

Shasta Regional Transportation Agency

Redding, California

Financial Statements and Independent Auditors' Reports

For the Year Ended June 30, 2018

Prepared by:
Chief Financial Officer



**Shasta Regional Transportation Agency
For the Year Ended June 30, 2018**

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For the Year Ended June 30, 2018

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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, 2018, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of SRTA, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Implementation of GASB Statement No. 75

As discussed in Note 2 to the basic financial statements, SRTA implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the standard required retrospective application of previously reported net position as of July 1, 2017 as described in Note 15 to the basic financial statements. In addition, net OPEB liability is reported in the Statement of Net Position in the amount of \$121,257 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2017 which was also the measurement date. 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 - Pension, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of the Contributions - OPEB on pages 13 through 17 and 63 through 70 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2019 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 solely 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.

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

Santa Ana, California
February 20, 2019

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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, 2018, and the related notes to the financial statements, which collectively comprise SRTA's basic financial statements, and have issued our report thereon dated February 20, 2019.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SRTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

SRTA's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Santa Ana, California
February 20, 2019

**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, 2018.

Management's Responsibility

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

Auditors' 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 ("TDA Guidebook"). Those standards and TDA Guidebook 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Transportation Development Act and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001. Our opinion on the compliance requirements applicable to SRTA as Transportation Planning Agency 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

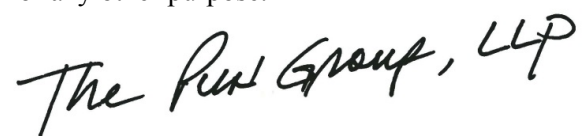
Management of SRTA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the SRTA's internal control over compliance to determine the auditing procedures for the 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 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 did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, 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.

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

The PwC Group, LLP

Santa Ana, California
February 20, 2019

**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, 2018. 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.

Auditors' 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, 2018.

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 2018-002. 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 2018-002, 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
Page 3

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 Pw Group, LLP

Santa Ana, California
February 20, 2019

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Shasta Regional Transportation Agency

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2018

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, 2018. 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 \$5,510,779.
- SRTA's net position increased by \$1,874,373 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 \$3,777,233 an increase of \$1,076,073 in comparison with the prior fiscal year. None of this total amount 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 negative, (\$49,929) or -2.17% of total Local Planning Fund expenditures. The negative fund balance is due primarily due to reimbursements from the state not being received within 60 days of year end.

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.

Shasta Regional Transportation Agency
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

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 governmental fund financial statements can be found on pages 29-32 of this report.

At June 30, 2018, SRTA's governmental fund reported total fund balance of \$3,777,233, an increase of \$1,076,073 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 Funds** - these funds account for the financial transactions related to SRTA renting a portion of their property located at 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 37-60 of this report.

Shasta Regional Transportation Agency
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

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, 2017 and 2018:

Net Position
June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2017				2017	
	2018	(As Restated)	2018	2017	2018	(As Restated)
Current and other assets	\$ 6,918,017	\$ 3,375,046	\$ 52,390	\$ 71,996	\$ 6,970,407	\$ 3,447,042
Internal balance	386,960	440,237	(386,960)	(440,237)	-	-
Capital assets	1,129,584	1,154,914	575,467	598,495	1,705,051	1,753,409
Total assets	8,434,561	4,970,197	240,897	230,254	8,675,458	5,200,451
Deferred outflows of resources	285,780	308,762	-	-	285,780	308,762
Long-term liabilities	820,572	866,291	119,936	128,153	940,508	994,444
Other liabilities	2,495,256	848,539	12,211	10,833	2,507,467	859,372
Total liabilities	3,315,828	1,714,830	132,147	138,986	3,447,975	1,853,816
Deferred inflows of resources	2,484	18,991	-	-	2,484	18,991
Net position:						
Net investment in capital assets	455,272	438,623	447,314	462,364	902,586	900,987
Restricted	4,865,013	3,214,459	-	-	4,865,013	3,214,459
Unrestricted	81,744	(107,944)	(338,564)	(371,096)	(256,820)	(479,040)
Total net position	\$ 5,402,029	\$ 3,545,138	\$ 108,750	\$ 91,268	\$ 5,510,779	\$ 3,636,406

SRTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,510,779 at the close of the current fiscal year. Overall, capital assets experienced a decrease of (\$48,358) from prior fiscal year due to depreciation of assets of \$77,470 and the purchase of assets of \$29,112.

During the current fiscal year, SRTA's increase in net position was \$1,874,373. This increase is due to a rise of sales taxes contributing to higher local transportation assistance and state transportation assistance.

Shasta Regional Transportation Agency
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

The following table demonstrates the changes in SRTA's net position for the year ended June 30, 2018:

Changes in Net Position					
For the Years Ended June 30, 2018 and 2017					
	Governmental Activities		Business-type Activities		Total
	2018	2017	2018	2017	
Revenues:					
Program revenues:					
Charges for services	\$ 2,914	\$ 5,541	\$ 66,744	\$ 59,736	\$ 69,658
Operating grants and contributions	11,577,303	9,720,839	-	-	11,577,303
General revenue:					
Investment earnings	1,586	16,736	-	-	1,586
Total revenues	<u>11,581,803</u>	<u>9,743,116</u>	<u>66,744</u>	<u>59,736</u>	<u>11,648,547</u>
Expenses:					
Trans. plan./local assistance	9,724,912	9,528,962	-	-	9,724,912
Building rental	-	-	49,262	42,821	49,262
Total expenses	<u>9,724,912</u>	<u>9,528,962</u>	<u>49,262</u>	<u>42,821</u>	<u>9,774,174</u>
Increase (decrease) in net position	<u><u>1,856,891</u></u>	<u><u>214,154</u></u>	<u><u>17,482</u></u>	<u><u>16,915</u></u>	<u><u>1,874,373</u></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 General Fund of SRTA. At the end of the current fiscal year, total fund balance was (\$49,130), none 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 -2.14% of total expenditures.

During the current fiscal year, SRTA's Local Planning Fund balance decreased by (\$58,343). 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 (\$49,130).

Shasta Regional Transportation Agency
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

Capital Assets and Debt Administration

Capital Assets - SRTA's capital assets as of June 30, 2018, amounts to \$1,705,051, net of accumulated depreciation. Capital assets includes office equipment, furniture, software and a building. The decrease in SRTA's Capital was primarily due to an increase of depreciation of assets.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 118,722	\$ 118,722	\$ 116,278	\$ 116,278	\$ 235,000	\$ 235,000
Building	962,263	1,009,884	459,189	482,217	1,421,452	1,492,101
Improvements	3,689	4,692	-	-	3,689	4,692
Equipment and furniture	44,910	21,616	-	-	44,910	21,616
Total capital assets	<u>\$ 1,129,584</u>	<u>\$ 1,154,914</u>	<u>\$ 575,467</u>	<u>\$ 598,495</u>	<u>\$ 1,705,051</u>	<u>\$ 1,753,409</u>

Additional information on SRTA's capital assets can be found in Note 6 on page 45-46 of this report.

Debt Administration – As of June 30, 2018, SRTA's debt totaled \$802,465, a decrease of \$49,957 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, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital leases	<u>\$ 674,312</u>	<u>\$ 716,291</u>	<u>\$ 128,153</u>	<u>\$ 136,131</u>	<u>\$ 802,465</u>	<u>\$ 852,422</u>

Additional information on SRTA's outstanding debt can be found in Note 8 on page 47 of this report.

Economic Factors and Next Fiscal Year's Budgets and Rates

The revenue and expenditure projections incorporated into the fiscal year 2018-19 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 2018-19 projects no increase in fund balance of (\$60,805).

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 Chief 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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 5,441,606	\$ 52,390	\$ 5,493,996
Due from other governments	1,475,612	-	1,475,612
Internal balances	386,960	(386,960)	-
Deposits	799	-	799
Total current assets	7,304,977	(334,570)	6,970,407
Non-current assets:			
Capital assets:			
Nondepreciable	118,722	116,278	235,000
Depreciable, net of accumulated depreciation	1,010,862	459,189	1,470,051
Total capital assets, net	1,129,584	575,467	1,705,051
Total non-current assets	1,129,584	575,467	1,705,051
Total assets	8,434,561	240,897	8,675,458
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	236,417	-	236,417
Deferred outflows of resources related to OPEB	49,363	-	49,363
Total deferred outflows of resources	285,780	-	285,780
LIABILITIES			
Current liabilities:			
Accounts payable	100,160	2,039	102,199
Due to other governments	234,607	-	234,607
Unearned revenues	2,104,398	-	2,104,398
Accrued interest	5,026	955	5,981
Security deposits	-	1,000	1,000
Capital leases, due within one year	43,230	8,217	51,447
Compensated absences, due within one year	7,835	-	7,835
Total current liabilities	2,495,256	12,211	2,507,467
Long-term liabilities:			
Capital lease, due in more than one year	631,082	119,936	751,018
Compensated absences, due in more than one year	38,015	-	38,015
Net pension liability	30,218	-	30,218
Net other postemployment benefits liability	121,257	-	121,257
Total long-term liabilities	820,572	119,936	940,508
Total liabilities	3,315,828	132,147	3,447,975
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	2,484	-	2,484
Total deferred inflows of resources	2,484	-	2,484
NET POSITION			
Net investment in capital assets	455,272	447,314	902,586
Restricted	4,865,013	-	4,865,013
Unrestricted (deficit)	81,744	(338,564)	(256,820)
Total net position	\$ 5,402,029	\$ 108,750	\$ 5,510,779

Shasta Regional Transportation Agency
Statement of Activities
For the Year Ended June 30, 2018

Function/Programs	Program Revenues			Total
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Transportation planning and administration	\$ 2,284,929	\$ 2,914	\$ 2,915,629	\$ 2,918,543
Local transportation assistance	7,439,983	-	8,661,674	8,661,674
Total governmental activities	<u>9,724,912</u>	<u>2,914</u>	<u>11,577,303</u>	<u>11,580,217</u>
Business-type Activities:				
Real estate rental	49,262	66,744	-	66,744
Total business-type activities	<u>49,262</u>	<u>66,744</u>	<u>-</u>	<u>66,744</u>
Total primary government	<u>\$ 9,774,174</u>	<u>\$ 69,658</u>	<u>\$ 11,577,303</u>	<u>\$ 11,646,961</u>

Shasta Regional Transportation Agency
Statement of Activities (Continued)
For the Year Ended June 30, 2018

Function/Programs	Net (Expense) Revenues and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Governmental Activities:			
Transportation planning and administration	\$ 633,614	\$ -	\$ 633,614
Local transportation assistance	1,221,691	-	1,221,691
Total governmental activities	1,855,305	-	1,855,305
Business-type Activities:			
Real estate rental	-	17,482	17,482
Total business-type activities	-	17,482	17,482
Total primary government	1,855,305	17,482	1,872,787
General revenues and transfers:			
Investment income	1,586	-	1,586
Total general revenues	1,586	-	1,586
Changes in net position	1,856,891	17,482	1,874,373
Net Position:			
Beginning of year, as restated (Note 15)	3,545,138	91,268	3,636,406
End of year	<u>\$ 5,402,029</u>	<u>\$ 108,750</u>	<u>\$ 5,510,779</u>

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FUND FINANCIAL STATEMENTS

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Shasta Regional Transportation Agency
Balance Sheet
Governmental Funds
June 30, 2018

		Special Revenue Funds		
	Local Planning Fund (General Fund)	Local Transportation Fund	State Transit Assistance Fund	Total Governmental Funds
ASSETS				
Cash	\$ 2,246,399	\$ 2,660,262	\$ 534,945	\$ 5,441,606
Due from other governments	1,009,151	-	466,461	1,475,612
Due from other funds	100,282	151,884	-	252,166
Advances to other funds	-	286,678	-	286,678
Deposits	799	-	-	799
Total assets	<u>\$ 3,356,631</u>	<u>\$ 3,098,824</u>	<u>\$ 1,001,406</u>	<u>\$ 7,456,861</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 80,429	\$ 19,731	\$ -	\$ 100,160
Due to other governments	67,746	-	166,861	234,607
Due to other funds	151,884	-	-	151,884
Unearned revenues	2,104,398	-	-	2,104,398
Total liabilities	<u>2,404,457</u>	<u>19,731</u>	<u>166,861</u>	<u>2,591,049</u>
Deferred inflows of resources:				
Unavailable revenue	1,001,304	-	87,275	1,088,579
Total deferred inflows of resources	<u>1,001,304</u>	<u>-</u>	<u>87,275</u>	<u>1,088,579</u>
Fund balances:				
Nonspendable	799	-	-	799
Restricted for highways, transit and non-motorized	-	3,079,093	747,270	3,826,363
Unassigned	(49,929)	-	-	(49,929)
Total fund balances	<u>(49,130)</u>	<u>3,079,093</u>	<u>747,270</u>	<u>3,777,233</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,356,631</u>	<u>\$ 3,098,824</u>	<u>\$ 1,001,406</u>	<u>\$ 7,456,861</u>

Shasta Regional Transportation Agency
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

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

Fund balances of governmental funds		\$ 3,777,233
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		1,088,579
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.		1,129,584
Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:		
Pension related deferred outflows of resources		236,417
Net pension liability		(30,218)
Pension related deferred inflows of resources		(2,484)
Net other postemployment benefits liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:		
Other postemployment benefits related deferred outflows of resources		49,363
Net other postemployment benefits liability		(121,257)
Interest on long-term liabilities are not due and payable in the current period; and therefore, are not reported in the governmental fund.		(5,026)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund:		
Capital leases	(674,312)	
Compensated absences	(45,850)	(720,162)
Net position of governmental activities		<u>\$ 5,402,029</u>

Shasta Regional Transportation Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Local Planning Fund (General Fund)	Special Revenue Funds		Total Governmental Funds
		Local Transportation Fund	State Transit Assistance Fund	
Revenues:				
Sales tax	\$ -	\$ 7,875,286	\$ 1,195,679	\$ 9,070,965
Intergovernmental:				
Federal Highway Administration	759,319	-	-	759,319
Federal Transit Administration	38,150	-	-	38,150
Planning, Programming and Monitoring	228,210	-	-	228,210
Strategic Planning and Research	135,771	-	-	135,771
Safe Routes to School/ATP	130,428	-	-	130,428
Low Carbon Transit Operations Program	141,640	-	-	141,640
Interest income	1,586	24,245	3,387	29,218
Charges for services	2,914	-	-	2,914
Other revenue	4,405	272,938	-	277,343
Total revenues	1,442,423	8,172,469	1,199,066	10,813,958
Expenditures:				
Current:				
Planning and administration	2,206,088	-	-	2,206,088
Transportation programs:				
Street and Roads	-	3,124,308	-	3,124,308
Transit	-	3,375,293	667,444	4,042,737
Non-Motorized	-	272,938	-	272,938
Capital outlay	29,112	-	-	29,112
Debt service:				
Principle retirement	41,979	-	-	41,979
Interest	20,723	-	-	20,723
Total expenditures	2,297,902	6,772,539	667,444	9,737,885
Excess of revenues over (under) expenditures	(855,479)	1,399,930	531,622	1,076,073
Other financing sources (uses):				
Transfers in	797,136	-	-	797,136
Transfers out	-	(797,136)	-	(797,136)
Total other financing sources (uses)	797,136	(797,136)	-	-
Net change in fund balance	(58,343)	602,794	531,622	1,076,073
Fund balances:				
Beginning of year	9,213	2,476,299	215,648	2,701,160
End of year	\$ (49,130)	\$ 3,079,093	\$ 747,270	\$ 3,777,233

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, 2018

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

Net change in fund balances of governmental funds	\$ 1,076,073
Revenues in the Statement of Activities that do not provide current financial resources are not reported as resources in the governmental funds.	767,845
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	29,112
Depreciation	(54,442)
Changes in compensated absences do not use current financial resources and, therefore are not reported as an expenditure in governmental funds.	4,915
Pension expense, net of reporting contribution made after measurement date in the amount of \$65,698 is reported in the Statement of Activities.	(44,951)
OPEB expense, net of reporting contribution made after measurement date in the amount of \$49,363 is reported in the Statement of Activities.	36,050
Payments on a capital lease do not represent a current financial resource and, therefore not reported as a use in the statement of activities.	41,979
Changes in interest do not use current financial resources and, therefore are not reported as an expenditure in the governmental funds.	310
Change in net position of governmental activities	\$ 1,856,891

Shasta Regional Transportation Agency
Statement of Net Position
Proprietary Funds
June 30, 2018

		Building Rental Enterprise Funds		
		Suite 201	Suite 101	Total
ASSETS				
Current assets:				
Cash		\$ -	\$ 52,390	\$ 52,390
Total current assets		<u>-</u>	<u>52,390</u>	<u>52,390</u>
Capital assets:				
Nondepreciable		22,560	93,718	116,278
Depreciable		204,426	321,823	526,249
Accumulated depreciation		<u>(21,588)</u>	<u>(45,472)</u>	<u>(67,060)</u>
Total capital assets		<u>205,398</u>	<u>370,069</u>	<u>575,467</u>
Total assets		<u>205,398</u>	<u>422,459</u>	<u>627,857</u>
LIABILITIES				
Current liabilities:				
Accounts payable		203	1,836	2,039
Interest payable		955	-	955
Security deposits		1,000	-	1,000
Due to other funds		100,282	-	100,282
Advance from other fund		-	286,678	286,678
Capital lease, due within one year		<u>8,217</u>	<u>-</u>	<u>8,217</u>
Total current liabilities		<u>110,657</u>	<u>288,514</u>	<u>399,171</u>
Long-term liabilities:				
Capital lease, due in more than one year		<u>119,936</u>	<u>-</u>	<u>119,936</u>
Total liabilities		<u>230,593</u>	<u>288,514</u>	<u>519,107</u>
NET POSITION				
Net investment in capital assets		77,245	370,069	447,314
Unrestricted (deficit)		<u>(102,440)</u>	<u>(236,124)</u>	<u>(338,564)</u>
Total net position		<u>\$ (25,195)</u>	<u>\$ 133,945</u>	<u>\$ 108,750</u>

Shasta Regional Transportation Agency
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Total
Operating Revenues:			
Rent revenues	\$ 11,616	\$ 55,128	\$ 66,744
Operating Expenses:			
Depreciation	8,712	14,316	23,028
Repairs and maintenance/taxes/insurance	3,379	16,906	20,285
Utilities	425	1,645	2,070
Total operating expenses	12,516	32,867	45,383
Operating income (loss)	(900)	22,261	21,361
Nonoperating Expenses:			
Interest expense	3,879	-	3,879
Change in net position	(4,779)	22,261	17,482
Net Position:			
Beginning of year	(20,416)	111,684	91,268
End of year	<u>\$ (25,195)</u>	<u>\$ 133,945</u>	<u>\$ 108,750</u>

Shasta Regional Transportation Agency
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$ 11,616	\$ 55,128	\$ 66,744
Cash paid to suppliers	(3,758)	(17,399)	(21,157)
Net cash provided by operating activities	<u>7,858</u>	<u>37,729</u>	<u>45,587</u>
Cash Flows From Noncapital Financing Activities:			
Cash received from other fund	4,058	-	4,058
Cash paid to other fund	-	(57,335)	(57,335)
Net cash provided by (used in) noncapital financing activities	<u>4,058</u>	<u>(57,335)</u>	<u>(53,277)</u>
Cash Flows From Capital and Related Financing Activities:			
Interest paid	(3,938)	-	(3,938)
Principal paid on capital lease	(7,978)	-	(7,978)
Net cash (used in) capital and related financing activities	<u>(11,916)</u>	<u>-</u>	<u>(11,916)</u>
Net (decrease) in cash and cash equivalents	<u>-</u>	<u>(19,606)</u>	<u>(19,606)</u>
Cash and cash equivalents, beginning of year	<u>-</u>	<u>71,996</u>	<u>71,996</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ 52,390</u></u>	<u><u>\$ 52,390</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (900)	\$ 22,261	\$ 21,361
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	8,712	14,316	23,028
Change in assets and liabilities:			
Increase (decrease) in accounts payable	46	1,152	1,198
Total adjustment	<u>8,758</u>	<u>15,468</u>	<u>24,226</u>
Net cash provided by operating activities	<u><u>\$ 7,858</u></u>	<u><u>\$ 37,729</u></u>	<u><u>\$ 45,587</u></u>

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Shasta Regional Transportation Agency
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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.

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.

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

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting and Measurement Focus (Continued)

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.

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 (General 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.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting and Measurement Focus (Continued)

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 nonoperating 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.

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.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

C. 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”.

D. 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 nonspendable.

E. 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 acquisition cost 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

F. 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.

G. Overhead

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

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

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Deferred Outflows/Inflows of Resources

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.

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 deposits, 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 through resolutions. 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.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Fund Balances (Continued)

Unassigned – This category is for any balances that have no restrictions placed upon them or not meeting criteria above.

When both restricted and unrestricted resources are available for use, it is SRTA's policy to use externally restricted resources first, then the unrestricted resources in the order of: committed, assigned, and unassigned. 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.

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, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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. Other Postemployment Benefits ("OPEB") Plan

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. The following timeframes are reported OPEB reporting:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over five (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.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Accounting Changes

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement resulted in restatement of beginning net position on the SRTA's financial statements for the year ended June 30, 2018.

GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions of this Statement are effective for periods beginning after June 15, 2017. This statement did not have a significant impact on SRTA's financial statements for the year ended June 30, 2018.

N. Use of Estimates

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

Note 3 – Cash

At June 30, 2018, cash is classified as follows:

Governmental Activities	\$ 5,441,606
Business-type Activities	52,390
Total cash	<u>\$ 5,493,996</u>

At June 30, 2018, cash and investments consisted of the followings:

Petty cash	\$ 100
Deposits with financial institution	3,988,676
Cash Pooled with Shasta County Treasury	1,505,220
Total cash	<u>\$ 5,493,996</u>

Demand Deposits

At June 30, 2018, the carrying amount of SRTA's deposits was \$3,988,676 and the bank balances were \$3,876,984. 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.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash (Continued)

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 \$1,505,220 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 amortized 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, 2018, the weighted average maturity for the Shasta County Treasury is less than one year. 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.

Note 4 – Due From Other Governments

Due from other governments consists mainly of amounts due from Caltrans in the amount of \$1,475,612 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, 2018, SRTA had the following internal balances.

	Internal Payable
	Business-Type
	Activities
Internal Receivable	
Governmental Activities	\$ 386,960

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Interfund Transactions (Continued)

B. Due From/To Other Funds

At June 30, 2018, SRTA had the following due from/to other funds:

Due From Other Funds			
Due To Other Funds	Governmental Funds		Total
	Local Planning Fund	Local Transportation Fund	
Governmental Funds:			
Local Planning Fund	\$ -	\$ 151,884	\$ 151,884
Proprietary Funds:			
Suite 201	100,282	-	100,282
Total	\$ 100,282	\$ 151,884	\$ 252,166

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, 2018, the advances from the Local Transportation Special Revenue Fund are in the amount of \$286,678.

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. At June 30, 2018, the outstanding advance was \$100,282 (See Note 5).

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets (Continued)

A summary of changes in capital assets for the governmental activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 118,722	\$ -	\$ -	\$ 118,722
Depreciable assets:				
Building	1,079,908	-	-	1,079,908
Improvements	9,686	-	-	9,686
Equipment and furniture	131,491	29,112	-	160,603
Total depreciable assets	1,221,085	29,112	-	1,250,197
Less: accumulated depreciation				
Building	(70,024)	(47,621)	-	(117,645)
Improvements	(4,994)	(1,003)	-	(5,997)
Equipment and furniture	(109,875)	(5,818)	-	(115,693)
Total accumulated depreciation	(184,893)	(54,442)	-	(239,335)
Total depreciable assets, net	1,036,192	(25,330)	-	1,010,862
Governmental activities capital assets, net	\$ 1,154,914	\$ (25,330)	\$ -	\$ 1,129,584
Business-Type Activities:				
Capital Assets, not being depreciated				
Land	\$ 116,278	\$ -	\$ -	\$ 116,278
Depreciable assets:				
Building	526,249	-	-	526,249
Total depreciable assets	526,249	-	-	526,249
Less: accumulated depreciation				
Building	(44,032)	(23,028)	-	(67,060)
Total accumulated depreciation	(44,032)	(23,028)	-	(67,060)
Total depreciable assets, net	482,217	(23,028)	-	459,189
Business-type activities capital assets, net	\$ 598,495	\$ (23,028)	\$ -	\$ 575,467

Depreciation expenses in the amount of \$54,442 and \$23,028 for the year ended June 30, 2018 were charged to planning and administrative function for governmental activities and rental programs for the business-type activities.

Note 7 – Due To Other Governments

At June 30, 2018, due to other governments consisted of the following:

City of Redding	\$ 166,861
County of Shasta	67,746
Total due to other governments	\$ 234,607

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-term Liabilities

Summary of changes in long-term liabilities for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due in One Year	Due in More Than One Year
Governmental Activities:						
Capital Lease	\$ 716,291	\$ -	\$ (41,979)	\$ 674,312	\$ 43,230	\$ 631,082
Compensated absences	50,765	43,791	(48,706)	45,850	7,835	38,015
	<u>\$ 774,926</u>	<u>\$ 43,791</u>	<u>\$ (90,685)</u>	<u>\$ 720,162</u>	<u>\$ 51,065</u>	<u>\$ 669,097</u>
Business-type Activities:						
Capital Lease	<u>\$ 136,131</u>	<u>\$ -</u>	<u>\$ (7,978)</u>	<u>\$ 128,153</u>	<u>\$ 8,217</u>	<u>\$ 119,936</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.

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>
2019	\$ 62,680	\$ 11,912
2020	62,661	11,909
2021	62,641	11,905
2022	62,621	11,901
2023	62,599	11,898
Thereafter	<u>499,965</u>	<u>95,018</u>
Total minimum lease payments	813,167	154,543
Less amount representing interest	<u>(138,855)</u>	<u>(26,390)</u>
Present value of minimum lease payments	<u>\$ 674,312</u>	<u>\$ 128,153</u>

Compensated Absences

SRTA's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and totaled to \$45,850 for governmental activities at June 30, 2018 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, 2018

Note 9 – Retirement Plan

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.

Employees Covered by Benefit Terms

At June 30, 2016 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

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Retirement Plan (Continued)

A. General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

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.

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, 2018		Measurement Period 2016-17	
	Active Employee Contribution Rate	Employer Contribution Rate	Active Employee Contribution Rate	Employer Contribution Rate
Classic	7.000%	9.599%	7.000%	9.558%
PEPRA	6.500%	6.908%	6.500%	6.930%

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Retirement Plan (Continued)

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, 2016 valuation was rolled forward to determine the June 30, 2017 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	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

Change of Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 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 7.15 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 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 Public Employees Retirement Funds' 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 the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each 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.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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 table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-4.00%	-0.90%
	<u>100.00%</u>		

¹An expected inflation of 2.5% used for this period

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

Sensitivity of SRTA'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 7.15%, 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 (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
\$ 47,105	\$ 30,218	\$ 16,232

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: 6/30/16 (Valuation date)	\$ 328,692	\$ 320,822	\$ 7,870
Balance at: 6/30/17 (Measurement date)	554,493	524,275	30,218
Net Changes during 2016-2017	225,801	203,453	22,348

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2017.

- (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, 2016). 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, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-17).
- (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 was as follows:

Measurement Date	
June 30, 2016	0.00009095%
June 30, 2017	0.00030470%
Change - Increase (Decrease)	<u>0.00039565%</u>

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018, SRTA recognized pension expense in the amount of \$110,649.

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 (“EARS�”) 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 EARS� for risk pool for the 2016-17 measurement period is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595, (the total number of participants: active, inactive, and retired).

At June 30, 2018, 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	\$ 65,698	\$ -
Difference between expected and actual experience	-	(2,484)
Changes of assumptions	21,373	-
Net difference between projected and actual earning on pension plan investments	5,235	-
Adjustment due to differences in proportions	79,906	-
Difference between employer's actual contributions and proportionate share of contributions	64,205	-
Total	<u>\$ 236,417</u>	<u>\$ (2,484)</u>

\$65,698 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 collective net pension liability in the year ending June 30, 2019. 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
2019	\$ 86,359
2020	50,839
2021	34,143
2022	(3,106)
2023	-
Thereafter	-
	<u>\$ 168,235</u>

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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.

Note 11 – Other Postemployment Benefits (“OPEB”)

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.

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.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

A. Plan Description (Continued)

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.
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. Eligibility

Employees of the Agency are eligible for retiree health benefits if they are a vested member of CalPERS. Membership in the plan consisted of the following at June 30, 2017, valuation date:

Inactive employees receiving benefits	1
Participating active employees	9
Total	<u>10</u>

C. Contribution

SRTA, as a plan sponsor, determines the contributions into CalPERS to fund the OPEB Plan. SRTA has decided to pay the liability on pay-as-you go basis. During fiscal year 2017-18, SRTA contributed \$49,363 toward post-retirement health insurance.

D. Net OPEB Liability

SRTA’s net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

D. Net OPEB Liability (Continued)

Actuarial assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age actuarial cost method
Investment Rate of Return/Discount Rate	7.00%
Healthcare Cost Trend	4.00%
Payroll Increase	2.75%
Mortality Rate Table	2014 CalPERS Active Mortality for Miscellaneous Employees
Retirement Rate	Hired < 1/1/2013: 2009 CalPERS 2.0% @ 55 Rates for Misc. Employees Hired > 12/31/2012: 2009 CalPERS 2.0% @ 60 Rates for Misc. Employees adjusted to reflect minimum retirement age of 52
Service Requirement	100% at 5 Years of Service
Medical Costs	Future Retirees Pre-65 \$1,566 Future Retirees Post-65 \$1,566
Participation Rate	< 65 Non-Medicare Participation % at 80% > 65 Medicare Participation % at 80%
Turnover	2009 CalPERS Turnover for Miscellaneous Employees

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that SRTA’s contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table is the assumed asset allocation and assumed rate of return using geometric means:

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	43.00%	7.795%
US Small Cap	23.00%	7.795%
Long-Term Corporate Bonds	12.00%	5.295%
Long-Term Government Bonds	6.00%	4.500%
Treasury Inflation Protected Securities (TIPS)	5.00%	7.795%
US Real Estate	8.00%	7.795%
All Commodities	3.00%	7.795%
Total	100.00%	

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

E. Change in the Net OPEB Liability

	Increase (Decrease)		
	Plan Total OPEB Liability	Plan Fiduciary Net Position	Plan Net OPEB Liability/(Asset)
Balance at June 30, 2016	\$ 220,441	\$ 79,262	\$ 141,179
Changes Recognized for the Measurement Period:			
Service Cost	5,991	-	5,991
Interest on the total OPEB liability	15,440	-	15,440
Actual investment income	-	8,161	(8,161)
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions from the employer	-	33,235	(33,235)
Benefit payments, including refunds of employee contributions	(5,558)	(5,558)	-
Administrative expense	-	(43)	43
Net Changes during July 1, 2016 to June 30, 2017	15,873	35,795	(19,922)
Balance at June 30, 2017 (Measurement Date)	\$ 236,314	\$ 115,057	\$ 121,257

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Agency, as well as what the Agency’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
\$ 164,956	\$ 121,257	\$ 87,405

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Agency, as well as what the Agency’s net OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current trend rate:

Plan's Net OPEB Liability/(Asset)		
Trend Rate - 1% (3.00%)	Current Trend Rate (4.00%)	Trend Rate + 1% (5.00%)
\$ 86,258	\$ 121,257	\$ 165,742

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

F. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Agency recognized OPEB expense of \$13,313. At June 30, 2018, SRTA reported deferred outflows of resources related to OPEB resulting from SRTA’s contributions subsequent to the measurement date in the amount of \$49,363. It will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

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	25,000,000
Workers' Compensation	1,000,000

Note 13 – Lease Revenue

SRTA leases a portion of its administration building to Stifel, Nicholas & Company under a Lease Subordination Agreement dated December 4, 2017 on a Multi-Tenant Office Lease (“Lease”). The Lease requires the lessee to pay a minimum monthly rental of \$4,915 through December 2018. The lessee has the right to terminate the lease after December 31, 2018 with six month notice to SRTA.

Future minimum rental revenue payments are as follows:

<u>Year Ending June 30,</u>	
2019	<u><u>\$ 29,490</u></u>

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018, 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, 2018, SRTA has outstanding commitments as follows:

Commitments	Committed	Spent
Performance Measures	\$ 28,802	\$ 25,216
Air Quality and Climate Adaptation	2,363	1,205
Sustainable Development	101,739	41,835
Bike & Pedestrian Planning	98,058	92,348
GoShasta	117,978	114,207
Public Participation and Information Dissemination	94,057	3,192
Geographic Information Systems Applications	47,923	5,195
Travel Demand Model	51,316	39,544
Public Transportation Development	21,221	20,146
North State Express Connect Business Plan	474,728	157,317
Sunday Service	113,721	40,433
Safe Routes to School Non-Infrastructure Grant/ATP	173,654	72,201
PEV Planning	26,154	18,833
Goods & Freight Movement	50,167	39,447
RCEA Hydrogen	6,727	3,461
Administration of Transportation Development Act	74,731	70,523
North State Super Region	2,368	2,211
Hilltop Corridor	37,227	37,209
Micro-Transit	17,804	8,257

Shasta Regional Transportation Agency
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 15 – Restatement of Net Position

SRTA implemented GASB Statement No. 75 during the year ended June 30, 2018. The beginning net positions at July 1, 2017 were restated as follows.

	<u>Governmental Activities</u>
Beginning net position	\$ 3,653,082
Deferred Outflows of Resources - OPEB contribution during measurement period	33,235
Net OPEB Liability	<u>(141,179)</u>
Beginning net position, as Restated	<u><u>\$ 3,545,138</u></u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - Local Planning Fund (General Fund)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
Federal Highway Administration	\$ 1,149,708	\$ 1,399,571	\$ 759,319	\$ (640,252)
Federal Transit Administration	85,845	176,621	38,150	(138,471)
Planning, Programming and Monitoring	339,854	209,623	228,210	18,587
Strategic Planning and Research	283,007	223,203	135,771	(87,432)
Safe Routes to School/ATP	227,318	219,654	130,428	(89,226)
Low Carbon Transit Operations Program	138,000	85,000	141,640	56,640
Interest income	-	-	1,586	1,586
Charge for services	-	-	2,914	2,914
Other revenue	12,647	6,368	4,405	(1,963)
Total revenues	<u>2,236,379</u>	<u>2,320,040</u>	<u>1,442,423</u>	<u>(877,617)</u>
Expenditures:				
Current:				
Planning and administration	2,916,864	2,395,835	2,206,088	189,747
Capital outlay	-	-	29,112	(29,112)
Debt service:				
Payments on capital lease	41,979	41,979	41,979	-
Interest	21,656	21,656	20,723	933
Total expenditures	<u>2,980,499</u>	<u>2,459,470</u>	<u>2,297,902</u>	<u>161,568</u>
Excess of revenues over (under) expenditures	<u>(744,120)</u>	<u>(139,430)</u>	<u>(855,479)</u>	<u>(716,049)</u>
Other Financing Sources (Uses):				
Transfers in	381,565	784,715	797,136	12,421
Transfers out	(55,336)	(55,336)	-	55,336
Total other financing sources (uses)	<u>326,229</u>	<u>729,379</u>	<u>797,136</u>	<u>67,757</u>
Net change in fund balance	<u>\$ (417,891)</u>	<u>\$ 589,949</u>	<u>(58,343)</u>	<u>\$ (648,292)</u>
Fund balance:				
Beginning of year			9,213	
End of year			<u>\$ (49,130)</u>	

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - Local Transportation Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
Revenues:				
Sales tax	\$ 7,411,565	\$ 7,046,736	\$ 7,875,286	\$ 828,550
Interest income	-	-	24,245	24,245
Other revenue	-	-	272,938	272,938
Total revenues	<u>7,411,565</u>	<u>7,046,736</u>	<u>8,172,469</u>	<u>1,125,733</u>
Expenditures:				
Current:				
Claims paid or payable to claimants				
Street and roads	4,540,027	3,124,305	3,124,308	(3)
Transit	1,871,000	3,074,159	3,375,293	(301,134)
Bike & Pedestrian	143,000	133,721	-	133,721
CTSA	301,000	331,707	-	331,707
Non-Motorized	200,000	114,766	272,938	(158,172)
Total expenditures	<u>7,055,027</u>	<u>6,778,658</u>	<u>6,772,539</u>	<u>6,119</u>
Excess of revenues over expenditures	<u>356,538</u>	<u>268,078</u>	<u>1,399,930</u>	<u>1,131,852</u>
Other Financing Uses:				
Transfers out	(381,565)	(784,715)	(797,136)	(12,421)
Total other financing uses	<u>(381,565)</u>	<u>(784,715)</u>	<u>(797,136)</u>	<u>(12,421)</u>
Net change in fund balance	<u>\$ (25,027)</u>	<u>\$ (516,637)</u>	602,794	<u>\$ 1,119,431</u>
Fund balance:				
Beginning of year			2,476,299	
End of year			<u>\$ 3,079,093</u>	

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - State Transit Assistance Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
Revenues:				
Sales tax	\$ 615,000	\$ 667,441	\$ 1,195,679	\$ 528,238
Interest income	-	-	3,387	3,387
Total revenues	<u>615,000</u>	<u>667,441</u>	<u>1,199,066</u>	<u>531,625</u>
Expenditures:				
Current:				
Transportation programs:				
Transit	<u>800,000</u>	<u>667,441</u>	<u>667,444</u>	<u>(3)</u>
Total expenditures	<u>800,000</u>	<u>667,441</u>	<u>667,444</u>	<u>(3)</u>
Excess of revenues over (under) expenditures	<u>(185,000)</u>	<u>-</u>	<u>531,622</u>	<u>531,622</u>
Net change in fund balance	<u>\$ (185,000)</u>	<u>\$ -</u>	<u>531,622</u>	<u>\$ 531,622</u>
Fund balance:				
Beginning of year			<u>215,648</u>	
End of year			<u>\$ 747,270</u>	

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2018

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 the Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

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

Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017 ¹
Proportion of the net pension liability	0.00019%	-0.00040%	0.00009%	0.00030%
Proportionate share of the net pension liability/(assets)	\$ 11,798	\$ (2,960)	\$ 7,870	\$ 30,218
Covered payroll	\$ 495,433	\$ 577,751	\$ 646,302	\$ 717,265
Proportionate share of the net pension liability as percentage of covered employee payroll	2.38%	-0.51%	1.22%	4.21%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	85.66%	101.67%	97.61%	94.55%

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 four years are shown.

Notes to Schedule:

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

Change in Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Schedule of the Contributions - Pension
For the Year Ended June 30, 2018

Last Ten Fiscal Years

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

	2013-14	2014-15	2015-16	2016-17	2017-18 ¹
Actuarially determined contribution	\$ 55,298	\$ 64,257	\$ 56,173	\$ 62,807	\$ 65,643
Contributions in relation to the actuarially determined contributions	(74,697)	(64,257)	(56,173)	(62,819)	(65,698)
Contribution deficiency (excess)	\$ (19,399)	\$ -	\$ -	\$ (12)	\$ (55)
Covered payroll ²	\$ 495,433	\$ 577,751	\$ 646,302	\$ 717,265	\$ 738,783
Contributions as a percentage of covered employee payroll	11.16%	11.12%	8.69%	8.76%	8.89%

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

² Payroll from prior year 2016-17 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: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Shasta Regional Transportation Agency
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

Other Postemployment Benefits (OPEB)

Measurement Date	June 30, 2017 ¹
Total OPEB liability	
Service cost	\$ 5,991
Interest	15,440
Benefit payments	(5,558)
Other	-
Net change in total OPEB liability	15,873
Total OPEB liability - beginning	220,441
Total OPEB liability - ending (a)	<u>\$ 236,314</u>
OPEB fiduciary net position	
Employer contributions	\$ 33,235
Employee contributions	-
Actual investment income	8,161
Administrative expense	(43)
Benefit payments	(5,558)
Net change in plan fiduciary net position	35,795
Plan fiduciary net position - beginning	79,262
Plan fiduciary net position - ending (b)	115,057
Plan net OPEB liability - ending (a) - (b)	<u>\$ 121,257</u>
Plan fiduciary net position as a percentage of the total OPEB liability	48.69%
Covered payroll	<u>\$ 717,265</u>
Plan net OPEB liability as a percentage of covered payroll	<u>16.91%</u>

¹ Historical information is required only for measurement periods for which GASB 75 is applicable. The fiscal year 2018 was the first year of implementation; therefore, only one year is 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 - OPEB
For the Year Ended June 30, 2018

Last Ten Fiscal Years

Other Postemployment Benefits (OPEB)

	2016-17	2017-18 ¹
Actuarially determined contribution ²	\$ 23,235	N/A
Contributions in relation to the actuarially determined contributions	(33,235)	(49,363)
Contribution deficiency (excess)	\$ (10,000)	\$ (49,363)
Covered payroll	\$ 717,265	\$ 738,783
Contributions as a percentage of covered employee payroll	4.63%	6.68%

¹ Historical information is required only for measurement periods for which GASB 75 is applicable.

² There is no actuarially determined contribution for the year ended June 30, 2018. SRTA contributed on pay-as-you go basis.

Notes to Schedule:

Valuation date: June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Discount rate	7.36%
Service requirement	100% at 5 Years of Service
Inflation	2.75%
Healthcare cost trend rates	4.00%
Payroll increases	3.00%

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, 2018

	Allocations and Disbursements Under Public Utilities Code Sections				Totals
	99233.1	99260	99275	99400 (a) (c) & (d)	
Allocations:					
County of Shasta	\$ -	\$ -	\$ -	\$ 2,506,104	\$ 2,506,104
City of Redding	-	-	-	33,864	33,864
City of Anderson	-	66,648	-	295,500	362,148
City of Shasta Lake	-	71,592	-	288,840	360,432
Redding Area Bus Authority	-	2,935,920	-	-	2,935,920
Shasta Regional Transportation Agency	930,856	-	-	-	930,856
SRTA (CTSA)	-	-	331,704	-	331,704
Total allocations	<u>\$ 930,856</u>	<u>\$ 3,074,160</u>	<u>\$ 331,704</u>	<u>\$ 3,124,308</u>	<u>\$ 7,461,028</u>
Disbursements:					
County of Shasta	\$ -	\$ -	\$ -	\$ 2,506,104	\$ 2,506,104
City of Redding	-	-	-	33,864	33,864
City of Anderson	-	66,648	-	295,500	362,148
City of Shasta Lake	-	71,592	-	288,840	360,432
Redding Area Bus Authority	-	2,935,920	-	-	2,935,920
Shasta Regional Transportation Agency	930,856	-	-	-	930,856
SRTA (CTSA)	-	-	331,704	-	331,704
Total disbursements	<u>\$ 930,856</u>	<u>\$ 3,074,160</u>	<u>\$ 331,704</u>	<u>\$ 3,124,308</u>	<u>\$ 7,461,028</u>

Shasta Regional Transportation Agency
Schedule of Allocations and Disbursements
State Transit Assistance Fund
For the Year Ended June 30, 2018

	California Administrative Code Section 6730(a)
Allocations:	
City of Redding	\$ 471,216
City of Anderson	63,676
City of Shasta Lake	64,196
County of Shasta	68,356
Total allocations	\$ 667,444
Disbursements:	
City of Redding	\$ 471,216
City of Anderson	63,676
City of Shasta Lake	64,196
County of Shasta	68,356
Total disbursements	\$ 667,444

**Shasta Regional Transportation Agency
Schedule of Cost Allocation Plan Reconciliation
and Indirect Cost Rate Carryover
For the Year Ended June 30, 2018**

Direct Expenses at June 30, 2018	\$ 687,302
Approved Indirect cost rate for June 30, 2018	<u>109.74%</u>
Total allocable indirect expenses at June 30, 2018	<u>754,245</u>
Actual indirect expenses at June 30, 2018	620,196
Under (over) recovery of indirect expenses at June 30, 2018	(134,049)
Less: Depreciation taken grant funded capital assets	<u>(15,039)</u>
Under (over) recovered indirect expenses at June 30, 2018	<u><u>\$ (149,088)</u></u>

Shasta Regional Transportation Agency
Schedule of Cost Allocation Plan Reconciliation
and Indirect Cost Allocation Carryover
For the Year Ended June 30, 2018

	Actual Expense	Direct Expense	Indirect Expense
Direct expenses:			
Salaries	\$ 714,715	\$ 507,207	\$ 207,508
PTO	58,029	-	58,029
Employee benefits	273,170	180,095	93,074
Total salaries and employee benefits	<u>1,045,914</u>	<u>687,302</u>	<u>358,611</u>
Advertising	3,328	2,012	1,315
Bank Charges	261	-	261
Communication	10,715	257	10,458
Computer Support	27,027	1,392	25,635
Conferences	8,245	470	7,775
Consultants	898,787	898,787	-
Depreciation	77,470	23,028	54,442
Dues and Subscriptions	15,500	5,664	9,836
Education and Training	8,927	3,200	5,727
Insurance	14,294	3,487	10,808
Interest	24,292	3,879	20,413
Licenses	11,982	11,369	614
Meetings	55	-	55
Printing	967	967	-
Postage	1,102	21	1,082
Professional Services	71,290	22,942	48,348
Public Notice	3,450	3,450	-
Repairs and Maintenance	28,105	11,149	16,956
Security	5,263	2,087	3,176
Software	6,399	-	6,399
Supplies	29,875	7,349	22,526
Taxes	642	562	80
Travel	20,008	13,652	6,356
Utilities	11,395	2,070	9,325
Total expenses	<u><u>\$ 2,325,291</u></u>	<u><u>\$ 1,705,095</u></u>	<u><u>\$ 620,196</u></u>

Shasta Regional Transportation Agency
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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 California</i>				
<i>Department of Transportation:</i>				
Federal Highway Administration - Metropolitan Planning	20.505	74A0821	\$ 1,166,142	\$ 85,465
Federal Transit Administration - Metropolitan Planning	20.505	74A0821	28,740	-
Federal Highway Administration - Strategic Planning & Research	20.505	74A0821	<u>195,714</u>	<u>-</u>
Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			<u>1,390,596</u>	<u>85,465</u>
<i>Formula Grants for Rural Areas:</i>				
<i>Pass-through the State of California</i>				
<i>Department of Transportation:</i>				
Federal Transit Administration - 5303	20.509	74A0821	<u>53,991</u>	<u>-</u>
Total Formula Grants for Rural Areas			<u>53,991</u>	<u>-</u>
Total U.S. Department of Transportation			<u>1,444,587</u>	<u>85,465</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,444,587</u></u>	<u><u>\$ 85,465</u></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, 2018

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	\$ 77,209
	City of Shasta Lake/Mobility Planners	8,256
	Total Amount Provided to Subrecipients	\$ 85,465

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

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? **2018-001**

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

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **2018-002**

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	\$ 1,390,596
	Total Expenditures of All Major Federal Programs	\$ 1,390,596
	Total Expenditures of Federal Awards	\$ 1,444,587
	Percent of Total Expenditures of Federal Awards	96.26%

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as a low-risk auditee under 2 CFR 200.520? **Yes**

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings

A. Current Year Findings - Financial Statement Audit

2018-001 Internal Control and Compliance Over Financial Reporting

Criteria:

Pursuant to Government Code section 53891 (a), the officer of each local agency who has charge of the financial records shall furnish to the State Controller a report of all the financial transactions of the local agency during the preceding fiscal year. The report shall contain underlying data from audited financial statements prepared in accordance with generally accepted accounting principles, if this data is available. The report shall be furnished within seven months after the close of each fiscal year and shall be in the form required by the State Controller.

Condition:

During our testing of SRTA's compliance with the reporting requirement, we noted that the Transportation Planning Agencies Financial Transactions Report was submitted after the due date. The report was due January 31, 2018 and it was submitted to the State Controller's Office on February 8, 2018.

Cause:

SRTA did not have an adequate board approved policies and procedures to enforce the timely submission of the Transportation Planning Agencies Financial Transactions Report.

Effect:

The delay in submission of the Transportation Planning Agencies Financial Transactions Report may lead to the Caltrans withhold future apportionment.

Recommendation:

We recommended SRTA develop a policy to ensure a timely submission of the required reports.

Views of Responsible Officials:

SRTA has recreated an internal schedule with its Chief Fiscal Officer duties and deadlines in order to ensure more timely submission of required reports.

B. Prior Year Findings - Financial Statement Audit

No prior year findings were noted.

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs

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

2018-002 Reporting – Internal Control and Compliance over Reporting

Identification 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 or Specific Requirement (Including Statutory, Regulatory, or Other Citation):

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.

Pursuant to Article I – Section 3 Final Request for Reimbursement and OWP Closeout Documentation in the Master Fund Transfer Agreement between Shasta Regional Transportation Agency and the State of California, Department of Transportation, SRTA is required to submit an OWP/annual OWPA closeout documentation package to the State of California, Department of Transportation, no later than August 31st of each fiscal year.

Pursuant to the same Article, Caltrans may withhold future apportionments and/or allocations 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.

Condition:

During our testing of SRTA’s compliance with the reporting requirement, we noted that the fourth QPR and the Certification of Allocation and Expenditure by Fund Source were submitted after the due date. The fourth QPR was due July 30, 2018 and it was submitted to the Caltrans on August 20, 2018. The Certification of Allocation and Expenditure by Fund Source was due August 31, 2018 and it was submitted to the Caltrans on September 11, 2018.

Cause:

SRTA experienced turnover of the key management personnel that led to the delay of the submission of the financial information.

Effect or Potential Effect:

The delay in submission of QPR may lead to the Caltrans withhold the reimbursement payment. The delay in submission of OWP closeout documentation package may lead to the Caltrans withhold future apportionment.

**Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018**

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

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

2018 - 002 Reporting – Internal Control and Compliance over Reporting (Continued)

Questioned Costs:

No questioned costs over \$25,000 were noted.

Context:

There is no sampling since all four quarters were tested. One of the four quarters selected for testing had exception. Also, annual close-out report selected for testing had exception.

Identification as a Repeat Finding, If Applicable:

It is a repeat finding from prior year finding 2017-001.

Recommendation:

We recommended SRTA update procedures to improve the risk assessment process and control activities over the timely submission of the reports in event of turnovers.

Views of Responsible Officials:

SRTA has updated its policies and will be adopting them at the February 26, 2019 Board of Directors meeting. The updated policies will address Chief Fiscal Officer duties and deadlines to ensure more timely submission of required reports.

Shasta Regional Transportation Agency
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

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

B. Prior 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

Identification 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)

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.

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.

Status:

Finding was partially corrected. See current year finding 2018-002.