

YUBA-SUTTER TRANSIT AUTHORITY

Audited Financial Statements
and Compliance Reports

June 30, 2019

YUBA-SUTTER TRANSIT AUTHORITY

Audited Financial Statements
and Compliance Reports

June 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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) Part 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 schedule of expenditures of federal awards 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 January 8, 2020 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 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 the Authority'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 the Authority's internal control over financial reporting and compliance.

Richardson & Company, LLP

January 8, 2020

YUBA-SUTTER TRANSIT AUTHORITY

BALANCE SHEETS

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,267,339	\$ 1,415,017
Accounts receivable	6,141	4,674
Interest receivable	3,007	2,457
Due from other governmental agencies	2,019,885	5,431,425
Prepaid expenses and other assets	45,877	9,262
TOTAL CURRENT ASSETS	<u>4,342,249</u>	<u>6,862,835</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	511,185	569,105
Capital assets:		
Nondepreciable	1,708,681	4,868,177
Depreciable, net	10,992,476	7,857,484
Total Capital Assets	<u>12,701,157</u>	<u>12,725,661</u>
TOTAL NONCURRENT ASSETS	<u>13,212,342</u>	<u>13,294,766</u>
TOTAL ASSETS	<u>17,554,591</u>	<u>20,157,601</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	127,450	147,285
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,682,041</u>	<u>\$ 20,304,886</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 1,373,937	\$ 4,459,206
Accrued payroll	35,415	35,292
Accrued compensated absences	37,539	36,472
Unearned revenue	786,734	1,077,395
Deposits payable	25,075	25,075
TOTAL CURRENT LIABILITIES	<u>2,258,700</u>	<u>5,633,440</u>
NONCURRENT LIABILITIES		
Net pension liability	338,485	356,041
TOTAL LIABILITIES	<u>2,597,185</u>	<u>5,989,481</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan	15,547	13,801
NET POSITION		
Investment in capital assets	12,701,157	12,725,661
Restricted for operations in specified service areas	56,126	41,492
Unrestricted	2,312,026	1,534,451
TOTAL NET POSITION	<u>15,069,309</u>	<u>14,301,604</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 17,682,041</u>	<u>\$ 20,304,886</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Passenger fares	\$ 1,187,342	\$ 1,147,721
Special transit fares	58,991	54,127
TOTAL OPERATING REVENUES	<u>1,246,333</u>	<u>1,201,848</u>
OPERATING EXPENSES		
Operations		
Purchased transportation	5,108,024	5,027,000
Depreciation	1,324,374	1,403,922
Fuel and lubricants	732,863	689,361
Maintenance and supplies	364,482	429,702
Vehicle insurance	292,429	282,051
Total operations	<u>7,822,172</u>	<u>7,832,036</u>
General administration		
Personnel costs	564,507	595,546
Services	113,985	111,637
Utilities	62,525	70,002
Casualty and liability insurance	30,354	29,959
Materials	8,593	8,653
Miscellaneous	23,610	21,393
Total general and administration	<u>803,574</u>	<u>837,190</u>
TOTAL OPERATING EXPENSES	<u>8,625,746</u>	<u>8,669,226</u>
NET LOSS FROM OPERATIONS	<u>(7,379,413)</u>	<u>(7,467,378)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal transit administration operating grants	2,325,329	2,359,913
Local Transportation Fund	2,789,800	2,500,000
State Transit Assistance Fund operating	1,530,001	755,000
State operating grants	96,008	45,121
Advertising	50,064	37,025
Other revenues	38,762	54,890
Interest	5,939	7,804
Loss on disposal of capital assets	(70,437)	
Intergovernmental expenses		(286,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>6,765,466</u>	<u>5,473,753</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	<u>(613,947)</u>	<u>(1,993,625)</u>
CAPITAL CONTRIBUTIONS		
Federal Transit Administration capital grants	688,626	859,120
State Proposition 1B Transit Security grant	330,262	10,500
State of California PTMISEA grant	158,808	3,389,487
Low Carbon Transit Operations Program grant	125,405	55,250
State Transit Assistance Fund capital	66,551	
Sacramento Metropolitan Air Quality Management District capital grant	12,000	30,000
TOTAL CAPITAL CONTRIBUTIONS	<u>1,381,652</u>	<u>4,344,357</u>
CHANGE IN NET POSITION	<u>767,705</u>	<u>2,350,732</u>
Net position at beginning of year	<u>14,301,604</u>	<u>11,950,872</u>
NET POSITION AT END OF YEAR	<u><u>\$ 15,069,309</u></u>	<u><u>\$ 14,301,604</u></u>

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

YUBA-SUTTER TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,244,866	\$ 1,200,542
Cash paid to suppliers for goods and services	(10,898,068)	(6,807,533)
Cash paid to employees for services	(386,459)	(429,839)
NET CASH USED FOR OPERATING ACTIVITIES	<u>(10,039,661)</u>	<u>(6,036,830)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants and subsidies	6,745,634	5,916,393
Cash paid to other government agencies		(286,000)
Other nonoperating revenue	88,826	91,915
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>6,834,460</u>	<u>5,722,308</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received	4,498,035	724,927
Proceeds from sale of capital assets	11,345	
Purchase of capital assets	(515,166)	(110,652)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>3,994,214</u>	<u>614,275</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings received	5,389	7,100
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,389</u>	<u>7,100</u>
INCREASE IN CASH AND CASH EQUIVALENTS	794,402	306,853
Cash and cash equivalents at beginning of year	<u>1,984,122</u>	<u>1,677,269</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,778,524</u>	<u>\$ 1,984,122</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS		
Cash and cash equivalents	\$ 2,267,339	\$ 1,415,017
Restricted cash and cash equivalents	511,185	569,105
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,778,524</u>	<u>\$ 1,984,122</u>
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Net loss from operations	\$ (7,379,413)	\$ (7,467,378)
Adjustments to reconcile net loss from operations to net cash used for operating activities:		
Depreciation	1,324,374	1,403,922
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	(1,467)	(1,306)
Prepaid expenses	(36,615)	(1,477)
Accounts payable	(3,951,755)	(11,336)
Accrued payroll	123	2,203
Accrued compensated absences	1,067	8,986
Deposits payable		(173)
Net pension liability and related deferred inflows and outflows of resources	4,025	29,729
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (10,039,661)</u>	<u>\$ (6,036,830)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital asset purchases payable	\$ 866,486	\$ 3,947,705

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

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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 is governed by an eight member Board of Directors consisting of two members each from the Board of Supervisors of the counties of Yuba and Sutter and the City Councils of the cities of Yuba City and Marysville. 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 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, maintenance, insurance 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 amounts received under the State Transportation Bond (Proposition 1B), Low Carbon Transit Operations Program, and Public Transportation Modernization Improvement and Service Enhancement Account Program (PTMISEA) grants

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

that must be held for use on approved projects. Restricted cash and cash equivalents are reported as noncurrent assets if the amounts will be used for capital projects rather than for operations and do not meet the definition of current assets.

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 of one year or more. 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 represents resources received before the Authority has legal claim to them (i.e. when cost reimbursement grant revenues are received prior to the incurrence of qualifying expenditures) or when exchange revenues are received before the exchange takes place. Unearned revenue at June 30, 2019 and 2018 consisted of unspent State Transit Assistance capital allocations of \$457,547 and \$524,097, respectively, and the State Transportation Bond (Proposition 1B), PTMISEA and Low Carbon Transit Operations Program revenue received prior to the qualifying expenses being incurred as disclosed in Note I.

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.

Pension Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension plan, and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's 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.

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

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.

Reclassification: Certain revenues were reclassified from other revenues to special transit fares as of June 30, 2018 to conform with the current presentation. This reclassification had no effect on total assets, liabilities, net position or change in net position.

YUBA-SUTTER TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported on the balance sheet was as follows at June 30:

	2019	2018
Cash and cash equivalents	\$ 2,267,339	\$ 1,415,017
Restricted cash and cash equivalents	511,185	569,105
Total cash and cash equivalents	\$ 2,778,524	\$ 1,984,122

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

	2019	2018
Cash on hand	\$ 200	\$ 200
Deposits in financial institutions:		
Unrestricted	643,755	897,121
Restricted	257,640	569,105
Total	901,595	1,466,426
Investment in Local Agency Investment Fund (LAIF)		
Unrestricted	1,623,384	517,696
Restricted	253,545	
Total	1,876,929	517,696
Total cash and cash equivalents	\$ 2,778,524	\$ 1,984,122

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, 2019 and 2018, the weighted average maturity of the investments contained in the LAIF investment pool was approximately 173 and 193 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.

At June 30, 2019 and 2018, the carrying amount of the Authority's deposits was \$901,395 and \$1,466,226 and the balance in financial institutions was \$1,076,908 and \$1,938,299, respectively. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance. The remaining amount of \$826,908 and \$1,688,299 at June 30, 2019 and 2018, respectively, was collateralized by securities pledged by the financial institution, but not in the name of the Authority.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

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 \$105,814,483,092, which is managed by the State Treasurer. Of that amount, 1.77% was invested in asset-back securities and structured financial instruments. The Local Investment Advisory Board (the 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

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

	<u>2019</u>	<u>2018</u>
Sacramento Area Council of Governments (PTMISEA)		\$ 3,389,487
State Department of Transportation (FTA pass-through) grants	\$ 707,196	714,782
Federal Transit Administration (FTA) grants	479,486	423,000
Sacramento Area Council of Governments (STA)	402,363	298,626
Sacramento Area Council of Governments (LTF)	282,772	489,966
Other	<u>148,068</u>	<u>115,564</u>
Total due from other governmental agencies	<u>\$ 2,019,885</u>	<u>\$ 5,431,425</u>

NOTE D – CAPITAL ASSETS

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

	Balance at July 1, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
Capital assets, not being depreciated					
Land	\$ 905,570				\$ 905,570
Work in progress	<u>3,962,607</u>	\$ 803,111		\$ (3,962,607)	<u>803,111</u>
Total capital assets not being depreciated	<u>4,868,177</u>	<u>803,111</u>		<u>(3,962,607)</u>	<u>1,708,681</u>
Capital assets, being depreciated:					
Buildings and improvements	4,507,685	184,312			4,691,997
Vehicles	14,814,558	237,526	\$ (1,952,774)	3,962,607	17,061,917
Maintenance tools and equipment	114,818	145,526			260,344
Office equipment	<u>149,095</u>	<u>11,177</u>	<u>(13,540)</u>		<u>146,732</u>
Total capital assets being depreciated	<u>19,586,156</u>	<u>578,541</u>	<u>(1,966,314)</u>	<u>3,962,607</u>	<u>22,160,990</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,614,470)	(171,227)			(1,785,697)
Vehicles	(9,883,641)	(1,134,542)	1,872,015		(9,146,168)
Maintenance tools and equipment	(91,751)	(13,476)			(105,227)
Office equipment	<u>(138,810)</u>	<u>(5,129)</u>	<u>12,517</u>		<u>(131,422)</u>
Total accumulated depreciation	<u>(11,728,672)</u>	<u>(1,324,374)</u>	<u>1,884,532</u>		<u>(11,168,514)</u>
Total capital assets being depreciated, net	<u>7,857,484</u>	<u>(745,833)</u>	<u>(81,782)</u>	<u>3,962,607</u>	<u>10,992,476</u>
Capital assets, net	<u>\$ 12,725,661</u>	<u>\$ 57,278</u>	<u>\$ (81,782)</u>	<u>\$ -</u>	<u>\$ 12,701,157</u>

YUBA-SUTTER TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE D – CAPITAL ASSETS (Continued)

	Balance at July 1, 2017	Additions	Retirements	Balance at June 30, 2018
Capital assets, not being depreciated				
Land	\$ 905,570			\$ 905,570
Construction in progress		\$ 3,962,607		3,962,607
Total capital assets not being depreciated	<u>905,570</u>	<u>3,962,607</u>		<u>4,868,177</u>
Capital assets, being depreciated:				
Buildings and improvements	4,422,435	85,250		4,507,685
Vehicles	14,814,558			14,814,558
Maintenance tools and equipment	114,818			114,818
Office equipment	138,595	10,500		149,095
Total capital assets being depreciated	<u>19,490,406</u>	<u>95,750</u>		<u>19,586,156</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,456,721)	(157,749)		(1,614,470)
Vehicles	(8,646,441)	(1,237,200)		(9,883,641)
Maintenance tools and equipment	(85,551)	(6,200)		(91,751)
Office equipment	(136,037)	(2,773)		(138,810)
Total accumulated depreciation	<u>(10,324,750)</u>	<u>(1,403,922)</u>		<u>(11,728,672)</u>
Total capital assets being depreciated, net	<u>9,165,656</u>	<u>(1,308,172)</u>		<u>7,857,484</u>
Capital assets, net	<u>\$ 10,071,226</u>	<u>\$ 2,654,435</u>	<u>\$ -</u>	<u>\$ 12,725,661</u>

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:

	2019	2018
Fare revenues	\$ 1,246,333	\$ 1,201,848
Local funds:		
Advertising	50,064	37,025
Other revenues	38,762	54,890
Interest	5,939	7,804
Proceeds from sale of capital assets	11,345	
Total fare revenues and local funds	<u>\$ 1,352,443</u>	<u>\$ 1,301,567</u>
Total operating expenses	\$ 8,625,746	\$ 8,669,226
Less: depreciation	<u>(1,324,374)</u>	<u>(1,403,922)</u>
Net operating expenses	<u>\$ 7,301,372</u>	<u>\$ 7,265,304</u>
Fare revenue ratio	<u>18.52%</u>	<u>17.91%</u>

The Authority was in compliance with the required minimum fare revenue ratio at June 30, 2019 and 2018.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

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

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.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and 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, 2019 and 2018 are summarized as follows:

CalPERS membership date	PEPRA	
	Miscellaneous	Miscellaneous
	Prior to January 1, 2013	On or after January 1, 2013
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
Final average compensation period	Three years	Three years
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.426% to 2.418%
Required employee contribution rates 2018	7.000%	6.250%
Required employer contribution rates 2018	8.418%	6.533%
Required employee contribution rates 2019	7.000%	6.250%
Required employer contribution rates 2019	8.892%	6.842%

The Miscellaneous rate plan is closed to new members that are not already CalPERS participants. The Miscellaneous rate plan contribution percentages above reflect a pre-payment of the Employer Unfunded Accrued Liability (UAL). The contribution percentages without that prepayment would have been 19.794% and 17.933% for the years ended June 30, 2019 and 2018, respectively.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE G – PENSION PLAN (Continued)

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 \$58,912 and \$51,091 for the years ended June 30, 2019 and 2018, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2019 and 2018, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$338,485 and \$356,041, 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, 2019 and 2018 was measured as of June 30, 2018 and 2017, 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, 2017 and 2016 rolled forward to June 30, 2018 and 2017, 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, 2018, 2017 and 2016 measurement dates were as follows:

Proportion - June 30, 2017	0.008904%
Proportion - June 30, 2018	0.009030%
Change - Increase (decrease)	0.000126%
Proportion - June 30, 2019	0.008980%
Change - Increase (decrease)	-0.000050%

For the years ended June 30, 2019 and 2018, the Authority recognized pension expense of \$62,937 and \$80,820, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources as of June 30:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 58,912		\$ 51,091	
Differences between expected and actual experience	12,987	\$ (4,419)	482	\$ (6,899)
Changes in assumptions	38,588	(9,457)	59,749	(4,556)
Net differences between projected and actual earnings on pension plan investments	1,673		13,513	
Adjustments due to differences in proportions	9,077	(1,671)	14,818	(2,346)
Difference between actual and allocated contribution	6,213		7,632	
Total	<u>\$ 127,450</u>	<u>\$ (15,547)</u>	<u>\$ 147,285</u>	<u>\$ (13,801)</u>

The amounts above 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:

YUBA-SUTTER TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE G – PENSION PLAN (Continued)

Year Ended	June 30	2019	2018
2019			\$ 23,517
2020		\$ 40,287	41,001
2021		25,119	25,898
2022		(9,370)	(8,023)
2023		(3,045)	
		\$ 52,991	\$ 82,393

Actuarial Assumptions: The total pension liabilities in actuarial valuations for the Plan was determined using the following actuarial assumptions at June 30:

	2019	2018
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.5%	2.75%
Payroll Growth	2.5%	2.75%
Projected Salary Increase	3.2% - 12.2% (1)	3.2% - 12.2% (1)
Investment Rate of Return	7.15%	7.375%
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.

The underlying mortality assumptions and all other actuarial assumptions at the June 30, 2018 measurement date were based on the results of a January 2017 actuarial experience study for the period 1997 to 2015. These assumptions at the June 30, 2017 measurement date were based on the January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions: In the June 30, 2017 accounting valuation, the financial reporting discount rate for the Plan was lowered from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% in the June 30, 2018 and 2017 accounting valuations used for the years ended June 30, 2019 and 2018. 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.

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.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE G – PENSION PLAN (Continued)

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.

Asset Class	2019			2018		
	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	50.0%	4.80%	5.98%	47.0%	4.90%	5.38%
Fixed Income	28.0%	1.00%	2.62%	19.0%	0.80%	2.27%
Inflation Sensitive	0.0%	0.77%	1.81%	6.0%	0.60%	1.39%
Private Equity	8.0%	6.30%	7.23%	12.0%	6.60%	6.63%
Real Estate	13.0%	3.75%	4.93%	11.0%	2.80%	5.21%
Infrastructure and Forestland		0.00%	0.00%	3.0%	3.90%	5.36%
Liquidity	1.0%	0.00%	-0.92%	2.0%	-0.40%	-0.90%
Total	100.0%			100.0%		

- (a) An expected inflation of 2.0% used for this period.
- (b) An expected inflation of 2.92% 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:

	2019	2018
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 550,065	\$ 552,992
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 338,485	\$ 356,041
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 163,829	\$ 192,923

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, 2019 and 2018, the Authority reported a payable of \$4,646 and \$2,441, respectively, for the outstanding amount of contributions to the Plan.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Authority participates in a multi-employer defined benefit medical plan administered by the California Public Employees' Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing the minimum employer contributions (MEC) of \$139 dollars. This coverage is available for employees who retire with the Authority after reaching normal retirement age. Benefits are provided through a third-party insurer, and the full cost exceeding the MEC would be covered by the retiree. Under GASB Statement No. 75, a liability is required to be recorded for the implied subsidy, which is the amount of the health premiums the current employees subsidize for retired employees due to paying a blended insurance premium rather than age adjusted premiums. The Authority calculated an estimate of the liability and determined the liability was immaterial at June 30, 2019 and 2018. The Authority has not had an actuary estimate the liability. The Authority does not pre-fund the OPEB Annual Required Contribution (ARC) with the California Employees' Retirement Benefit Trust (CERBT).

NOTE I – 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.

Commitments: On August 19, 2019, the Authority entered into a four-year agreement with Storer Transit Systems to provide transit services through September 30, 2023. The amounts payable to Storer for the period of October 1, 2019 through September 30, 2023 will not exceed \$26,013,770. This agreement, upon approval from the Authority, may be extended for up to two option terms of two years each for a maximum contract term of eight years through September 30, 2027.

Concentration: A significant amount of the Authority's revenue is obtained under the Transportation Development Act (Local Transportation Fund and State Transit Assistance) and from the Federal Transit Administration. A significant reduction of these revenue sources would have a significant impact on the Authority's operations.

NOTE J – OTHER STATE GRANTS

Proposition 1B Transit Grant: As approved by the voters in the November 2006 general election, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 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. 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.

The Authority did not receive any additional Proposition 1B funds during the year ended June 30, 2019, spent all remaining funds from previous years and did not have any unspent funds at June 30, 2019. The Authority received \$107,438 during the year ended June 30, 2018 for an emergency generator and had unspent funds from prior years as described below. Grant funds recognized were spent for the purposes described in the following table. Proposition 1B Transit Grant funds received and expended were verified in the course of the audit as follows for the years ended June 30:

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE J – OTHER STATE GRANTS (Continued)

	2019					
	Emergency Generator	Mobile Video Retrofit	Facility Security Upgrade	Automatic Vehicle Location Phase I	Automatic Vehicle Location Phase II	Total
Beginning Balance	\$ 107,459	\$ 36,207	\$ 51,248	\$ 44,342	\$ 134,727	\$ 373,983
Proposition 1B funds received						
Changes in unspent interest	(31)	(146)	(58)	(40)	(425)	(700)
Expenses incurred:						
Emergency generator	(107,428)		(38,108)			(145,536)
Facility security upgrade			(3,269)			(3,269)
Automatic vehicle location		(36,061)	(9,813)	(44,302)	(134,302)	(224,478)
Unexpended proceeds, including interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payables at 6/30/19	\$ -	\$ -	\$ 7,851	\$ -	\$ 7,718	\$ 15,569
Restricted Cash	\$ -	\$ -	\$ 7,851	\$ -	\$ 7,718	\$ 15,569

	2018						
	Park & Ride Video Surveillance	Mobile Video Surveillance	Mobile Video Retrofit	Facility Security Upgrade	Automatic Vehicle Location Phase I	Automatic Vehicle Location Phase II	Total
Beginning Balance		\$ 24,610	\$ 39,084	\$ 51,222	\$ 44,320	\$ 134,458	\$ 293,694
Proposition 1B funds received	\$ 107,428						107,428
Changes in unspent interest	31	(412)	19	26	22	269	(45)
Expenses incurred:							
Mobile video surveillance		(24,198)					(24,198)
Mobile video retrofit			(2,896)				(2,896)
Unexpended proceeds, including interest	\$ 107,459	\$ -	\$ 36,207	\$ 51,248	\$ 44,342	\$ 134,727	\$ 373,983
Payables at 6/30/18	\$ -	\$ 5,027	\$ 2,896	\$ -	\$ -	\$ -	\$ 7,923
Restricted Cash	\$ 107,459	\$ 5,027	\$ 39,103	\$ 51,248	\$ 44,342	\$ 134,727	\$ 381,906

Unearned revenue at June 30, 2019 and 2018 were less than the restricted cash balance due to payables outstanding of \$15,569 and \$7,923, respectively.

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. PTMISEA funds of \$248,576 were received during the year ended June 30, 2019 for the purchase of ten demand response/rural route buses. PTMISEA funds of \$3,398,487 were accrued during the year ended June 30, 2018 for the purchase of seven commuter buses. As of June 30, funds received and expended were verified in the course of the audit as follows:

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE J – OTHER STATE GRANTS (Continued)

	2019	2018
Beginning balance		
PTMISEA funds received	\$ 248,576	\$ 3,398,487
Interest earnings	4,969	
Expenses incurred:		
Commuter buses		(3,398,487)
Demand response/rural route buses	(166,429)	
Unexpended proceeds	<u>\$ 87,116</u>	<u>\$ -</u>
Payables at 6/30	<u>\$ 166,429</u>	<u>\$ -</u>
Restricted Cash	<u>\$ 253,545</u>	<u>\$ -</u>

Unearned revenue at June 30, 2019 is less than the restricted cash balance due to payables outstanding of \$166,429.

State of Good Repair: State of Good Repair (SGR) was established by the California Legislature in 2017 by Senate Bill 1. SGR provides public transportation agencies with a consistent and dependable revenue source to invest in the upgrade, repair, and improvement of the transportation infrastructure and improve transportation services. Sacramento Area Council of Governments (SACOG) has elected to treat these funds on a cost reimbursement basis. No SGR funds were received or expended during the years ended June 30, 2019 and 2018. Unclaimed SGR funds held by SACOG at June 30, 2019 and 2018 were \$488,348 and \$246,218, respectively.

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. The Authority received \$226,068 of LCTOP funding for zero-emission bus purchases during the year ended June 30, 2019. The Authority received \$82,455 of LCTOP funds during the year ended June 30, 2018 for the Connect Card Program and had unspent LCTOP funds from prior years for the purposes described below. LCTOP funds received and expended were verified in the course of the audit as follows for the years ended June 30:

	2019			2018			
	Transit Stop Enhancements	FY16/17 Connect Card Program	Zero-Emission Bus Purchases	Total	Transit Stop Enhancements	FY16/17 Connect Card Program	Total
Beginning balance	\$ 125,349	\$ 53,966		\$ 179,315	\$ 180,511		\$ 180,511
LCTOP funds received			\$ 226,068	226,068	\$ 82,455		82,455
Changes in unspent interest	(182)	20	115	(47)	88	38	126
Expenses incurred:							
Transit stop enhancements	(125,167)			(125,167)	(55,250)		(55,250)
Connect Card program		(38,098)		(38,098)	(28,527)		(28,527)
Unexpended proceeds, including interest	<u>\$ -</u>	<u>\$ 15,888</u>	<u>\$ 226,183</u>	<u>\$ 242,071</u>	<u>\$ 125,349</u>	<u>\$ 53,966</u>	<u>\$ 179,315</u>
Payables at 6/30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,884</u>	<u>\$ 7,884</u>
Restricted cash	<u>\$ -</u>	<u>\$ 15,888</u>	<u>\$ 226,183</u>	<u>\$ 242,071</u>	<u>\$ 125,349</u>	<u>\$ 61,850</u>	<u>\$ 187,199</u>

Unearned revenue at June 30, 2018 is less than the restricted cash balance due to payables outstanding of \$7,884.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE K – SUBSEQUENT EVENT

On December 20, 2018, the Board of Directors authorized the purchase of eleven fixed route buses and related equipment for an amount not to exceed \$5,500,000. The Authority anticipated Federal Transit Administration, State of Good Repair and State Transit Assistance funds will be available for the purchase. The buses were received in October and November 2019.

REQUIRED SUPPLEMENTARY INFORMATION

YUBA-SUTTER TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2019 and 2018

SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years

	2019	2018	2017	2016	2015
Proportion of the net pension liability at measurement date	0.00898%	0.00903%	0.008904%	0.008949%	0.003920%
Proportionate share of the net pension liability	\$ 338,485	\$ 356,041	\$ 309,326	\$ 245,520	\$ 243,615
Covered payroll for measurement period	\$ 370,163	\$ 323,320	\$ 301,224	\$ 290,280	\$ 279,533
Proportionate share of the net pension liability as a percentage of covered payroll	91.44%	110.12%	102.69%	84.58%	87.15%
Plan fiduciary net position	\$ 1,225,636	\$ 1,075,838	\$ 959,081	\$ 923,112	\$ 876,269
Plan fiduciary net position as a percentage of the total pension liability	78.36%	75.13%	75.61%	78.99%	78.25%

Notes to Schedule:

Benefit changes: There were no changes to benefit terms.

Changes in assumptions: The discount rate used for financial reporting purposes was changed to 7.15% from 7.65% in the June 30, 2017 accounting valuation.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years

	2019	2018	2017	2016	2015
Contractually required contribution during employer's fiscal year (actuarially determined)	\$ 58,912	\$ 51,091	\$ 45,090	\$ 40,421	\$ 42,571
Contributions in relation to the actuarially determined contributions	(58,912)	(51,091)	(45,090)	(40,421)	(42,571)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll for employer's fiscal year	\$ 371,157	\$ 370,163	\$ 323,320	\$ 301,224	\$ 290,280
Contributions as a percentage of covered payroll	15.87%	13.80%	13.95%	13.42%	14.67%

Notes to Schedule:

Valuation date for contribution percentages

June 30, 2016 June 30, 2015 June 30, 2014 June 30, 2013 June 30, 2012

Valuation date for financial reporting:

June 30, 2017 June 30, 2016 June 30, 2015 June 30, 2014 June 30, 2013

Measurement date

June 30, 2018 June 30, 2017 June 30, 2016 June 30, 2015 June 30, 2014

Investment rate of return and discount rate used to determine contributions

7.375% 7.50% 7.50% 7.50% 7.50%

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
Retirement age	50-67 years. Probabilities of retirement are based on the CalPERS Experience Study for the period 1997 to 2007.
Mortality	CalPERS specific data from the April 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. Additional years will be added prospectively as they become available until 10 years are reported.

COMPLIANCE REPORTS

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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 8, 2020.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, the TDA or State grant program requirements that is reported as finding 2019-001 in the accompanying schedule of findings and questioned costs.

To the Board of Directors
Yuba-Sutter Transit Authority

The Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority'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 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.

Richardson & Company, LLP

January 8, 2020



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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, 2019. 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, 2019.

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

January 8, 2020

YUBA-SUTTER TRANSIT AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2019

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 and 20.526 | Federal Transit Cluster |
| 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, 2019

B. Current Year Findings – Financial Statements

Internal Control Over Financial Reporting

None

Compliance and Other Matters

Finding 2019-001

Criteria: Section 6634 of the California Code of Regulations limits the amount of Local Transportation Fund and State Transit Assistance Fund revenues a transit operator or transit service claimant may claim to the amount of eligible expenses incurred, less other specified revenues available for those expenses.

Condition: The Authority claimed TDA revenues in excess of actual transit operation expenses by \$686,099.

Effect: The Authority's claim was in excess of the allowable amount.

Cause: It appears the Authority did not limit the claim for transit operations to actual expenses incurred when additional revenues were available.

Recommendation: We recommend the Authority discuss with SACOG whether it should return the excess funds claimed, amend its June 30, 2020 claim to reduce the amount by the amount overclaimed during the year ended June 30, 2019 or whether the amount may be retained for an operating reserve.

Management's Response: The Authority's response is in the attached corrective action plan.

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, 2019

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. S. Department of Transportation, Federal Transit Administration				
Passed-through the State of California, Department of Transportation				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	74A0909	\$ 106,200	\$ 24,226
Formula Grants for Rural Areas				
Section 5311	20.509	64BC17-00441	526,572	7,862
Section 5311	20.509	64BC19-00829	375,000	375,000
Section 5311	20.509	Applied for	200,000	200,000
Section 5311	20.509	Applied for	132,196	132,196
Total CFDA 20.509			<u>1,233,768</u>	<u>715,058</u>
Total passed-through the State of California, Department of Transportation			<u>1,339,968</u>	<u>739,284</u>
Federal Transit Cluster				
Federal Transit Formula Grants, Direct Program				
Section 5307	20.507	CA-2019-026-01	2,100,000	2,100,000
Bus and Bus Facilities Formula Program, Direct Program				
Section 5339	20.526	CA-2019-026-01	194,228	129,486
Section 5339	20.526	CA-2017-048-00	458,940	45,185
Total CFDA 20.526			<u>653,168</u>	<u>174,671</u>
Total Federal Transit Cluster			<u>2,753,168</u>	<u>2,274,671</u>
Total U. S. Department of Transportation, Federal Transit Administration			<u>4,093,136</u>	<u>3,013,955</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,093,136</u>	<u>\$ 3,013,955</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

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, 2019. 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, 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, 2019.



January 8, 2020

Richardson & Company, LLP
550 Howe Avenue, Suite 210
Sacramento, CA 95825

RE: Corrective Action Plan

The Yuba-Sutter Transit Authority respectfully submits the following corrective action plan for the finding from the June 30, 2019 schedule of findings and questioned costs for Compliance and Other Matters.

Finding 2019-001

Condition: The Authority claimed TDA revenues in excess of actual transit operation expenses by \$686,099.

Recommendation: Recommend the Authority discuss with SACOG whether it should return the excess funds claimed, amend its June 30, 2020 claim to reduce the amount by the amount overclaimed during the year ended June 30, 2019 or whether the amount may be retained for an operating reserve.

Management's Response: Management concurs with the audit finding and is working with SACOG to finalize the authorization to retain the excess funds for an operating reserve. The corrective action is in progress and will be implemented during FY 2020. The responsible contact person for this action is Keith Martin, (530) 634-6880.

Sincerely,

KEITH MARTIN
Transit Manager