation Fund	Sate Transit Assistance Fund		
Beginning fund balances/net position	\$ 493,576	\$ -	\$ -	\$ 493,576	\$2,079,746
A Revenue recognition correction	(10,308)	-	-	(10,308)	-
B GASB 84 implementation	-	2,171,569	346,597	2,518,166	(2,079,746)
Beginning fund balances/net position, as Restated	<u>\$ 483,268</u>	<u>\$ 2,171,569</u>	<u>\$ 346,597</u>	<u>\$ 3,001,434</u>	<u>\$ -</u>

	Governmental Activities
Beginning net position	\$ 931,070
A Revenue recognition correction	(10,308)
B GASB 84 implementation	<u>2,518,166</u>
Beginning net position, as Restated	<u>\$ 3,438,928</u>

A. Revenue Recognition Correction:

This restatement was resulted from correction of revenue recognition criteria that sales tax should be recognized as revenue when the underlying exchange transactions took place and is measureable and available to pay for current expenditures. The restatement resulted in Local Planning Fund fund balance and the governmental activities net position decreased by \$10,308.

B. GASB 84 Implementation

The implementation of GASB No.84 resulted in the reclassification of Private-Purpose Trust Funds to Special Revenue Funds. The restatement resulted in governmental funds fund balances and the governmental activities net position increased by \$2,518,166.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - Local Planning Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal Highway Administration	\$ 1,226,790	\$ 1,088,910	\$ 579,819	\$ (509,091)
Federal Transit Administration	88,135	140,448	138,342	(2,106)
Planning, Programming and Monitoring	230,077	160,695	170,303	9,608
Strategic Planning and Research	250,099	55,059	31,881	(23,178)
Safe Routes to School/ATP	399,390	376,327	245,070	(131,257)
Low Carbon Transit Operations Program	382,074	294,147	58,519	(235,628)
Interest income	-	-	984	984
Charge for services	2,945	7,060	5,541	(1,519)
Other revenue	74,300	72,300	59,511	(12,789)
Total revenues	<u>2,653,810</u>	<u>2,194,946</u>	<u>1,289,970</u>	<u>(904,976)</u>
Expenditures:				
Current:				
Planning and administration	2,916,864	2,395,835	1,844,039	551,796
Capital outlay	219,102	219,102	121,886	97,216
Debt service:				
Payments on capital lease	48,747	48,747	40,764	7,983
Interest	21,656	21,656	21,656	-
Total expenditures	<u>3,206,369</u>	<u>2,685,340</u>	<u>2,028,345</u>	<u>656,995</u>
Excess of revenues over (under) expenditures	<u>(552,559)</u>	<u>(490,394)</u>	<u>(738,375)</u>	<u>247,981</u>
Other Financing Sources (uses):				
Transfers in	284,710	222,545	264,320	41,775
Transfers out	(55,336)	(55,336)	-	55,336
Total other financing sources (uses)	<u>229,374</u>	<u>167,209</u>	<u>264,320</u>	<u>97,111</u>
Net change in fund balance	<u>\$ (323,185)</u>	<u>\$ (323,185)</u>	<u>(474,055)</u>	<u>\$ 150,870</u>
Fund Balances:				
Beginning of Year (as restated) (Note 15)			483,268	
End of Year			<u>\$ 9,213</u>	

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - Local Transportation Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 7,200,400	\$ 7,200,400	\$ 7,444,488	\$ 244,088
Interest income	-	-	13,305	13,305
Total revenues	<u>7,200,400</u>	<u>7,200,400</u>	<u>7,457,793</u>	<u>257,393</u>
Expenditures:				
Current:				
Claims paid or payable to claimants				
Street and roads	4,099,049	4,099,049	4,099,049	-
Transit	2,651,863	2,651,863	2,646,595	5,268
Bike & Pedestrian	398,306	398,306	58,099	340,207
Non-Motorized	686,518	686,518	85,000	601,518
Total expenditures	<u>7,835,736</u>	<u>7,835,736</u>	<u>6,888,743</u>	<u>946,993</u>
Excess of revenues over (under) expenditures	<u>(635,336)</u>	<u>(635,336)</u>	<u>569,050</u>	<u>1,204,386</u>
Other Financing Sources (uses):				
Transfers out	(264,320)	(264,320)	(264,320)	-
Total other financing sources (uses)	<u>(264,320)</u>	<u>(264,320)</u>	<u>(264,320)</u>	<u>-</u>
Net change in fund balance	<u>\$ (899,656)</u>	<u>\$ (899,656)</u>	<u>304,730</u>	<u>\$ 1,204,386</u>
Fund Balances:				
Beginning of Year, as restated (Note 15)			2,171,569	
End of Year			<u>\$ 2,476,299</u>	

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - State Transit Assistance Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 800,000	\$ 800,000	\$ 672,172	\$ (127,828)
Interest income	-	-	2,447	2,447
Total revenues	<u>800,000</u>	<u>800,000</u>	<u>674,619</u>	<u>(125,381)</u>
Expenditures:				
Current:				
Transportation programs:				
Transit	805,568	805,568	805,568	-
Total expenditures	<u>805,568</u>	<u>805,568</u>	<u>805,568</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(5,568)</u>	<u>(5,568)</u>	<u>(130,949)</u>	<u>(125,381)</u>
Net change in fund balance	<u>\$ (5,568)</u>	<u>\$ (5,568)</u>	<u>(130,949)</u>	<u>\$ (125,381)</u>
Fund Balances:				
Beginning of Year, as restated (Note 15)			346,597	
End of Year			<u>\$ 215,648</u>	

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2017

Budgetary and Budgetary Accounting

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

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

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016 ¹
Proportion of the net pension liability	0.00019%	-0.00004%	0.00009%
Proportionate share of the net pension liability/(assets)	\$ 11,798	\$ (2,960)	\$ 7,870
Covered payroll	\$ 495,433	\$ 577,751	\$ 646,302
Proportionate share of the net pension liability as percentage of covered employee payroll	2.38%	-0.51%	1.22%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	85.66%	101.67%	97.61%

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

Notes to Schedule:

Benefit Changes: There were no changes to the benefit terms.

Change in Assumptions: There were no changes of assumptions.

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

	2013-14	2014-15	2015-16	2016-17 ¹
Actuarially determined contribution	\$ 55,298	\$ 64,257	\$ 56,173	\$ 62,807
Contributions in relation to the actuarially determined contributions	(74,697)	(64,257)	(56,173)	(62,819)
Contribution deficiency (excess)	\$ (19,399)	\$ -	\$ -	\$ (12)
Covered payroll ²	\$ 495,433	\$ 577,751	\$ 646,302	\$ 665,691
Contributions as a percentage of covered employee payroll	11.16%	11.12%	8.69%	9.43%

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

² Payroll from prior year 2015-16 was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

Benefit Changes: There were no changes to the benefit terms.

Change in Assumptions: There were no changes of assumptions.

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Schedule of Funding Progress - Other Postemployment Benefits Plan
For the Year Ended June 30, 2017

Actuarial ¹ Valuation Date	Entry Age Actuarial Accrued Liabilities (AAL) (a)	Actuarial Valuation of Assets (AVA) (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
July 1, 2013	\$ 74,273	\$ -	\$ 74,273	0.00%	\$ 467,846	15.88%
July 1, 2015	267,594	44,793	222,801	16.74%	655,595	33.98%

¹ Only available information is presented.

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OTHER SUPPLEMENTARY INFORMATION

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Shasta Regional Transportation Agency
Schedule of Allocations and Disbursements
Local Transportation Fund
For the Year Ended June 30, 2017

	Allocations and Disbursements Under Public Utilities Code Sections				Totals
	99233.1	99260	99275	99400 (a) (c) & (d)	
Allocations:					
County of Shasta	\$ -	\$ -	\$ -	\$ 2,513,906	\$ 2,513,906
City of Redding	-	-	-	1,046,147	1,046,147
City of Anderson	-	72,403	-	262,621	335,024
City of Shasta Lake	-	66,796	-	276,375	343,171
Redding Area Bus Authority	-	2,249,732	-	-	2,249,732
Shasta Regional Transportation Agency	681,464	-	-	-	681,464
SRTA (CTSA)	-	-	279,549	-	279,549
Total allocations	<u>\$ 681,464</u>	<u>\$ 2,388,931</u>	<u>\$ 279,549</u>	<u>\$ 4,099,049</u>	<u>\$ 7,448,993</u>
Disbursements:					
County of Shasta	\$ -	\$ -	\$ -	\$ 2,513,906	\$ 2,513,906
City of Redding	-	-	-	1,046,147	1,046,147
City of Anderson	-	72,403	-	262,621	335,024
City of Shasta Lake	-	66,796	-	276,375	343,171
Redding Area Bus Authority	-	2,249,732	-	-	2,249,732
Shasta Regional Transportation Agency	681,464	-	-	-	681,464
SRTA (CTSA)	-	-	279,549	-	279,549
Total disbursements	<u>\$ 681,464</u>	<u>\$ 2,388,931</u>	<u>\$ 279,549</u>	<u>\$ 4,099,049</u>	<u>\$ 7,448,993</u>

Shasta Regional Transportation Agency
Schedule of Allocations and Disbursements
State Transit Assistance Fund
For the Year Ended June 30, 2017

	California Administrative Code Section 6730(a)
Allocations:	
City of Redding	\$ 679,256
City of Anderson	75,088
City of Shasta Lake	51,224
Total allocations	\$ 805,568
 Disbursements:	
City of Redding	\$ 679,256
City of Anderson	75,088
City of Shasta Lake	51,224
Total disbursements	\$ 805,568

**Shasta Regional Transportation Agency
Schedule of Cost Allocation Plan Reconciliation
and Indirect Cost Rate Carryover
For the Year Ended June 30, 2017**

Direct Expenses at June 30, 2017	\$	606,678
Approved Indirect cost rate for June 30, 2017		104.77%
Total allocable indirect expenses at June 30, 2017		635,617
Actual indirect expenses at June 30, 2017		605,844
Under (over) recovery of indirect expenses at June 30, 2017		(29,773)
Less: Depreciation taken grant funded capital assets		(15,039)
Under (over) recovered indirect expenses at June 30, 2017	\$	(44,812)

**Shasta Regional Transportation Agency
Schedule of Cost Allocation Plan Reconciliation
and Indirect Cost Allocation Carryover
For the Year Ended June 30, 2017**

	Actual Expense	Direct Expense	Indirect Expense
Direct expenses:			
Salaries	\$ 726,607	\$ 443,705	\$ 282,902
Employee benefits	260,332	162,973	97,359
Total salaries and employee benefits	<u>986,939</u>	<u>606,678</u>	<u>380,261</u>
Advertising	4,490	3,469	1,021
Bank Charges	25	-	25
Communication	7,425	-	7,425
Computer Support	22,654	99	22,555
Conferences	2,819	1,394	1,425
Consultants	650,884	651,059	(175)
Depreciation	68,645	-	68,645
Dues and Subscriptions	7,509	1,373	6,136
Education and Training	1,971	790	1,181
Incentives	1,811	1,221	590
Insurance	9,629	-	9,629
Interest	21,656	-	21,656
Licenses	14,668	14,668	-
Meetings	222	136	86
Printing	1,345	1,345	-
Postage	1,096	27	1,069
Professional Services	53,663	31,306	22,357
Public Notice	2,612	1,477	1,135
Recruiting	2,990	-	2,990
Repairs and Maintenance	16,359	408	15,951
Security	2,202	-	2,202
Software	5,585	-	5,585
Supplies	20,573	1,062	19,511
Taxes	79	-	79
Travel	14,292	10,216	4,076
Utilities	10,429	-	10,429
Total expenses	<u>\$ 1,932,572</u>	<u>\$ 1,326,728</u>	<u>\$ 605,844</u>

**Shasta Regional Transportation Agency
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Pass Through to Subrecipients
U.S. Department of Transportation				
<i>Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research</i>				
<i>Pass-through the State of</i>				
<i>California Department of Transportation:</i>				
Federal Highway Administration - Metropolitan Planning	20.505	74A0821	\$ 844,585	\$ 98,611
Federal Transit Administration - Metropolitan Planning	20.505	74A0821	123,746	-
Federal Highway Administration - Strategic Planning & Research	20.505	74A0821	<u>55,787</u>	<u>-</u>
Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			<u>1,024,118</u>	<u>98,611</u>
 <i>Formula Grants for Rural Areas</i>				
<i>Pass-through the State of</i>				
<i>California Department of Transportation:</i>				
Federal Transit Administration - 5311(f)	20.509	64CC15-00336	14,596	-
Total Formula Grants for Rural Areas			<u>14,596</u>	<u>-</u>
Total U.S. Department of Transportation			<u>1,038,714</u>	<u>98,611</u>
Total Expenditures of Federal Awards			<u>\$ 1,038,714</u>	<u>\$ 98,611</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

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Shasta Regional Transportation Agency
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note 1 – Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within the Local Planning Fund of SRTA. SRTA utilizes the modified accrual basis of accounting for the Local Planning Fund. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of SRTA’s basic financial statements.

Schedule of Expenditures of Federal Awards

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

Indirect Cost Rate

The Agency did not elect to use the 10% de minimis indirect cost rate.

Note 3 – Subrecipients

CFDA Numbers	Program Name/Subrecipient Names	Amount Provided to Subrecipients
20.505	Federal Highway Administration - Metropolitan Planning	
	City of Redding	\$ 32,773
	City of Shasta Lake	6,696
	Shasta Senior Nutrition	59,142
	Total Amount Provided to Subrecipients	\$ 98,611

**Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **None Noted**

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

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **2017-001**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster	Federal Expenditures
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	1,024,118
	Total Expenditures of All Major Federal Programs	\$ 1,024,118
	Total Expenditures of Federal Awards	\$ 1,038,714
	Percent of Total Expenditures of Federal Awards	98.59%

Dollar threshold for distinguishing type A and type B programs: **\$750,000**

Auditee qualified as a low-risk auditee under 2 CFR 200.520? **No**

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings

A. Current Year Findings - Financial Statement Audit

No current year findings were noted.

B. Prior Year Findings - Financial Statement Audit

Finding 2016-001 Internal Control over Invoice Approval

Refer to the Section III – Federal Award Findings and Questioned Costs 2016-001 – Activities Allowed or Unallowed, Allowable Costs/Costs Principles, and Period of Performance – Internal Control over Invoice Approval on page 88.

**Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017**

Section III – Federal Award Findings and Questioned Costs

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

2017 - 001 Reporting and Subrecipient Monitoring – Internal Control and Compliance over Reporting and Subrecipient Monitoring

Information on the Federal Program:

Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research (CFDA Number 20.505, U.S. Department of Transportation, Passed through State of California, Department of Transportation (“Caltrans”), Award Number 74A0821)

Criteria:

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

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

The Internal Control Framework would include establishing or enhancing guidance in the *Control Environment* by setting the tone of an organization, influencing the control consciousness of its people. The Control Environment is the foundation of all other components of internal control, providing discipline and structure.

Pursuant to the Subrecipient Agreement Section 6 Invoices and Progress Report, the sub-recipient shall submit an invoice to SRTA, no later than 30 days after the close of each quarter, describing progress toward completion of all tasks, projects, and products, conformance with project schedules, and reporting of all costs incurred for the work elements.

Pursuant to the Shasta Regional Transportation Agency Financial and Accounting Policies and Procedures updated April 25, 2017, Section 903 Entering into and Managing Agreements with Sub-Recipients of Federal (State) Grant Funds:

2. Requirements to Pass-through Federal (State) Funds to a Sub-Recipient:

- b) Evaluate each sub-recipient’s risk of noncompliance with Federal (State) statutes, regulations, and the terms and conditions of the sub-award, which may include consideration of each factors as:
- c) Ensure that SRTA imposes any additional requirements on the sub-recipient necessary for SRTA to meet its own responsibility to the Federal (State) awarding agency, including identification of any required financial and performance reports.
- g) Consider imposing specific sub-award conditions upon a sub-recipient as appropriate.

3. Monitoring Sub-Recipients:

- a) Reviewing financial and performance reports required by SRTA.
- b) Following-up to ensure that the sub-recipient takes timely and appropriate action on all deficiencies pertaining to the Federal (State) award, as detected through audits, on-site reviews, and other means.
- g) Considering taking enforcement action against noncompliant sub-recipients in response to noncompliance with the terms and regulations imposed by SRTA and the Federal (State) funding agency.

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

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

2017 - 001 Reporting and Subrecipient Monitoring – Internal Control and Compliance over Reporting and Subrecipient Monitoring (Continued)

Condition:

During our testing of SRTA’s compliance with the reporting requirement, we noted that the second and fourth QPR were submitted after the due date. The second QPR was due January 30, 2017 and it was submitted to the Caltrans on January 31, 2017. The fourth QPR was due July 30, 2017 and it was submitted to the Caltrans on August 1, 2017.

We noted that the delay was mainly due to the difficulty in collecting quarterly performance reports from local jurisdictions.

Questioned Costs:

None

Context:

Statistically sampling was performed to draw sample selections. Two of the four quarters selected for testing had exception.

Effect:

The delay in submission of QPR may lead to the Caltrans withhold the reimbursement payment.

Cause:

SRTA did not have an adequate board approved policies and procedures to enforce the timely submission of the financial information by the local jurisdictions to SRTA for the quarterly reporting. Inadequate enforcement action are being imposed let to ineffective policies.

Identification as a Repeat Finding, If Applicable:

Not a repeat finding.

Recommendation:

We recommended SRTA adopt more stringent policies and procedures in requiring the local jurisdictions submit the required financial information timely and improve the control environment over the reporting requirement and subrecipient monitoring. We also recommended SRTA improve its monitoring activities to ensure submitting the QPR timely and impose necessary sanction on local jurisdictions for not following SRTA policies.

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

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

2017 - 001 Reporting and Subrecipient Monitoring – Internal Control and Compliance over Reporting and Subrecipient Monitoring (Continued)

Views of Responsible Officials and Planned Corrective Actions:

SRTA is committed to filing as complete and accurate reports as possible. SRTA staffs follow all the current policies and procedures to the best of their abilities. SRTA previously implemented a system of reminders for staff, partners and sub-recipients and prepared fill-in templates to the jurisdictions. SRTA has attempted to educate staff, partners and sub-recipients on the need for timely reporting. These efforts have resulted in some success, but SRTA's partners and sub-recipients still do not meet the requirements of providing information for the reports on a timely basis. Current SRTA policies are limited to just encouraging partner and sub-recipient compliance.

SRTA can request a filing extension from Caltrans when SRTA is not able to file a complete and accurate report by the original deadline. Staff can request that the Board of Directors institute provisions to encourage more compliance or even make penalties for non-compliance; however, the ultimate decision is up to the Board of Directors. Sean Tiedgen, Senior Planner, is currently responsible for filing of extensions, if needed. Dan Little, Executive Director, and the Board of Directors are responsible for changes in policy. The expected request to the Board of Directors will be in April, 2018.

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

2016 -001 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance – Internal Control over Invoice Approval

Programs:

Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research (CFDA Number 20.505, U.S. Department of Transportation, Passed through State of California, Department of Transportation ("Caltrans"), Award Number 74A0821, 2014 and SRTSLNI-6093, 2012)

Condition:

During our internal control testing over Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance, we noted that 3 out of 40 samples tested were missing approvals and 1 out of the 3 samples was missing element coding on the invoice.

Recommendation:

We recommended SRTA improve its monitoring activities to ensure the accounts payable policies and procedures are properly followed. In addition, we recommended SRTA set up a centralized accounts payable email address to require all vendors submit invoices to the centralized email address in order to monitor the process.

Status:

Finding was resolved during the year ended June 30, 2017.