

**YUBA-SUTTER TRANSIT AUTHORITY**

Audited Financial Statements  
and Compliance Reports

June 30, 2016

YUBA-SUTTER TRANSIT AUTHORITY

Audited Financial Statements  
and Compliance Reports

June 30, 2016 and 2015

Audited Financial Statements

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Yuba-Sutter Transit Authority  
Marysville, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Yuba-Sutter Transit Authority (the Authority) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2016 and 2015, and changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

To the Board of Directors  
Yuba-Sutter Transit Authority

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that required supplementary information, as listed in the accompanying table of contents, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of the Authority'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 Transportation Development Act and other state grant program guidelines. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

December 14, 2016

YUBA-SUTTER TRANSIT AUTHORITY

BALANCE SHEETS

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,301,720	\$ 719,016
Accounts receivable	8,776	13,404
Interest receivable	351	449
Due from other governmental agencies	1,436,167	1,360,828
Prepaid expenses and other assets	20,170	4,636
TOTAL CURRENT ASSETS	<u>2,767,184</u>	<u>2,098,333</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	444,308	321,311
Capital assets:		
Nondepreciable	905,570	923,728
Depreciable, net	10,572,249	12,045,410
Total Capital Assets	<u>11,477,819</u>	<u>12,969,138</u>
TOTAL NONCURRENT ASSETS	<u>11,922,127</u>	<u>13,290,449</u>
TOTAL ASSETS	<u>14,689,311</u>	<u>15,388,782</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	70,776	73,749
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,760,087</u>	<u>\$ 15,462,531</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 504,395	\$ 479,844
Accrued payroll	24,823	27,211
Accrued compensated absences	22,232	25,125
Unearned revenue	643,809	418,300
Deposits payable	25,248	25,700
TOTAL CURRENT LIABILITIES	<u>1,220,507</u>	<u>976,180</u>
NONCURRENT LIABILITIES		
Net pension liability	245,520	243,615
TOTAL LIABILITIES	<u>1,466,027</u>	<u>1,219,795</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan	36,817	60,190
NET POSITION		
Net investment in capital assets	11,477,819	12,969,138
Restricted for operations in specified service areas	102,377	129,528
Unrestricted	1,677,047	1,083,880
TOTAL NET POSITION	<u>13,257,243</u>	<u>14,182,546</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 14,760,087</u>	<u>\$ 15,462,531</u>

The accompanying notes are an integral part of these financial statements.

YUBA-SUTTER TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Passenger fares	\$ 1,310,781	\$ 1,424,757
Special transit fares	24,027	21,922
TOTAL OPERATING REVENUES	<u>1,334,808</u>	<u>1,446,679</u>
OPERATING EXPENSES		
Operations		
Purchased transportation	4,707,763	4,457,364
Depreciation	1,520,946	1,518,984
Fuel and lubricants	513,681	715,212
Maintenance and supplies	320,896	304,476
Vehicle insurance	269,037	258,882
Total operations	<u>7,332,323</u>	<u>7,254,918</u>
General administration		
Personnel costs	436,023	388,774
Utilities	59,850	54,905
Services	48,753	148,306
Casualty and liability insurance	22,552	22,293
Materials	9,123	14,262
Miscellaneous	20,153	34,183
Total general and administration	<u>596,454</u>	<u>662,723</u>
TOTAL OPERATING EXPENSES	<u>7,928,777</u>	<u>7,917,641</u>
NET LOSS FROM OPERATIONS	(6,593,969)	(6,470,962)
NONOPERATING REVENUES (EXPENSES)		
Federal transit administration operating grants	2,328,256	2,386,000
Local Transportation Fund	2,336,100	1,823,274
State Transit Assistance Fund operating	832,162	950,615
Advertising	27,414	28,398
State operating grants	14,405	4,271
Other revenues	88,351	9,571
Interest	1,152	1,060
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>5,627,840</u>	<u>5,203,189</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(966,129)	(1,267,773)
CAPITAL CONTRIBUTIONS		
State Proposition 1B Transit Security Grant	30,579	6,959
Low Carbon Transit Operations Program	10,247	
TOTAL CAPITAL CONTRIBUTIONS	<u>40,826</u>	<u>6,959</u>
CHANGE IN NET POSITION	(925,303)	(1,260,814)
Net position at beginning of year	<u>14,182,546</u>	<u>15,443,360</u>
NET POSITION AT END OF YEAR	<u>\$ 13,257,243</u>	<u>\$ 14,182,546</u>

The accompanying notes are an integral part of these financial statements.

YUBA-SUTTER TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 1,339,436	\$ 1,463,009
Cash paid to suppliers for goods and services	(6,037,408)	(5,931,771)
Cash paid to employees for services	(374,435)	(318,918)
NET CASH USED FOR OPERATING ACTIVITIES	<u>(5,072,407)</u>	<u>(4,787,680)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grants and subsidies	5,907,223	5,200,849
Other nonoperating revenue	115,765	37,969
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>6,022,988</u>	<u>5,238,818</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants received	(205,304)	247,484
Purchase of capital assets	(40,826)	(16,271)
CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(246,130)</u>	<u>231,213</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earnings received	1,250	742
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,250</u>	<u>742</u>
INCREASE IN CASH AND CASH EQUIVALENTS	705,701	683,093
Cash and cash equivalents at beginning of year	<u>1,040,327</u>	<u>357,234</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,746,028</u>	<u>\$ 1,040,327</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS</b>		
Cash and cash equivalents	\$ 1,301,720	\$ 719,016
Restricted cash and cash equivalents	<u>444,308</u>	<u>321,311</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,746,028</u>	<u>\$ 1,040,327</u>

(Continued)

YUBA-SUTTER TRANSIT AUTHORITY  
STATEMENT OF CASH FLOWS (Continued)  
For the Year Ended June 30, 2016 and 2015

	2016	2015
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Net loss from operations	\$ (6,593,969)	\$ (6,470,962)
Adjustments to reconcile net loss from operations to net cash used for operating activities:		
Depreciation	1,520,946	1,518,984
Construction in progress written-off as maintenance and supplies expense	11,199	135,740
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	4,628	16,330
Prepaid expenses	(15,534)	130
Accounts payable	24,551	18,496
Accrued payroll	(2,388)	3,530
Accrued compensated absences	(2,893)	4,924
Deposits payable	(452)	
Net pension liability and related deferred inflows and outflows of resources	(18,495)	(14,852)
NET CASH USED FOR OPERATING ACTIVITIES	\$ (5,072,407)	\$ (4,787,680)

The accompanying notes are an integral part of these financial statements.



YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Yuba-Sutter Transit Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles of the Authority are described below.

Description of Reporting Entity: The Authority is a joint powers agency formed by Yuba and Sutter Counties and the Cities of Marysville and Yuba City, to provide transportation services in the Yuba-Sutter Bi-County Area. The Authority operates a wide range of public transit services in both the rural and urbanized areas of Yuba and Sutter Counties, including the cities of Marysville, Yuba City, Wheatland, and Live Oak through the use of a transit contractor. These services include fixed routes and dial-a-ride in the urban areas, rural route deviation service to Live Oak, Wheatland, and the Yuba County foothills, and both commuter and midday service to Sacramento.

Basis of Presentation: The Authority's resources are allocated to and accounted for in these financial statements as an enterprise fund type of the proprietary fund group. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or 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 policies. Unrestricted net position for the enterprise fund represents the net position available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of this fund are included on the balance sheet. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund-type operating statements present increases (i.e., revenue) and decreases (i.e., expenses) in net position.

The Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as unearned revenues until earned. Transportation Development Act (TDA) revenues are recognized when all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for transportation services. Operating expenses include the cost of purchased transportation, fuel and lubricants, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and Cash Equivalents: For the purposes of reporting cash flows, the Authority considers all cash and highly liquid investments purchased with an original maturity of three months or less and the investment in the Local Agency Investment Fund (LAIF) to be cash equivalents.

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents represents the unexpended amount received under the State Transportation Bond (Proposition 1B) and Low Carbon Transit Operations Program grants that must be held for use on approved projects. The amount was reclassified to noncurrent assets during 2016 because the amount will be used for capital projects rather than for operations and does not meet the definition of a current asset.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are valued at historical cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Provision is made for depreciation on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and improvements	5-30 years
Vehicles	4-12 years
Equipment	5-10 years

Maintenance and repairs are charged to operations when incurred. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement.

Unearned Revenue: Unearned revenue at June 30, 2016 and 2015 consisted of unspent State Transit Assistance capital, State Transportation Bond (Proposition 1B) and Low Carbon Transit Operations Program revenue received prior to the qualifying expenses being incurred and fares collected in advance of the service being provided.

Compensated Absences: It is the Authority’s policy to permit employees to accumulate earned but unused annual leave benefits up to a maximum of 384 hours. Unused annual leave is paid to the employees upon termination. The Authority considers the entire balance of compensated absences to be a current liability.

Restricted Net Position: Restrictions of net position show amounts that are legally restricted for specific uses. The amount restricted for operations are for State Transit Assistance funds claimed on behalf of Wheatland and Live Oak that have not been expended.

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Reclassifications: Certain reclassifications were made to 2015 balances to conform to the current presentation, including the reclassification of vehicle insurance from general administration to operations expense and the reclassification of restricted cash and cash equivalents to noncurrent assets. These reclassifications had no effect on 2015 total assets, liabilities, net position or change in net position.

New Pronouncements: In June 2015, the GASB approved Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)”. This Statement replaces the requirements of GASB Statement No. 45 and requires governments responsible for OPEB liabilities related to their own employees to report a net OPEB liability on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more expensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective beginning in the year ended June 30, 2018.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for periods beginning after June 15, 2015, and should be applied retroactively.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria allowing investment pools meeting certain maturity, quality, diversification and other criteria to measure its investments at amortized cost for financial reporting purposes rather than at fair value and allowing the pool’s users to measure their investment in the pool at amortized cost. This Statement is effective for periods beginning after June 15, 2015 with some provisions effective for periods beginning after December 15, 2015.

The Authority will fully analyze the impact of these Statements prior to the effective dates above.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

	2016	2015
Cash on hand	\$ 200	\$ 200
Deposits in financial institutions:		
Unrestricted	463,193	91,604
Restricted	444,308	321,311
Investment in Local Agency Investment Fund (LAIF)		
Unrestricted	838,327	627,212
Total cash and cash equivalents	\$ 1,746,028	\$ 1,040,327

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The Authority’s investment policy permits investments only in time deposits and the State of California Local Agency Investment Fund (LAIF).

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2016 and 2015, the weighted average maturity of the investments contained in the LAIF investment pool was approximately 167 and 239 days, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2016 and 2015, the carrying amount of the Authority’s deposits was \$907,501 and \$412,915 and the balance in financial institutions was \$909,364 and \$412,219, respectively. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance. The remaining amount \$659,364 and \$162,219 at June 30, 2016 and 2015, respectively, was collateralized by securities pledged by the financial institution, but not in the name of the Authority.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF was \$75,442,588,513, which is managed by the State Treasurer. Of that amount, 2.81% was invested in asset-back securities and structured financial instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the Authority’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Sacramento Area Council of Governments (STA)	\$ 580,034	\$ 212,812
Local Transportation Funds	352,758	255,310
State Department of Transportation	251,100	227,000
Federal Transit Administration grants	200,000	596,300
Other	<u>52,275</u>	<u>69,406</u>
Total due from other governmental agencies	<u><u>\$ 1,436,167</u></u>	<u><u>\$ 1,360,828</u></u>

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE D – CAPITAL ASSETS

Capital asset activity was as follows for the years ended June 30:

	Balance at July 1, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
Capital assets, not being depreciated					
Land	\$ 905,570				\$ 905,570
Construction in progress	18,158	\$ 40,826	\$ (11,199)	\$ (47,785)	
Total capital assets not being depreciated	<u>923,728</u>	<u>40,826</u>	<u>(11,199)</u>	<u>(47,785)</u>	<u>905,570</u>
Capital assets, being depreciated:					
Buildings and improvements	4,288,073			47,785	4,335,858
Vehicles	14,843,979				14,843,979
Maintenance tools and equipment	114,818				114,818
Office equipment	138,595				138,595
Total capital assets being depreciated	<u>19,385,465</u>			<u>47,785</u>	<u>19,433,250</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,161,276)	(145,318)			(1,306,594)
Vehicles	(5,998,162)	(1,352,229)			(7,350,391)
Maintenance tools and equipment	(67,727)	(8,912)			(76,639)
Office equipment	(112,890)	(14,487)			(127,377)
Total accumulated depreciation	<u>(7,340,055)</u>	<u>(1,520,946)</u>			<u>(8,861,001)</u>
Total capital assets being depreciated, net	<u>12,045,410</u>	<u>(1,520,946)</u>		<u>47,785</u>	<u>10,572,249</u>
Capital assets, net	<u>\$ 12,969,138</u>	<u>\$ (1,480,120)</u>	<u>\$ (11,199)</u>	<u>\$ -</u>	<u>\$ 11,477,819</u>
	Balance at July 1, 2014	Additions	Retirements	Transfers	Balance at June 30, 2015
Capital assets, not being depreciated					
Land	\$ 905,570				\$ 905,570
Construction in progress	142,742	\$ 11,156	\$ (135,740)		18,158
Total capital assets not being depreciated	<u>1,048,312</u>	<u>11,156</u>	<u>(135,740)</u>		<u>923,728</u>
Capital assets, being depreciated:					
Buildings and improvements	4,288,073				4,288,073
Vehicles	14,843,979				14,843,979
Maintenance tools and equipment	114,817	1			114,818
Office equipment	133,481	5,114			138,595
Total capital assets being depreciated	<u>19,380,350</u>	<u>5,115</u>			<u>19,385,465</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,017,409)	(143,867)			(1,161,276)
Vehicles	(4,645,933)	(1,352,229)			(5,998,162)
Maintenance tools and equipment	(58,815)	(8,912)			(67,727)
Office equipment	(98,914)	(13,976)			(112,890)
Total accumulated depreciation	<u>(5,821,071)</u>	<u>(1,518,984)</u>			<u>(7,340,055)</u>
Total capital assets being depreciated, net	<u>13,559,279</u>	<u>(1,513,869)</u>			<u>12,045,410</u>
Capital assets, net	<u>\$ 14,607,591</u>	<u>\$ (1,502,713)</u>	<u>\$ (135,740)</u>	<u>\$ -</u>	<u>\$ 12,969,138</u>

During the years ending June 30, 2016 and 2015, the Authority wrote-off \$11,199 and \$135,740, respectively, of construction in progress that did not meet the capitalization criteria as maintenance and supplies expense.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE E – FARE REVENUE RATIO

The Authority is required by the Sacramento Area Council of Governments (SACOG) to maintain a fare revenue ratio to operating expense ratio of 14.6% in accordance with the Transportation Development Act (TDA). The operating exemption is based on the net operation expense per vehicle service hour. The fare revenue ratios were as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Fare revenues	<u>\$ 1,334,808</u>	<u>\$ 1,446,679</u>
Total operating expenses	\$ 7,928,777	\$ 7,917,641
Less: depreciation	<u>(1,520,946)</u>	<u>(1,518,984)</u>
Net operating expenses	<u>\$ 6,407,831</u>	<u>\$ 6,398,657</u>
Fare revenue ratio	<u>20.83%</u>	<u>22.61%</u>

The Authority was in compliance with the required minimum fare revenue ratio at June 30, 2016 and 2015.

NOTE F – INSURANCE

The Authority is exposed to the ordinary risk of loss in the normal course of business: general liability, automobile, and property. Commercial insurance is purchased to cover these potential areas of risk. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, there have not been any settlements in excess of the insurance coverage for the past three fiscal years.

NOTE G – PENSION PLAN

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the Authority’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). The Authority participates in the Miscellaneous Risk Pool and the following rate plans:

- Miscellaneous rate plan
- PEPRA Miscellaneous rate plan

The PEPRA Miscellaneous rate plan had no participants as of the June 30, 2015 and 2014 measurement dates. Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The Public Employee’s Pension Reform Act (PEPRA) changed the benefit rate for employees that were not members of a CalPERS pension plan as of January 1, 2013 to 2.0% at 62. However, the Federal Department of Labor sued the State of California after ruling PEPRA interferes with collective-bargaining rights of transit unions to negotiate benefits. Consequently, the State of California passed Assembly Bills 1222 and 1783, which temporarily exempted from PEPRA any public transit employees of agencies that receive funding from the Federal Transit Administration. The State prevailed, allowing members of transit unions to be included in PEPRA plans. Employees hired on or after January 1, 2013 that are new CalPERS members were converted to PEPRA on December 30, 2014. For the June 30, 2014 and 2013 valuations the PEPRA members were included in the Miscellaneous rate plan, but will be transferred to the PEPRA rate plan in the future.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE G – PENSION PLANS (Continued)

death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the 1959 Survivor Benefit level 3, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law. The Plan's provisions and benefits in effect at June 30, 2016 and 2015 are summarized as follows:

	PEPRA	
	Miscellaneous	Miscellaneous
	Prior to	On or after
	January 1, 2013	January 1, 2013
CalPERS membership date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates 2016	7.000%	6.250%
Required employee contribution rates 2015	7.000%	6.250%
Required employer contribution rates 2016	8.003%	6.237%
Required employer contribution rates 2015	15.784%	6.250%

The Miscellaneous rate plan is closed to new members that are not already CalPERS participants. The 2016 Miscellaneous rate plan contribution percentage above reflects a pre-payment of the Employer Unfunded Accrued Liability (UAL). The contribution percentage without that prepayment would have been 15.905%.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The employer contributions for the Plan were \$40,421 and \$42,571 for the years ended June 30, 2016 and 2015, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2016 and 2015, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$245,520 and \$243,615, respectively.

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan for the years ended June 30, 2016 and 2015 was measured as of June 30, 2015 and 2014, respectively, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2014 and 2013 rolled forward to June 30, 2015 and 2014, respectively, using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability as of the June 30, 2015, 2014 and 2013 measurement dates were as follows:

Proportion - June 30, 2013	0.009330%
Proportion - June 30, 2014	0.003920%
Change - Increase (decrease)	-0.005410%
Proportion - June 30, 2015	0.008949%
Change - Increase (decrease)	0.005029%

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE G – PENSION PLANS (Continued)

For the years ended June 30, 2016 and 2015, the Authority recognized pension expense of \$21,527 and \$45,655. The Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources as of June 30:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 40,421		\$ 60,507	
Differences between expected and actual experience	2,592			
Changes in assumptions		\$ (24,523)		
Net differences between projected and actual earnings on pension plan investments		(12,294)		\$ (60,190)
Adjustments due to differences in proportions	13,474		522	
Difference between actual and allocated contribution	14,289		12,720	
Total	<u>\$ 70,776</u>	<u>\$ (36,817)</u>	<u>\$ 73,749</u>	<u>\$ (60,190)</u>

The \$40,421 and \$60,507 at June 30, 2016 and 2015 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized as pension expense as follows as of June 30:

Year Ended	Year Ended		
	June 30	2016	2015
2016			\$ (10,318)
2017	\$ (7,253)		(10,318)
2018	(7,253)		(11,266)
2019	(7,672)		(15,046)
2020	15,716		
		<u>\$ (6,462)</u>	<u>\$ (46,948)</u>

Actuarial Assumptions: The total pension liabilities in actuarial valuations for each of the Plans were determined using the following actuarial assumptions at June 30:

	2016	2015
Valuation Date	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2015	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.65%	7.5% (2)
Mortality	CalPERS Table	CalPERS Table

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) 20 years of mortality improvement - Society of Actuaries Scale BB.



YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE G – PENSION PLANS (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the 2010 CalPERS experience study for the period from 1997 to 2007. The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.65% in the June 30, 2014 valuation used for the year ended June 30, 2016 and 7.50% in the June 30, 2013 valuation used for the year ended June 30, 2015. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to paragraph 30 of GASB Statement No. 68, the long-term expected rate of return should be determined without reduction for pension plan administrative expenses. The 7.5% investment return assumption used in the June 30, 2013 valuation was net of administrative expenses. Administrative expenses were assumed to be 15 basis points. Using this lower discount rate resulted in slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

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

The table below reflects the long-term expected real rate of return by asset class for the Plan for the years ended June 30. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE G – PENSION PLANS (Continued)

Asset Class	2016			2015		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%	12.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%	11.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%	2.0%	-0.55%	-1.05%
Total	100.0%			100.0%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:** The following presents the Authority’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2016	2015
1% Decrease	6.65%	6.50%
Net Pension Liability	\$ 411,742	\$ 392,182
Current Discount Rate	7.65%	7.50%
Net Pension Liability	\$ 245,520	\$ 243,615
1% Increase	8.65%	8.50%
Net Pension Liability	\$ 108,271	\$ 120,318

**Pension Plan Fiduciary Net Position:** Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**Payable to the Pension Plan:** At June 30, 2016 and 2015, the Authority reported a payable of \$3,249 and \$3,321 for the outstanding amount of contributions to the Plan.

NOTE H – CONTINGENT LIABILITIES AND COMMITMENTS

**Contingencies:** The Authority has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the Authority believes such disallowance, if any, will be immaterial.

The Authority is a party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the Authority’s legal counsel believe that there are no loss contingencies that would have a material adverse impact on the financial position of the Authority.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE H – CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

**Commitments:** On September 4, 2014, the Authority entered into a three-year agreement with Transdev Services Incorporated to provide transit services through September 30, 2017. The amounts payable to Transdev Services for the fiscal years ending September 2016 and 2017 will not exceed \$4,940,070, and \$5,098,902, respectively. The Authority, at its sole discretion, may extend this agreement for up to two one year option terms at a price adjusted by the consumer price index. Upon completion of the term of this agreement, including any option term, the Authority may, at its sole discretion, extend the term of this agreement on a month to month basis up to six months at the rate in effect during the last month of the agreement.

NOTE I – OTHER STATE GRANTS

**Proposition 1B Transit Grant:** As approved by the voters in the November 2010 general election, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2010 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including, among other purposes, transit and passenger rail improvements, state-local partnership transportation projects, and transit security projects.

The Authority applied for and received proceeds of \$134,301 during the year ended June 30, 2015 for mobile video surveillance retrofit project and had unspent funds from prior years for park & ride video surveillance equipment and mobile video surveillance equipment that were unexpended at June 30, 2016 and 2015. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. Proposition 1B Transit Grant funds received and expended were verified in the course of the audit as follows for the years ended June 30:

	2016				2015			
	Facility Video Surveillance	Mobile Video Surveillance	Mobile Video Retrofit	Total	Facility Video Surveillance	Mobile Video Surveillance	Mobile Video Retrofit	Total
Beginning Balance	\$ 47,852	\$ 75,823	\$ 134,320	\$ 257,995	\$ 54,823	\$ 79,767		\$ 134,590
Proposition 1B funds received							\$ 134,301	134,301
Changes in unspent interest	88	131	69	288	127	188	19	334
Expenses incurred:								
Facility video surveillance	(30,879)			(30,879)	(7,098)			(7,098)
Mobile video surveillance		(13,605)		(13,605)		(4,132)		(4,132)
Unexpended proceeds, including interest	\$ 17,061	\$ 62,349	\$ 134,389	\$ 213,799	\$ 47,852	\$ 75,823	\$ 134,320	\$ 257,995

These unexpended proceeds are reported as restricted cash, interest receivable and unearned revenue.

**PTMISEA:** Of the \$19.925 billion of State general obligation bonds authorized by Proposition 1B discussed above, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement. No PTMISEA funds were received during the year ended June 30, 2016 and 2015. The Authority plans to apply for funds from the State PTMISEA account for the purchase of buses in the future.

**LCTOP:** The Low Carbon Transit Operations Program (LCTOP) was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants. Projects approved for LCTOP will support bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE I – OTHER STATE GRANTS (Continued)

The Authority received \$180,417 and \$60,305 of LCTOP funds during the years ended June 30, 2016 and 2015 for transit stop enhancements and North Beale Road transit center improvements, respectively. LCTOP funds received and expended were verified in the course of the audit as follows for the years ended June 30:

	2016			2015	
	Transit Stop Enhancements	North Beale Road Transit Center	Total	North Beale Road Transit Center	Total
Beginning Balance		\$ 60,305	\$ 60,305	\$ 60,305	\$ 60,305
LCTOP funds received	\$ 180,417		180,417		
Changes in unspent interest	4	30	34		
Expenses incurred:					
Transit stop enhancements					
Transit center		(10,747)	(10,747)		
Unexpended proceeds, including interest	\$ 180,421	\$ 49,588	\$ 230,009	\$ 60,305	\$ 60,305

The LCTOP in the table above is different than cash and cash equivalents restricted for LCTOP projects due to a payable outstanding at year-end.

NOTE J – SUBSEQUENT EVENTS

On September 17, 2015, the Board of Directors authorized participation in a joint procurement of seven commuter buses with the City of Fairfield during the fiscal year ended June 30, 2018. The Authority is anticipating PTMISEA and Federal Transit Administration funds of \$3.4 million and \$1.0 million, respectively, will be available to help fund the purchase.

**REQUIRED SUPPLEMENTARY INFORMATION**

YUBA-SUTTER TRANSIT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016 and 2015

SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)

Last 10 Years

	2016	2015
Proportion of the net pension liability at measurement date	0.008949%	0.003920%
Proportionate share of the net pension liability	\$ 245,520	\$ 243,615
Covered - employee payroll for measurement period	\$ 290,280	\$ 279,533
Proportionate share of the net pension liability as a percentage of covered payroll	84.58%	87.15%
Plan fiduciary net position	\$ 923,112	\$ 876,269
Plan fiduciary net position as a percentage of the total pension liability	78.99%	78.25%

Notes to Schedule:

Benefit changes: No benefit changes occurred after June 30, 2013.

Changes in assumptions: The discount rate was changed to 7.65% from 7.5% in the June 30, 2015 valuation.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)

Last 10 Years

	2016	2015
Contractually required contribution during employer's fiscal year (actuarially determined)	\$ 40,421	\$ 42,571
Contributions in relation to the actuarially determined contributions	40,421	42,571
Contribution deficiency (excess)	\$ -	\$ -
Covered - employee payroll for employer's fiscal year	\$ 301,224	\$ 290,280
Contributions as a percentage of covered - employee payroll	13.42%	19.20%

Notes to Schedule:

Valuation date: June 30, 2014 June 30, 2013

Measurement date: June 30, 2015 June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial method	Entry age normal cost method
Amortization method	Difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average service life of participants.
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies depending on entry age and service
Investment rate of return	7.65% (2016) and 7.50% (2015 net administrative expenses), including inflation
Retirement age	50-67 years. Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	CalPERS specific data from January 2014 Actuarial Experience Study for the period 1997 to 2011 that uses 20 years of mortality improvements using Society of Actuaries Scale BB.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

## **COMPLIANCE REPORTS**



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, THE TRANSPORTATION  
DEVELOPMENT ACT AND OTHER STATE PROGRAM GUIDELINES

To the Board of Directors  
Yuba-Sutter Transit Authority  
Marysville, California

We have audited, 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, the financial statements of the Yuba-Sutter Transit Authority (the Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 14, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters (including State grant programs)**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated and received by the Authority were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of other state grant funds, as presented in Note I of the financial statements, in accordance with State grant program statutes and guidelines. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the TDA or State grant program requirements.



To the Board of Directors  
Yuba-Sutter Transit Authority

**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 result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, the TDA and State grant programs in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Richardson & Company, LLP". The signature is written in a cursive style and is positioned to the right of the date.

December 14, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Yuba-Sutter Transit Authority  
Marysville, California

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

We have audited the Yuba-Sutter Transit Authority's, (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Authority'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 the Authority's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Authority 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, 2016.

**Report on Internal Control Over Compliance**

Management of the Authority 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 the Authority'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

To the Board of Directors  
Yuba-Sutter Transit Authority

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 the Authority's internal control over compliance.

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

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

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.

*Richardson & Company, LLP*

December 14, 2016

YUBA-SUTTER TRANSIT AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2016

**A. Summary of Auditor's Results**

Financial Statements

- |   |               |
|---|---------------|
| 1. Type of auditor's report issued:   | Unmodified    |
| 2. Internal controls over financial reporting:  |               |
| a. Material weaknesses identified   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses?                    | None Reported |
| 3. Noncompliance material to financial statements under <i>Government Auditing Standards</i> noted? | No            |

Federal Awards

- |  |            |
|--|------------|
| 1. Internal control over major programs:   |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses?                                       | No         |
| 2. Type of auditor's report issued on compliance for major programs:   | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR Section 200.516(a)? | No         |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.507	Federal Transit Formula Grants (Urbanized Area Formula Program), Section 5307

- |   |            |
|---|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)?  | Yes        |

YUBA-SUTTER TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2016

**B. Current Year Findings – Financial Statements**

None

**C. Current year Findings and Questioned Costs – Federal Awards Programs**

None

**D. Prior Year Findings**

None

YUBA-SUTTER TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor, if Applicable/ Program Title/Grant or Pass-through Number	Federal CFDA Number	Pass-through Entity Identifying Number	Award Amount	Expenditures
<u>U. S. Department of Transportation</u>				
Federal Transit Administration - Direct Program				
Federal Transit Formula Grants				
Urbanized Area Formula Program				
Section 5307	20.507	CA-2016-004	\$ 2,000,000	\$ 2,000,000
TOTAL DIRECT FEDERAL AWARDS			<u>2,000,000</u>	<u>2,000,000</u>
Federal Transit Administration, Passed-through the State of California, Department of Transportation				
Formula Grants for Rural Areas				
Section 5311	20.509	Applied for	228,000	228,000
Section 5311	20.509	SA-64A0234	1,256	1,256
Job Access Reverse Commute Program				
Section 5316	20.516	SA-643629	200,000	99,000
Total passed-through the State of California, Department of Transportation			<u>429,256</u>	<u>328,256</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>2,429,256</u>	<u>2,328,256</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,429,256</u>	<u>\$ 2,328,256</u>

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Yuba-Sutter Transit Authority under programs of the federal government for the year ended June 30, 2016. The information in this 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). Because the Schedule presents only a selected portion of the Authority's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COSTS

The Authority did not charge indirect costs to its federal programs.

NOTE D – SUBRECIPIENTS

There were no subrecipients of the Authority's programs during the year ended June 30, 2016.