

# **Shasta Regional Transportation Agency**

Redding, California

## **Financial Statements and Independent Auditors' Reports**

*For the Year Ended June 30, 2016*

Prepared by:  
Chief Financial Officer





**Shasta Regional Transportation Agency  
For the Year Ended June 30, 2016**

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For the Year Ended June 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Shasta Regional Transportation Agency ("SRTA") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise SRTA's basic financial statements, as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of SRTA, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules and related notes, Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of the Contributions, and the Schedules of Funding Progress-Other Postemployment Benefits Plan on pages 11 through 15, and 67 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

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

To the Board of Directors  
of the Shasta Regional Transportation Agency  
Redding, California  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016 on our consideration of SRTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SRTA's internal control over financial reporting and compliance.

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

Walnut Creek, California  
December 6, 2016

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

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the standards for financial and compliance audits contained in the TDA Statutes and California Code of Regulations issued by the California Department of Transportation, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Shasta Regional Transportation Agency ("SRTA"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise SRTA's basic financial statements, and have issued our report thereon dated December 6, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as item 2016-001.

### **Compliance and Other Matters**

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

### **SRTA's Response to Findings**

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

### **Purpose of this Report**

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

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

Walnut Creek, California  
December 6, 2016



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

**Independent Auditors' Report**

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

**Report on Compliance for Transportation Planning Agency**

We have audited the Shasta Regional Transportation Agency's ("SRTA") compliance with the compliance requirements described in §6662 and §6663 of the California Code of Regulation, Title 21, Division 3, Chapter 3, Article 5.5 that could have a direct and material effect on SRTA's as Transportation Planning Agency for the year ended June 30, 2016.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Planning Agency.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for SRTA based on our audit of the 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 Transportation Development Act Guidebook – Statutes and California Codes of Regulations, April, 2013, issued by the California Department of Transportation Division of Mass Transportation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the SRTA occurred. An audit includes examining, on a test basis, evidence about the SRTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on SRTA as Transportation Planning Agency***

In our opinion, SRTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on SRTA as Transportation Planning Agency for the year ended June 30, 2016.

## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 on internal control over compliance and the results of that testing based on the requirements of §6662 and §6663 of the California Codes of Regulation, Title 21, Division 3, Chapter 3, Article 5.5. Accordingly this report is not suitable for any other purpose.

*The PwC Group, LLP*

Walnut Creek, California  
December 6, 2016



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

**Independent Auditors' Report**

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

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

We have audited the Shasta Regional Transportation Agency's ("SRTA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SRTA's major federal programs for the year ended June 30, 2016. SRTA's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

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

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

In our opinion, SRTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 and 2016-002 that we consider to be significant deficiencies.

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

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.



Walnut Creek, California  
December 6, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Shasta Regional Transportation Agency (SRTA), we offer readers of SRTA's financial statements this narrative overview and analysis of the financial activities of SRTA for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented herein, in conjunction with the rest of the report.

### Financial Highlights

- SRTA's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,005,423.
- SRTA's net position decreased by (\$49,705) as a result of this fiscal year's operations.
- As of the close of the current fiscal year, SRTA's governmental funds reported combined ending fund balances of \$493,576 a decrease of (\$704,437) in comparison with the prior fiscal year. Approximately 3.7% of this total amount, or \$18,329, is available for spending at the Agency's discretion.
- At the end of the current fiscal year, unassigned fund balance for the Local Planning Fund was \$18,329 or 0.85% of total Local Planning Fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SRTA's basic financial statements. SRTA's basic financial statements are made up of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements and required information.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of SRTA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of SRTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SRTA is improving or deteriorating.

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

The government-wide financial statements can be found on pages 21-23 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SRTA, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SRTA can be classified as Governmental Funds, Proprietary Funds, or Fiduciary Funds.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

SRTA maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balances.

SRTA adopts an annual appropriated budget for its Local Planning Fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 27-30 of this report.

At June 30, 2016, SRTA's governmental fund reported total fund balance of \$493,576, a decrease of (\$704,437) in comparison with the prior fiscal year's total ending fund balance.

**Proprietary Funds** – Proprietary funds account for operations (1) that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds can be found on pages 31-33 of this report

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

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside of SRTA. Fiduciary funds are not reflected in the government-wide and fund financial statements because the resources of those funds are not available to support SRTA's ongoing programs. Fiduciary Funds are reported in the financial section and can be found on pages 34-37 of this report.

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

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

The **Regional Surface Transportation Program ("RSTP") Fund** represents an apportionment under the Intermodal Transportation Efficiency Act whereby the Agency allocates funds to agencies for projects included in the Federal Statewide Transportation Improvement Program

The **Loan Fund** is used to account for amounts available to loan jurisdictions for transit operations.

The **Non-Motorized Fund** is used to account for Transportation Act Revenue that is set aside exclusively for claims by local agencies exclusively for non-motorized projects.

The **2% Bicycle & Pedestrian Fund** is used to account for Transportation Development Act revenues that are set aside exclusively for claims by local agencies exclusively for bicycle and pedestrian projects.

*Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 39-63 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following table presents SRTA's net position as of June 30, 2016 and 2015:

	<b>Net Position</b>					
	<b>June 30, 2016 and 2015</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 1,374,813	\$ 1,557,236	\$ (20,326)	\$ 44,572	\$ 1,354,487	\$ 1,601,808
Capital assets	1,101,673	620,156	601,327	513,034	1,703,000	1,133,190
Total assets	<u>2,476,486</u>	<u>2,177,392</u>	<u>581,001</u>	<u>557,606</u>	<u>3,057,487</u>	<u>2,734,998</u>
Deferred outflows of resources	206,755	101,204	-	-	206,755	101,204
Long-term liabilities	761,095	788,442	480,144	545,228	1,241,239	1,333,670
Other liabilities	932,515	402,174	26,504	7,381	959,019	409,555
Total liabilities	<u>1,693,610</u>	<u>1,190,616</u>	<u>506,648</u>	<u>552,609</u>	<u>2,200,258</u>	<u>1,743,225</u>
Deferred inflows of resources	58,561	37,849	-	-	58,561	37,849
Net position:						
Net investment in capital assets	359,973	111,751	113,435	(35,717)	473,408	76,034
Restricted for capital assets	15,355	267,192	-	-	15,355	267,192
Unrestricted	<u>555,742</u>	<u>671,188</u>	<u>(39,082)</u>	<u>40,714</u>	<u>516,660</u>	<u>711,902</u>
Total net position	<u>\$ 931,070</u>	<u>\$ 1,050,131</u>	<u>\$ 74,353</u>	<u>\$ 4,997</u>	<u>\$ 1,005,423</u>	<u>\$ 1,055,128</u>

SRTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,005,423 at the close of the current fiscal year. Overall, Capital assets experienced an increase of \$569,810 from prior fiscal year due to depreciation of assets of \$62,303 and the purchase of assets of \$632,113.

During the current fiscal year, SRTA's decrease in net position was (\$49,705). This decrease is due to \$148,734 of unreimbursed indirect costs that cannot directly be reimbursed but must be recovered in a future indirect cost rate off set by a pension credit of \$43,425.

The following table demonstrates the changes in SRTA's net position for the year ended June 30, 2016:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 45,401	\$ 10,682	\$ 45,401	\$ 10,682
Operating grants and contributions	1,537,792	1,360,718	-	-	1,537,792	1,360,718
General revenue:						
Investment earnings	2,159	164	-	-	2,159	164
Total revenues	<u>1,539,951</u>	<u>1,360,882</u>	<u>45,401</u>	<u>10,682</u>	<u>1,585,352</u>	<u>1,371,564</u>
Expenses:						
Transportation planning	1,601,676	1,378,427	-	-	1,601,676	1,378,427
Building rental	-	-	33,381	5,685	33,381	5,685
Total expenses	<u>1,601,676</u>	<u>1,378,427</u>	<u>33,381</u>	<u>5,685</u>	<u>1,635,057</u>	<u>1,384,112</u>
Transfers	(57,336)	-	57,336	-	-	-
Increase (decrease) in net position	<u>(119,061)</u>	<u>(17,545)</u>	<u>69,356</u>	<u>4,997</u>	<u>(49,705)</u>	<u>(12,548)</u>
Net position - beginning of year	<u>1,050,131</u>	<u>1,067,676</u>	<u>4,997</u>	<u>-</u>	<u>1,055,128</u>	<u>1,067,676</u>
Net position - end of year	<u>\$ 931,070</u>	<u>\$ 1,050,131</u>	<u>\$ 74,353</u>	<u>\$ 4,997</u>	<u>\$ 1,005,423</u>	<u>\$ 1,055,128</u>

### Financial Analysis of SRTA's Funds

As noted earlier, SRTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of SRTA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SRTA's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of SRTA's net resources available for spending at the end of the fiscal year.

The Local Planning Fund is the operating fund of SRTA. At the end of the current fiscal year, total fund balance reached \$493,576, of which \$18,239 is available to spend at the government's discretion. As a measure of the Local Planning Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents 23% of total expenditures.

During the current fiscal year, SRTA's Local Planning Fund balance decreased by (\$704,437). This is due to the purchase costs of capital assets.

### General Planning Fund Budgetary Highlights

There was one adjustment in the Local Planning Fund budget due to new grants. Adopted appropriations were sufficient to cover all general fund operations during the fiscal year.

The Local Planning Fund expenditures were less than anticipated which did not require a draw upon existing fund balances. At the end of the fiscal year, the Local Planning Fund experienced a decrease in available fund balance of (\$704,437).

## Capital Assets and Debt Administration

**Capital Assets** - SRTA's investment in capital assets as of June 30, 2016, amounts to \$1,703,000 net of accumulated depreciation. This investment in capital assets includes office equipment, furniture, software and a building. The increase in SRTA's investments in capital was primarily due to the remodeling of a building.

### Capital Assets (Net of Depreciation) June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 118,722	\$ 118,722	\$ 116,278	\$ 116,278	\$ 235,000	\$ 235,000
Building	956,507	452,204	485,049	396,756	1,441,556	848,960
Improvements	5,695	6,698	-	-	5,695	6,698
Equipment and furniture	20,749	42,532	-	-	20,749	42,532
Total capital assets	<u>\$ 1,101,673</u>	<u>\$ 620,156</u>	<u>\$ 601,327</u>	<u>\$ 513,034</u>	<u>\$ 1,703,000</u>	<u>\$ 1,133,190</u>

Additional information on SRTA's capital assets can be found in Note 6 on page 49 of this report.

**Debt Administration** – As of June 30, 2016, SRTA's debt totaled \$900,934, a decrease of \$22,066 from the prior year. The reason of the decrease was a payment made on the capital leases for the purchase of the building.

### Outstanding Debt June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital leases	<u>\$ 757,055</u>	<u>\$ 775,597</u>	<u>\$ 143,879</u>	<u>\$ 147,403</u>	<u>\$ 900,934</u>	<u>\$ 923,000</u>

Additional information on SRTA's outstanding debt can be found in Note 8 on page 50 of this report.

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

The revenue and expenditure projections incorporated into the fiscal year 2016-17 budget are based upon historical data with inflationary increases; revenue estimates for grants and sales tax revenues provided by outside agencies such as the State Department of Transportation and the County Auditor's Office; and adjustments to expenditures to reflect the various stages of ongoing and new projects that SRTA will undertake in the coming year.

A priority of SRTA is to continue its longstanding policies of prudent fiscal management while ensuring long-term financial stability. The adopted budget for fiscal year 2016-17 projects no increase in fund balance of \$493,576.

## Requests for Information

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

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**Shasta Regional Transportation Agency**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Current assets:			
Cash	\$ 707,253	\$ 34,229	\$ 741,482
Restricted cash	15,355	-	15,355
Due from other governments	584,798	-	584,798
Internal balances	54,555	(54,555)	-
Prepaid items	9,892	-	9,892
Total current assets	<u>1,371,853</u>	<u>(20,326)</u>	<u>1,351,527</u>
Non-current assets:			
Capital assets:			
Nondepreciable	118,722	116,278	235,000
Depreciable, net of accumulated depreciation	982,951	485,049	1,468,000
Total capital assets, net	<u>1,101,673</u>	<u>601,327</u>	<u>1,703,000</u>
Net pension assets	2,960	-	2,960
Total non-current assets	<u>1,104,633</u>	<u>601,327</u>	<u>1,705,960</u>
<b>Total assets</b>	<u>2,476,486</u>	<u>581,001</u>	<u>3,057,487</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pension	206,755	-	206,755
<b>Total deferred outflows of resources</b>	<u>206,755</u>	<u>-</u>	<u>206,755</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	218,940	17,684	236,624
Due to other governments	122,279	-	122,279
Unearned revenues	537,058	-	537,058
Accrued interest	5,640	1,072	6,712
Capital leases, due within one year	40,763	7,748	48,511
Compensated absences, due within one year	7,835	-	7,835
Total current liabilities	<u>932,515</u>	<u>26,504</u>	<u>959,019</u>
Long-term liabilities:			
Advance from Fiduciary Fund	-	344,013	344,013
Capital lease, due in more than one year	716,292	136,131	852,423
Compensated absences, due in more than one year	44,803	-	44,803
Total long-term liabilities	<u>761,095</u>	<u>480,144</u>	<u>1,241,239</u>
<b>Total liabilities</b>	<u>1,693,610</u>	<u>506,648</u>	<u>2,200,258</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pension	58,561	-	58,561
<b>Total deferred inflows of resources</b>	<u>58,561</u>	<u>-</u>	<u>58,561</u>
<b>NET POSITION</b>			
Net investment in capital assets	359,973	113,435	473,408
Restricted for capital projects	15,355	-	15,355
Unrestricted (deficit)	555,742	(39,082)	516,660
<b>Total net position</b>	<u>\$ 931,070</u>	<u>\$ 74,353</u>	<u>1,005,423</u>

**Shasta Regional Transportation Agency**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Totals</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities:</b>				
Transportation planning	\$ 1,601,676	\$ -	\$ 1,537,792	\$ 1,537,792
<b>Total governmental activities</b>	<u>1,601,676</u>	<u>-</u>	<u>1,537,792</u>	<u>1,537,792</u>
<b>Business-type Activities:</b>				
Real estate rental	33,381	45,401	-	45,401
<b>Total business-type activities</b>	<u>33,381</u>	<u>45,401</u>	<u>-</u>	<u>45,401</u>
<b>Total primary government</b>	<u>\$ 1,635,057</u>	<u>\$ 45,401</u>	<u>\$ 1,537,792</u>	<u>\$ 1,583,193</u>

**Shasta Regional Transportation Agency**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2016**

<b>Function/Programs</b>	<b>Net (Expense) Revenues and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Totals</b>
<b>Governmental Activities:</b>			
Transportation planning	\$ (63,884)	\$ -	\$ (63,884)
<b>Total governmental activities</b>	<u>(63,884)</u>	<u>-</u>	<u>(63,884)</u>
<b>Business-type Activities:</b>			
Real estate rental	-	12,020	12,020
<b>Total business-type activities</b>	<u>-</u>	<u>12,020</u>	<u>12,020</u>
<b>Total primary government</b>	<u>(63,884)</u>	<u>12,020</u>	<u>(51,864)</u>
<b>General revenues and transfers:</b>			
Transfers	(57,336)	57,336	-
Investment income	2,159	-	2,159
<b>Total general revenues</b>	<u>(55,177)</u>	<u>57,336</u>	<u>2,159</u>
<b>Changes in net position</b>	<u>(119,061)</u>	<u>69,356</u>	<u>(49,705)</u>
<b>Net Position:</b>			
Beginning of Year	1,050,131	4,997	1,055,128
End of Year	<u>\$ 931,070</u>	<u>\$ 74,353</u>	<u>\$ 1,005,423</u>

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## **FUND FINANCIAL STATEMENTS**

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**Shasta Regional Transportation Agency**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

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	<u>Local Planning Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 707,253
Restricted cash	15,355
Due from other governments	584,798
Due from other funds	54,555
Prepaid items	<u>9,892</u>
<b>Total assets</b>	<b>\$ <u>1,371,853</u></b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 218,940
Due to other governments	122,279
Unearned revenues	<u>537,058</u>
<b>Total liabilities</b>	<u>878,277</u>
<b>Fund Balances:</b>	
Nonspendable	9,892
Restricted	15,355
Assigned	450,000
Unassigned	<u>18,329</u>
<b>Total fund balances</b>	<u>493,576</u>
<b>Total liabilities and fund balances</b>	<b>\$ <u>1,371,853</u></b>

**Shasta Regional Transportation Agency  
Reconciliation of the Governmental Fund Balance Sheet  
to the Government-Wide Statement of Net Position  
June 30, 2016**

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

Fund balance of governmental fund	\$	493,576
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		1,101,673
Deferred outflows of resources related to pension:		
Pension contributions after measurement date	\$	56,173
Employer's actual contribution in excess of employer's proportionate share of contributions		66,498
Adjustment due to difference in proportion		79,961
Difference between expected and actual experience rate		<u>4,123</u>
		206,755
Deferred inflows of resources related to pension:		
Actual pension plan investments earnings in excess of projected earnings		(19,555)
Change in assumptions		<u>(39,006)</u>
		(58,561)
Interest on long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental fund.		(5,640)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund:		
Capital leases		(757,055)
Net pension (assets)		2,960
Compensated absences		<u>(52,638)</u>
		<u>(806,733)</u>
Net position of governmental activities	\$	<u><u>931,070</u></u>

**Shasta Regional Transportation Agency**  
**Statement of Revenues, Expenditures, and Change in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

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	<u>Local Planning Fund</u>
<b>Revenues:</b>	
Federal Highway Administration	\$ 543,621
Federal Transit Administration	146,560
Transportation Development Act	310,708
Planning, Programming and Monitoring	148,102
Strategic Planning and Research	69,213
Safe Routes to School/ATP	68,137
Proposition 84	218,322
Interest income	2,159
Reimbursements from users	22,180
LCTOP	7,306
Super Region Fees	3,642
<b>Total revenues</b>	<u>1,539,951</u>
<b>Expenditures:</b>	
Current:	
Planning and administration	1,642,748
Capital outlay	525,762
Debt service:	
Payments on capital lease	18,542
<b>Total expenditures</b>	<u>2,187,052</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(647,101)</u>
<b>Other Financing Sources (Uses)</b>	
Transfers out	<u>(57,336)</u>
<b>Total other financing sources (uses)</b>	<u>(57,336)</u>
<b>Net change in fund balance</b>	(704,437)
<b>Fund Balances:</b>	
Beginning of year	<u>1,198,013</u>
End of year	<u>\$ 493,576</u>

**Shasta Regional Transportation Agency**  
**Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance**  
**to the Government-Wide Statement of Activity**  
**For the Year Ended June 30, 2016**

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

Net change in fund balance of governmental fund	\$ (704,437)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the capital transaction is presented below:</p>	
Capital Outlay	525,762
Depreciation	(44,245)
Changes in compensated absences do not use current financial resources and, therefore are not reported as an expenditure in governmental funds.	(13,461)
Pension expense reported in governmental fund in based on actual contributions where in the statement of activities, is based on actuarial valuation.	99,598
Payments on a capital lease do not represent a current financial resource and, therefore not reported as a use in the statement of activities.	18,542
Changes in interest do not use current financial resources and, therefore are not reported as an expenditure in the governmental funds.	<u>(820)</u>
Change in net position of governmental activities	<u><u>\$ (119,061)</u></u>

**Shasta Regional Transportation Agency**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 34,229	\$ 34,229
<b>Total current assets</b>	<b>-</b>	<b>34,229</b>	<b>34,229</b>
Capital Assets:			
Land	22,560	93,718	116,278
Building	185,659	320,459	506,118
Accumulated depreciation	(4,178)	(16,891)	(21,069)
<b>Total capital assets</b>	<b>204,041</b>	<b>397,286</b>	<b>601,327</b>
<b>Total assets</b>	<b>204,041</b>	<b>431,515</b>	<b>635,556</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	17,459	225	17,684
Accrued interest	1,072	-	1,072
Advance from Fiduciary Fund	54,555	344,013	398,568
Capital lease, due within one year	7,748	-	7,748
<b>Total current liabilities</b>	<b>80,834</b>	<b>344,238</b>	<b>425,072</b>
<b>Long-term liabilities:</b>			
Capital lease, due in more than one year	136,131	-	136,131
<b>Total liabilities</b>	<b>216,965</b>	<b>344,238</b>	<b>561,203</b>
<b>NET POSITION</b>			
Net investment in capital assets	60,162	53,273	113,435
Unrestricted (deficit)	(73,086)	34,004	(39,082)
<b>Total net position</b>	<b>\$ (12,924)</b>	<b>\$ 87,277</b>	<b>\$ 74,353</b>

**Shasta Regional Transportation Agency**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Totals
<b>Operating Revenues:</b>			
Rent revenues	\$ -	\$ 45,401	\$ 45,401
<b>Operating Expenses:</b>			
Depreciation	4,078	13,980	18,058
Repairs and maintenance	1,844	6,343	8,187
Utilities	1,091	1,696	2,787
<b>Total operating expenses</b>	<b>7,013</b>	<b>22,019</b>	<b>29,032</b>
<b>Operating income (loss)</b>	<b>(7,013)</b>	<b>23,382</b>	<b>16,369</b>
<b>Non-Operating Expenses:</b>			
Interest Expense	(4,349)	-	(4,349)
<b>Income (Loss) before Transfers</b>	<b>(11,362)</b>	<b>23,382</b>	<b>12,020</b>
Transfers In	-	57,336	57,336
<b>Change in net position</b>	<b>(11,362)</b>	<b>80,718</b>	<b>69,356</b>
<b>Net Position:</b>			
Beginning of Year	(1,562)	6,559	4,997
End of Year	<u>\$ (12,924)</u>	<u>\$ 87,277</u>	<u>\$ 74,353</u>

**Shasta Regional Transportation Agency**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Building Rental Enterprise Funds		
	Suite 201	Suite 101	Totals
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers	\$ -	\$ 45,401	\$ 45,401
Cash paid to suppliers	(3,020)	(8,073)	(11,093)
<b>Net cash provided by (used in) operating activities</b>	<b>(3,020)</b>	<b>37,328</b>	<b>34,308</b>
<b>Cash Flows From Non-Capital Financing Activities:</b>			
Advances from fiduciary funds	54,555	-	54,555
Due from other funds	40,549	4,023	44,572
<b>Net cash provided by non-capital financing activities</b>	<b>95,104</b>	<b>4,023</b>	<b>99,127</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Repayment of advances from fiduciary fund	-	(57,336)	(57,336)
Interest paid	(4,193)	-	(4,193)
Transfers in from Local Planning Fund	-	57,336	57,336
Principal paid on capital lease	(3,524)	-	(3,524)
Purchase of capital assets	(84,367)	(7,122)	(91,489)
<b>Net cash (used in) capital and related financing activities</b>	<b>(92,084)</b>	<b>(7,122)</b>	<b>(99,206)</b>
<b>Net Increase in cash and cash equivalents</b>	<b>-</b>	<b>34,229</b>	<b>34,229</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ -</b>	<b>\$ 34,229</b>	<b>\$ 34,229</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ (7,013)	\$ 23,382	\$ 16,369
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	4,078	13,980	18,058
Change in assets and liabilities:			
Increase (decrease) in accounts payable	(85)	(34)	(119)
Total adjustment	3,993	13,946	17,939
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (3,020)</b>	<b>\$ 37,328</b>	<b>\$ 34,308</b>

**Shasta Regional Transportation Agency**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

---

	<b>Private Purpose Trust Funds</b>			
	Local Transportation Fund	State Transit Assistance Fund	RSTP Fund	Loan Fund
<b>ASSETS</b>				
Cash and investments	\$ 471,845	\$ 310,263	\$ -	\$ 667,453
Due from other governments	-	358,502	-	-
Advance to SRTA	-	-	-	344,013
<b>Total assets</b>	471,845	668,765	-	1,011,466
<b>LIABILITIES</b>				
Due to other governments	454,403	322,168	-	-
<b>Total liabilities</b>	454,403	322,168	-	-
<b>NET POSITION</b>				
Net position held in trust for other governments	\$ 17,442	\$ 346,597	\$ -	\$ 1,011,466

**Shasta Regional Transportation Agency**  
**Statement of Fiduciary Net Position (Continued)**  
**Fiduciary Funds**  
**June 30, 2016**

---

	<b>Private Purpose Trust Funds</b>		
	Non-Motorized Fund	2% Bike & Pedestrian Fund	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 400,000	\$ 304,241	\$ 2,153,802
Due from other governments	-	-	358,502
Advance to SRTA	-	-	344,013
<b>Total assets</b>	400,000	304,241	2,856,317
<b>LIABILITIES</b>			
Due to other governments	-	-	776,571
<b>Total liabilities</b>	-	-	776,571
<b>NET POSITION</b>			
Net position held in trust for other governments	\$ 400,000	\$ 304,241	\$ 2,079,746

**Shasta Regional Transportation Agency**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

	<b>Private Purpose Trust Funds</b>			
	Local Transportation Fund	State Transit Assistance Fund	RSTP Fund	Loan Fund
<b>Additions:</b>				
Local transportation assistance	\$ 7,154,854	\$ 717,004	\$ -	\$ -
RSTP	-	-	1,654,019	-
CTSA	248,451	-	-	-
Interest	1,996	1,578	-	3,379
<b>Total additions</b>	<b>7,405,301</b>	<b>718,582</b>	<b>1,654,019</b>	<b>3,379</b>
<b>Deductions:</b>				
Claims paid or payable to claimants:				
City of Anderson	465,700	68,617	133,695	-
City of Redding	4,235,281	574,105	1,186,183	-
City of Shasta Lake	473,594	74,282	130,453	-
County of Shasta	2,550,743	-	203,688	-
Shasta Senior Nutrition (CTSA)	248,451	-	-	-
Shasta Regional Transportation Agency (SRTA)	327,388	-	-	-
SRTA for CTSA	243,431	-	-	-
SRTA for 2% Bike & Pedestrian	148,395	-	-	-
SRTA for Non-Motorized	400,000	-	-	-
<b>Total deductions</b>	<b>9,092,983</b>	<b>717,004</b>	<b>1,654,019</b>	<b>-</b>
<b>Additions over (under) deductions before transfers</b>	<b>(1,687,682)</b>	<b>1,578</b>	<b>-</b>	<b>3,379</b>
<b>Transfers:</b>				
Transfers in	-	85,964	-	-
Transfers out	(85,964)	-	-	-
<b>Total transfers</b>	<b>(85,964)</b>	<b>85,964</b>	<b>-</b>	<b>-</b>
<b>Changes in fiduciary net position</b>	<b>(1,773,646)</b>	<b>87,542</b>	<b>-</b>	<b>3,379</b>
<b>Net Position:</b>				
Beginning of year	1,791,088	259,055	-	1,008,087
End of year	<u>\$ 17,442</u>	<u>\$ 346,597</u>	<u>\$ -</u>	<u>\$ 1,011,466</u>

**Shasta Regional Transportation Agency**  
**Statement of Changes in Fiduciary Net Position (Continued)**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

	<b>Private Purpose Trust Funds</b>		<b>Total</b>
	Non-Motorized Fund	2% Bike & Pedestrian Fund	
<b>Additions:</b>			
Local transportation assistance	\$ 400,000	\$ 148,395	\$ 8,420,253
RSTP	-	-	1,654,019
CTSA	-	-	248,451
Interest	-	1,937	8,890
<b>Total additions</b>	<b>400,000</b>	<b>150,332</b>	<b>10,331,613</b>
<b>Deductions:</b>			
Claims paid or payable to claimants:			
City of Anderson	-	50,000	718,012
City of Redding	-	-	5,995,569
City of Shasta Lake	-	-	678,329
County of Shasta	-	41,470	2,795,901
Shasta Senior Nutrition (CTSA)	-	-	248,451
Shasta Regional Transportation Agency (SRTA)	-	-	327,388
SRTA for CTSA	-	-	243,431
SRTA for 2% Bike & Pedestrian	-	-	148,395
SRTA for Non-Motorized	-	-	400,000
<b>Total deductions</b>	<b>-</b>	<b>91,470</b>	<b>11,555,476</b>
<b>Additions over (under) deductions before transfers</b>	<b>400,000</b>	<b>58,862</b>	<b>(1,223,863)</b>
<b>Transfers:</b>			
Transfers in	-	-	85,964
Transfers out	-	-	(85,964)
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in fiduciary net position</b>	<b>400,000</b>	<b>58,862</b>	<b>(1,223,863)</b>
<b>Net Position:</b>			
Beginning of year	-	245,379	3,303,609
End of year	<b>\$ 400,000</b>	<b>\$ 304,241</b>	<b>\$ 2,079,746</b>

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**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**Note 1 – Reporting Entity**

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

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

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

**Note 2 – Summary of Significant Accounting Policies**

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

**A. Basis of Accounting and Measurement Focus**

The accounts of SRTA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position/Balance Sheet reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

**Government-Wide Financial Statements**

SRTA’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities for SRTA accompanied by a total column. Fiduciary activities of SRTA are not included in these statements.

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**A. Basis of Accounting and Measurement Focus (Continued)**

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

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

- Charges for services
- Operating grants and contributions

**Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balances for Local Planning Fund, the only governmental fund of SRTA. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements.

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

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

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

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**A. Basis of Accounting and Measurement Focus (Continued)**

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

SRTA reports the following major Governmental Fund:

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

**Proprietary Fund Financial Statements**

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

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

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

SRTA reports the following proprietary Funds:

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

**Fiduciary Fund Financial Statements**

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**A. Basis of Accounting and Measurement Focus (Continued)**

Fiduciary funds, which include Private Purpose Trust Funds, are used to account for assets held by SRTA in a trustee capacity for individuals, private organizations and other governments. In its capacity as a Regional Transportation planning Agency, SRTA is responsible for the administration of several trust funds which benefit member agencies located within the county of Shasta and which provide funding for transportation planning, transit operations, pedestrian and bicycle facilities and streets and roads maintenance and improvements.

SRTA reports the following fiduciary funds:

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

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

**Regional Surface Transportation Program Fund** represents an apportionment under the Intermodal Transportation Efficiency Act whereby the Agency allocates funds to agencies for projects included in the Federal Statewide Transportation Improvement Program.

**Loan Fund** is used to account for amounts available to loan to jurisdictions for transit operations.

**Non-Motorized Fund** is used to account for Transportation Act Revenue that is set aside exclusively for claims by local agencies exclusively for non-motorized projects.

**2% Bicycle & Pedestrian Fund** is used to account for Transportation Development Act revenues that are set aside exclusively for claims by local agencies exclusively for bicycle and pedestrian projects.

**B. Cash, Cash Equivalents, and Investments**

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

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

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

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

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**C. Fair Value Measurement**

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, this statement defines fair value, establishes a framework for measuring fair value and establishes disclosure about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

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

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

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

**D. Prepaid Items**

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

**E. Capital Assets**

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

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

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

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**F. Compensated Absences**

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

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

**G. Overhead**

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

**H. Net Position**

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

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

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

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

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

**I. Fund Balances**

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

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**I. Fund Balances (Continued)**

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

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

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

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

When expenditures are incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, SRTA’s policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance.

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

**J. Pensions**

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

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**K. Accounting Changes**

GASB Statement No. 72, *Fair Value Measurement and Application* -This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement became effective for periods beginning after June 15, 2015 and did not have a significant impact on SRTA’s financial statements for the year ended June 30, 2016.

GASB Statement No. 73, *Accounting and Financial reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This statement became effective for periods beginning after June 15, 2015 and did not have a significant impact on SRTA’s financial statements for the year ended June 30, 2016.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*- This statement establishes standards relating to the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement became effective for periods beginning after June 15, 2015, and should be applied retroactively. This statement did not have a significant impact on SRTA’s financial statements for the years ended June 30, 2016.

*GASB Statement No. 79, Certain External Investment Pools and Pool Participants*- This statement establishes standards relating accounting and financial reporting for certain external investment pools and pool participants. This statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 and did not have a significant impact on SRTA’s financial statements for the year ended June 30, 2016.

**L. Use of Estimates**

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 3 – Cash and Investments**

At June 30, 2016, cash and investments are classified as follows:

<b>Statement of Net Position:</b>	
Governmental Activities	\$ 722,608
Business-type Activities	34,229
Fiduciary Funds	<u>2,153,802</u>
<b>Total cash and investments</b>	<b><u><u>\$ 2,910,639</u></u></b>

At June 30, 2016, cash and investments consisted of the followings:

Petty cash	\$ 100
Deposits with financial institution	2,213,074
Deposits with Shasta County Treasury Pool	<u>697,465</u>
<b>Total cash and investments</b>	<b><u><u>\$ 2,910,639</u></u></b>

**Demand Deposits**

At June 30, 2016, the carrying amount of SRTA's deposits was \$2,213,074 and the bank balances were \$2,253,740. The total bank balance was covered by federal depository insurance or by collateral held by SRTA's agent in SRTA's name as discussed below.

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

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 3 – Cash and Investments (Continued)**

**Deposits with Shasta County Treasury Pools**

SRTA maintains its State Transit Assistance and Local Transportation Funds (Fiduciary Funds) cash in the amount of \$697,465 in the Shasta County Treasury. The County pools these funds with those of other entities in the County and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Shasta's financial statements may be obtained by contacting the County of Shasta Auditor-Controller's office at 1450 Court Street, Room 238, Redding, California 96001. The Treasurer's investments and policies are overseen by the Shasta County Treasury Oversight Committee.

Investments held in the County's investment pool are available on demand and are stated at fair value. SRTA's investments in the pool at June 30, 2016, were considered to be Level 2 input investments.

**Note 4 – Due From Other Governments**

Due from other governments consists mainly of amounts due from state and federal agencies under grant agreements and other revenue sources. Management believes these amounts to be fully collectible and, accordingly, no allowance for doubtful accounts is required. Details at June 30, 2016 are as follows:

Department of Conservation	\$ 127,187
Caltrans	320,857
<b>Total due from other governments</b>	<b><u>448,044</u></b>

**Note 5 – Advances from Fiduciary Fund**

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

At June 30, 2016, the advances from fiduciary fund are in the amount of \$344,013.

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 6 – Capital Assets**

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

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

A summary of changes in capital assets for the governmental activities for the year ended June 30, 2016 is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated				
Land	\$ 118,722	\$ -	\$ -	\$ 118,722
Depreciable assets:				
Building	454,832	525,762	-	980,594
Improvements	9,686	-	-	9,686
Equipment and furniture	108,919	-	-	108,919
Total depreciable assets	<u>573,437</u>	<u>525,762</u>	<u>-</u>	<u>1,099,199</u>
Less: accumulated depreciation				
Building	(2,628)	(21,459)	-	(24,087)
Improvements	(2,988)	(1,003)	-	(3,991)
Equipment and furniture	(66,387)	(21,783)	-	(88,170)
Total accumulated depreciation	<u>(72,003)</u>	<u>(44,245)</u>	<u>-</u>	<u>(116,248)</u>
Total depreciable assets, net	<u>501,434</u>	<u>481,517</u>	<u>-</u>	<u>982,951</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 620,156</u>	<u>\$ 481,517</u>	<u>\$ -</u>	<u>\$ 1,101,673</u>
<b>Business-Type Activities:</b>				
Capital Assets, not being depreciated				
Land	\$ 116,278	\$ -	\$ -	\$ 116,278
Depreciable assets:				
Building	399,767	106,351	-	506,118
Total depreciable assets	<u>399,767</u>	<u>106,351</u>	<u>-</u>	<u>506,118</u>
Less: accumulated depreciation				
Building	(3,011)	(18,058)	-	(21,069)
Total accumulated depreciation	<u>(3,011)</u>	<u>(18,058)</u>	<u>-</u>	<u>(21,069)</u>
Total depreciable assets, net	<u>396,756</u>	<u>88,293</u>	<u>-</u>	<u>485,049</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 513,034</u>	<u>\$ 88,293</u>	<u>\$ -</u>	<u>\$ 601,327</u>

Depreciation expenses in the amount of \$44,245 and \$18,058 for the year ended June 30, 2016 were charged to planning and administrative function for governmental activities and rental programs for the business-type activities.

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Due To Other Governments**

At June 30, 2016, due to other governments consisted of the following:

City of Redding	\$	50,689
Redding Area Bus Authority		5,661
City of Shasta Lake		40,078
<b>Total due to other governments</b>	<b>\$</b>	<b><u>96,428</u></b>

**Note 8 – Long-term Liabilities**

Summary of changes in long-term liabilities for the year ended June 30, 2016, was as follows:

	<u>Balance</u>		<u>Deletions</u>	<u>Balance</u>	<u>Due in</u>	<u>Due in</u>
	<u>July 1, 2015</u>	<u>Additions</u>		<u>June 30, 2016</u>	<u>One Year</u>	<u>More Than</u>
						<u>One Year</u>
<b>Governmental Activities:</b>						
Capital Lease	\$ 775,597	\$ -	\$ (18,542)	\$ 757,055	\$ 40,763	\$ 716,292
Compensated absences	39,177	39,857	(26,396)	52,638	7,835	44,803
Net pension liabilities (assets) (Note 9)	11,798	451,309	(466,067)	(2,960)	-	(2,960)
	<u>\$ 826,572</u>	<u>\$ 491,166</u>	<u>\$ (511,005)</u>	<u>\$ 806,733</u>	<u>\$ 48,598</u>	<u>\$ 758,135</u>
<b>Business-type Activities:</b>						
Capital Lease	<u>\$ 147,403</u>	<u>\$ -</u>	<u>\$ (3,524)</u>	<u>\$ 143,879</u>	<u>\$ 7,748</u>	<u>\$ 136,131</u>

Capital Leases

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

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

	<u>Governmental</u>	<u>Business-type</u>
<u>Year Ended June 30,</u>	<u>Activities</u>	<u>Activities</u>
2017	\$ 62,717	\$ 11,919
2018	62,699	11,916
2019	62,680	11,912
2020	62,661	11,909
2021	62,641	11,905
Thereafter	<u>625,184</u>	<u>118,818</u>
Total minimum lease payments	938,582	178,379
Less amount representing interest	<u>(181,527)</u>	<u>34,500</u>
Present value of minimum lease payments	<u>\$ 757,055</u>	<u>\$ 143,879</u>

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-term Liabilities (Continued)**

Compensated Absences

SRTA’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and totaled to \$52,638 for governmental activities at June 30, 2016 and are generally liquidated by the Local Planning Fund for the governmental activities.

**Note 9 – Retirement Plan**

The summary of changes of net pension liabilities and the related deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2016 is as follows:

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<b>Deferred outflows of resources:</b>				
Pension contribution after measurement date	\$ 64,257	\$ 56,173	\$ (64,257)	\$ 56,173
Adjustment due to difference in proportion	-	104,143	(24,182)	79,961
Difference between expected and actual experience	-	5,595	(1,472)	4,123
Difference between employer contribution and employer's proportionate share of contribution	36,947	58,012	(28,461)	66,498
<b>Total deferred outflows of resources</b>	<b>\$ 101,204</b>	<b>\$ 223,923</b>	<b>\$ (118,372)</b>	<b>\$ 206,755</b>
<b>Net pension liabilities/(assets)</b>	<b>\$ 11,798</b>	<b>\$ 451,309</b>	<b>\$ (466,067)</b>	<b>\$ (2,960)</b>
<b>Deferred inflows of Resources:</b>				
Actual earnings on pension plan investment in excess of projected earnings	\$ 3,545	\$ 30,860	\$ (14,850)	\$ 19,555
Change in assumption	-	52,937	(13,931)	39,006
Adjustment due to difference in proportion	34,304	-	(34,304)	-
<b>Total deferred inflows of resources</b>	<b>\$ 37,849</b>	<b>\$ 83,797</b>	<b>\$ (63,085)</b>	<b>\$ 58,561</b>

**A. General Information about the Pension Plan**

Plan Description

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Retirement Plan (Continued)**

**A. General Information about the Pension Plan (Continued)**

Employees Covered by Benefit Terms

At June 30, 2014, the following employees were covered by the benefit terms:

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

Benefit Provided

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

Following are the benefit provisions for each plan:

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

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

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Retirement Plans (Continued)**

**A. General Information about the Pension Plan (Continued)**

Benefits Provided (Continued)

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The Public agency cost-sharing plans covered by either the Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average contribution rate were as follows:

<u>Plans</u>	<u>Active Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Classic	6.891%	9.353%
PEPRA	6.250%	6.250%

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Retirement Plan (Continued)**

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statement. The long-term expected rate of return on pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The geometric rates of return are used.

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	1.05%

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period.

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Retirement Plan (Continued)**

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

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

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

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.60%)
\$ (5,029)	\$ (2,960)	\$ (1,305)

*Pension Plan Fiduciary Net Position*

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

*Proportionate Share of Net Pension Liability and Pension Expense*

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

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Balance at: 6/30/14 (Valuation date)	\$ 82,254	\$ 70,456	\$ 11,798
Balance at: 6/30/15 (Measurement date)	177,586	180,546	(2,960)
Net Changes during 2014-2015	95,332	110,090	(14,758)

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Retirement Plan (Continued)**

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

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

The following, is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement period ended June 30, 2015 and 2014, respectively.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date. The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date. Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2015 and 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period.
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of the market value assets.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

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

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

June 30, 2014	0.00019%
June 30, 2015	-0.00011%
Change - Increase (Decrease)	-0.00030%

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Retirement Plan (Continued)**

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

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

For the year ended June 30, 2016, SRTA recognized pension credit in the amount of \$43,425.

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

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,203 (the sum of remaining service lifetimes of the active employees) by 122,140 (the total number of participants: active, inactive, and retired).

At June 30, 2016, the SRTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Pension contribution after measurement date	\$ 56,173	\$ -
Difference between expected and actual experience	4,123	-
Changes of assumptions	-	(39,006)
Difference between projected and actual earning on pension plan investments	-	(19,555)
Adjustment due to differences in proportions	79,961	-
Difference between employer's actual contributions and proportionate share of contributions	66,498	-
Total	<u>\$ 206,755</u>	<u>\$ (58,561)</u>

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Retirement Plan (Continued)**

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

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

\$56,173 is reported as deferred outflows of resources related to pensions resulting from the SRTA’s contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2017	\$ 25,334
2018	25,145
2019	16,546
2020	24,996
2021	-
Thereafter	-
	\$ 92,021

**Note 10 – Deferred Compensation Plan**

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

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

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 11 – Other Postemployment Benefits**

**A. Plan Description**

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

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

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

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

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

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

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

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

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 11 – Other Postemployment Benefits (Continued)**

**A. Plan Description (Continued)**

4. The health plans can include coverage for an eligible spouse and/or dependents. After a member's death, a surviving spouse is eligible to continue coverage. The maximum subsidy for a surviving spouse is the same as it is for a retiree.
5. SRTA will pay 58% of the premium for spousal coverage and 62% of the premium for other dependent coverage.
6. The health plans can include coverage for an eligible spouse and/or dependents. After the member's death, a surviving spouse is eligible to continue health plan coverage. SRTA will pay 58% of the premium for spousal coverage and 62% of the premium for other dependent coverage.
7. If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of \$187 per month or a \$15 per year of service, whichever is greater

**B. Funding Policy**

SRTA, as a plan sponsor, determines the contributions into CalPERS to fund the OPEB Plan. SRTA has decided to pay the liability as incurred. During fiscal year 2015-16, expenditures of \$33,235 were recognized for post-retirement health insurance contributions for the liability.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

The following table shows the components of SRTA's Annual OPEB Cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan, and changes in SRTA's Net OPEB Obligations:

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 11 – Other Postemployment Benefits (Continued)**

**D. Three -Year Trend Information**

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

Fiscal Year June 30	OPEB Cost	Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2014	\$ 14,492	\$ 28,984	200%	\$ -
2015	14,492	28,984	200%	-
2016	33,235	33,235	100%	-

**E. Funded Status and Funding Progress**

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

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

**F. Actuarial Methods and Assumptions**

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

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

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

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 12 – Risk Management**

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

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

Personal Injury-\$2,000,000  
Public Officials Errors and Omissions-\$2,000,000  
Products/Completed Operations- \$2,000,000  
Employment Practices- \$2,000,000  
Crime- \$1,000,000  
Property-\$2,411,000

**Note 13 – Lease Revenue**

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

Future minimum rental revenue payments are as follows:

<u>Year ended June 30,</u>	
2017	51,276
2018	<u>25,638</u>
	<u>\$ 76,914</u>

**Shasta Regional Transportation Agency**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 14 – Commitments and Contingencies**

**A. Litigations**

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

**B. Grants**

SRТА received federal and state financial assistance from the California Department of Transportation. This financial assistance is provided to SRТА as a reimbursement of expenditures incurred in the administration of certain programs. Federal and state financial assistance is recognized as revenue at the time related expenditures are incurred, not when the funds are actually received. Although SRТА’s financial assistance programs have been audited through June 30, 2016, in accordance with the provisions of Uniform Guidance, these programs may be subject to further financial and compliance audits by the reimbursing agencies. The California Department of Transportation (“Caltrans”) may reclassify \$151,000 of prior year direct expenses reimbursed to SRТА to be indirect and to be repaid to Caltrans. The repaid amount will then be recovered by SRТА as an indirect expense in a future year.

**C. Commitments**

As of June 30, 2016, SRТА has outstanding commitments as follows:

Non-Motorized Projects	Committed	Spent
City of Shasta Lake	\$ 20,000	\$ 11,645
County of Shasta	235,000	41,470
City of Redding	393,482	-
Resource Conservation District of Tehama County	58,306	-
Other Commitments	Committed	Spent
Consultant for Transit Study	56,700	32,863
On-call Travel Demands Services	150,000	5,800
On-call GIS Services	60,000	13,991
Computer Maintenance	110,000	20,770
Legal Services	150,000	-
City of Redding- Hilltop Corridor Signal Study	40,000	-
City of Redding- Victor Ave Corridor Phasing Plan	70,000	-
City of Shasta Lake-Cascade Blvd. Development Assessment	85,000	-
City of Shasta Lake- Micro-Transit Study	42,500	-
Shasta Senior Nutrition- Capital Improvement Study	59,500	-

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**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**

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**Shasta Regional Transportation Agency**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule - Local Planning Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Federal Highway Administration	\$ 891,464	\$ 609,645	\$ 543,621	\$ (66,024)
Federal Transit Administration	142,877	163,205	146,560	(16,645)
Transportation Development Act	173,897	322,756	310,708	(12,048)
Planning, Programming and Monitoring	67,922	109,342	148,102	38,760
Strategic Planning and Research	125,000	69,941	69,213	(728)
Safe Routes to School/ATP	17,700	136,330	68,137	(68,193)
Proposition 84	171,724	237,731	218,322	(19,409)
Interest income	-	-	2,159	2,159
Reimbursements from users	67,000	22,000	22,180	180
LCTOP	-	245,194	7,306	(237,888)
Super Region Fees	5,756	5,133	3,642	(1,491)
<b>Total revenues</b>	<u>1,663,340</u>	<u>1,921,277</u>	<u>1,539,951</u>	<u>(381,326)</u>
<b>Expenditures:</b>				
Current:				
Planning and administration	1,663,340	1,921,277	1,642,748	278,529
Capital outlay	-	631,010	525,762	105,248
Debt service:				
Payments on capital lease	-	18,542	18,542	-
<b>Total expenditures</b>	<u>1,663,340</u>	<u>2,570,829</u>	<u>2,187,052</u>	<u>383,777</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>(649,552)</u>	<u>(647,101)</u>	<u>(765,103)</u>
<b>Other Financing Sources (uses):</b>				
Transfers out	-	(57,336)	(57,336)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(57,336)</u>	<u>(57,336)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (706,888)</u>	<u>\$ (704,437)</u>	<u>\$ (765,103)</u>
<b>Fund Balances:</b>				
Beginning of Year			<u>1,198,013</u>	
End of Year			<u>\$ 493,576</u>	

**Shasta Regional Transportation Agency**  
**Required Supplementary Information (Unaudited)**  
**Notes to Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

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**Budgetary and Budgetary Accounting**

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

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

**Shasta Regional Transportation Agency**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2016**

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Last Ten Fiscal Years

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

Measurement Date	<u>June 30, 2014<sup>1</sup></u>	<u>June 30, 2015<sup>1</sup></u>
Proportion of the net pension liability	0.00019%	-0.00011%
Proportionate share of the net pension liability/(assets)	<u>\$ 11,798</u>	<u>\$ (2,960)</u>
Covered employee payroll	<u>\$ 495,433</u>	<u>\$ 573,063</u>
Proportionate share of the net pension liability as a percentage of covered employee payroll	<u>2.38%</u>	<u>-0.52%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>85.66%</u>	<u>101.67%</u>

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

**Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from Plan changes which occurred after June 30, 2014 as that have minimal cost impact.

Change in Assumptions - The discount rate was changed from 7.50% to 7.65%.

**Shasta Regional Transportation Agency  
Required Supplementary Information (Unaudited)  
Schedule of Contributions  
For the Year Ended June 30, 2016**

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Last Ten Fiscal Years

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

	2013-14	2014-15	2015-16 <sup>1</sup>
Actuarially determined contribution	\$ 55,298	\$ 64,257	\$ 56,173
Contributions in relation to the actuarially determined contributions	(74,697)	(64,257)	(56,173)
Contribution deficiency (excess)	\$ (19,399)	\$ -	\$ -
Covered employee payroll <sup>2,3</sup>	\$ 495,433	\$ 573,063	\$ 646,264
Contributions as a percentage of covered employee payroll	11.16%	11.21%	8.69%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

<sup>3</sup> Payroll from prior year 2014-15 was assumed to increase by the 3.00 percent payroll growth assumption.

**Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from Plan changes which occurred after June 30, 2014 as that have minimal cost impact.

Change in Assumptions - The discount rate was changed from 7.50% to 7.65%.

**Shasta Regional Transportation Agency**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Funding Progress - Other Postemployment Benefit Plan**  
**For the Year Ended June 30, 2016**

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

<sup>1</sup> Only available information is presented.

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**OTHER SUPPLEMENTARY INFORMATION**

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**Shasta Regional Transportation Agency**  
**Schedule of Allocations and Disbursements**  
**Local Transportation Fund**  
**For the Year Ended June 30, 2016**

	Allocations and Disbursements				Totals
	Under Public Utilities Code Sections				
	99233.1	99260	99275	99400 (a) (c) & (d)	
<b>Allocations:</b>					
County of Shasta	\$ -	\$ -	\$ -	2,550,743	\$ 2,550,743
City of Redding	-	-	-	1,593,794	1,593,794
City of Anderson	-	-	-	361,655	361,655
City of Shasta Lake	-	-	-	365,849	365,849
Redding Area Bus Authority	-	1,688,165	-	-	1,688,165
Shasta Regional Transportation Agency	875,783	-	-	-	875,783
Shasta Senior Nutrition (CTSA)	-	-	243,431	-	243,431
<b>Total allocations</b>	<b>\$ 875,783</b>	<b>\$ 1,688,165</b>	<b>\$ 243,431</b>	<b>\$ 4,872,041</b>	<b>\$ 7,679,420</b>
<b>Disbursements:</b>					
County of Shasta	\$ -	\$ -	\$ -	2,550,743	\$ 2,550,743
City of Redding	-	-	-	1,819,411	1,819,411
City of Anderson	-	-	-	465,700	465,700
City of Shasta Lake	-	-	-	473,594	473,594
Redding Area Bus Authority	-	2,415,870	-	-	2,415,870
Shasta Regional Transportation Agency	1,119,214	-	-	-	1,119,214
Shasta Senior Nutrition (CTSA)	-	-	248,451	-	248,451
<b>Total disbursements</b>	<b>\$ 1,119,214</b>	<b>\$ 2,415,870</b>	<b>\$ 248,451</b>	<b>\$ 5,309,448</b>	<b>\$ 9,092,983</b>

**Shasta Regional Transportation Agency**  
**Schedule of Allocations and Disbursements**  
**State Transit Assistance Fund**  
**For the Year Ended June 30, 2016**

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	California Administrative Code Section 6730(a)
<b>Allocations:</b>	
City of Redding	\$ 1,069,641
City of Anderson	127,829
City of Shasta Lake	138,423
<b>Total allocations</b>	<b>\$ 1,335,893</b>
<b>Disbursements:</b>	
City of Redding	\$ 574,105
City of Anderson	68,617
City of Shasta Lake	74,282
<b>Total disbursements</b>	<b>\$ 717,004</b>

**Shasta Regional Transportation Agency  
Schedule of Cost Allocation Plan Reconciliation  
and Indirect Cost Rate Carryover  
For the Year Ended June 30, 2016**

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Direct Expenses at June 30, 2016	\$ 547,053
Approved Indirect cost rate for June 30, 2016	<u>63.33%</u>
Total allocable indirect expenses at June 30, 2016	<u>346,449</u>
Actual indirect expenses at June 30, 2016	510,222
Under recovery of indirect expenses at June 30, 2016	163,773
Less: Depreciation taken grant funded capital assets	<u>(15,039)</u>
Under recovered indirect expenses at June 30, 2016	<u><u>\$ 148,734</u></u>

**Shasta Regional Transportation Agency**  
**Schedule of Cost Allocation Plan Reconciliation**  
**and Indirect Cost Allocation Carryover**  
**For the Year Ended June 30, 2016**

	Actual Expense	Direct Expense	Indirect Expense
<b>Direct expenses:</b>			
Salaries	\$ 664,628	\$ 403,232	\$ 261,396
Employee benefits	224,735	143,821	80,914
Total salaries and employee benefits	<u>889,363</u>	<u>547,053</u>	<u>342,310</u>
Advertising	2,348	2,348	-
Bank Charges	62	10	52
Communication	8,278	99	8,179
Computer Support	20,770	-	20,770
Conferences	2,250	-	2,250
Consultants	550,783	550,783	-
Depreciation	44,245	-	44,245
Dues and Subscriptions	8,106	5,198	2,908
Education and Training	2,478	1,400	1,078
Incentives	555	-	555
Insurance	8,987	-	8,987
Interest	22,732	-	22,732
Licenses	14,323	14,184	139
Meetings	1,237	1,292	(55)
Printing	3,949	3,411	538
Postage	1,013	-	1,013
Professional Services	68,059	47,693	20,366
Public Notice	4,866	4,866	-
Repairs and Maintenance	11,040	-	11,040
Security	2,219	-	2,219
Software	6,079	2,950	3,129
Supplies	6,715	326	6,389
Taxes	130	-	130
Travel	12,975	9,439	3,536
Utilities	7,712	-	7,712
Total expenses	<u>\$ 1,701,274</u>	<u>\$ 1,191,052</u>	<u>\$ 510,222</u>

**Shasta Regional Transportation Agency**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Pass Through to Subrecipients
<b>U.S. Department of Transportation</b>				
<i>Highway Planning and Construction Cluster</i>				
<i>Pass-through the State of</i>				
<i>California Department of Transportation:</i>				
Federal Apportionment Exchange Program	20.205	X16-6496(010)	\$ 1,654,019	\$ 1,654,019
Total Highway Planning and Construction Cluster			<u>1,654,019</u>	<u>1,654,019</u>
<i>Metropolitan Transportation Planning Cluster</i>				
<i>Pass-through the State of</i>				
<i>California Department of Transportation:</i>				
Federal Highway Administration - Metropolitan Planning	20.505	74A0821	543,621	33,582
Federal Transit Administration - Metropolitan Planning	20.505	74A0821	133,189	-
Federal Highway Administration - Strategic Planning & Research	20.505	74A0821	69,213	-
Federal Safe Routes to School Program	20.505	SRTSLNI-6093	15,698	8,311
Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			<u>761,721</u>	<u>41,893</u>
<i>Formula Grants for Rural Areas</i>				
<i>Pass-through the State of</i>				
<i>California Department of Transportation:</i>				
Federal Transit Administration - 5311(f)	20.509	64CC15-00336	13,371	-
Total Formula Grants for Rural Areas			<u>13,371</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>2,429,111</u>	<u>1,695,912</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,429,111</u>	<u>\$ 1,695,912</u>

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

**Shasta Regional Transportation Agency**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

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**Note 1 – Reporting Entity**

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Accounting***

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

***Schedule of Expenditures of Federal Awards***

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

***Indirect Cost Rate***

SRTA did not elect to use the 10% de minimis cost rate.

**Shasta Regional Transportation Agency  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **2016-001**

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

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **2016-001 to 2016-002**

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

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

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster	Federal Expenditures
20.205	Highway Planning and Construction Cluster	\$ 1,654,019
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	761,721
	<b>Total Expenditures of All Major Federal Programs</b>	<b>\$ 2,415,740</b>
	<b>Total Expenditures of Federal Awards</b>	<b>\$ 2,429,111</b>
	<b>Percent of Total Expenditures of Federal Awards</b>	<b>99.45%</b>

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

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

**Shasta Regional Transportation Agency  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2016**

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**Section II – Financial Statement Findings**

**A. Current Year Findings - Financial Statement Audit**

**Finding 2016-001 Internal Control over Invoice Approval**

Refer to the Section III – Federal Award Findings and Questioned Costs 2016-001 – Activities Allowed or Unallowed, Allowable Costs/Costs Principles, and Period of Performance – Internal Control over Invoice Approval on page 84.

**B. Prior Year Findings - Financial Statement Audit**

**2015-001 Internal Control over Financial Reporting**

**Condition:**

During the year ended June 30, 2015, SRTA corrected several of its fiduciary funds previously reported as expendable trust funds to private-purpose trust funds in accordance with GASB Statement No. 34.

SRTA was a component unit of the County of Shasta, which reported these Transportation Development Act trust funds as special revenue funds. When SRTA became an independent transportation planning agency, SRTA began to incorrectly use expendable trust funds to account for Transportation Development Act revenues, which are claimed by local agencies. These funds should have been reported as private-purpose trust funds in the fiduciary fund statements.

**Recommendation:**

We recommended SRTA review GASB statements more thoroughly to prevent future material prior period adjustments.

**Status:**

Finding was resolved during the year ended June 30, 2015.

**Shasta Regional Transportation Agency  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2016**

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**Section II – Financial Statement Findings (Continued)**

**B. Prior Year Findings - Financial Statement Audit (Continued)**

**2015-002 Internal Control over Procurement Process and Contract Management**

**Condition:**

During our test of SRTA's procurement process, we noted that SRTA is being investigated by the California Department of Transportation ("Caltrans") during the year ended June 30, 2015 related to contracts entered into prior to July 1, 2014.

The following two contracts are being reviewed due to SRTA did not entirely score and rank the candidates based on the scope of work outline in the request for proposal ("RFP"). Additional questions were asked during the interview process and the responses provided by the candidates on new questions were being used to score and rank the candidates.

- (a) The contract with DKS Associates to perform model updates and complex modeling projects associated with state mandate was entered into in 2012. The contract term was for August 30, 2012 through August 30, 2015.
- (b) The contract with Rincon Consultants, Inc. to prepare an environment impact report for the 2015 Regional Transportation Plan for the County of Shasta was executed on July 23, 2013. However, it was noted that the work commenced on July 15, 2013.

In addition, SRTA entered into a three year contract for on-call services with Vestra Resources on May 12, 2010 while still being part of the County of Shasta through CMAS Program. When the contract expired on August 31, 2012, SRTA relied on the discount pricing obtained through CMAS Program instead of procure the contract through competitive bid and/or price/cost analysis on its own. Furthermore, the contract with Vestra Resources was amended after the end of the contract term.

**Recommendation:**

We recommended SRTA update its "Issuance of RFP" policy to ensure all the RFPs have a clearly defined scope of work. In addition, the panel members who are ranking the candidates should have adequate knowledge and experience relating to the scope of work and understand the ranking and scoring process.

With regard to the procurement process, we recommended SRTA follow its procurement policies and procedures to ensure that contracts are entered into after going through proper competitive bidding process or after obtaining sufficient price/cost analysis.

We also recommended SRTA review its contracts with all vendor prior to the end of contract terms. When amendment to the contracts is desired, the amendments should be executed prior to the end of contract term.

**Status:**

Finding was resolved during the year ended June 30, 2016.

**Shasta Regional Transportation Agency**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2016**

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**Section III – Federal Award Findings and Questioned Costs**

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

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

**Information of the Federal Program:**

Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research (CFDA Number 20.505, U.S. Department of Transportation, Passed through State of California, Department of Transportation (“Caltrans”), Award Number 74A0821, FY2015 and SRTSLNI-6093, FY2012)

**Criteria:**

Pursuant to 2.12b (6) Allowable/Unallowed Costs under SRTA Financial and Accounting Policies and Procedures March 2014, each invoice shall be coded with the appropriate account reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate project manager and reviewed by the accountant and the executive director.

**Condition:**

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

**Questioned Cost:**

None

**Context:**

Statistically sampling was performed to draw sample selections. See condition above for context of the findings.

**Effect:**

The lack of approvals and reviewing might result in SRTA charges unallowable expenditures to the Federal grants or incorrect period.

**Cause:**

Policies and procedures are not being followed to ensure all invoices were properly approved and coded prior to payments. In addition, decentralized accounts payable process in SRTA caused the delay in invoice processing and missing approvals.

**Identification as a Repeat Finding, If Applicable:**

Not applicable

**Shasta Regional Transportation Agency**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2016**

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

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

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

**Recommendation:**

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

**Views of Responsible Officials and Planned Corrective Action:**

SRTA will no longer accept invoices from vendors by email. Vendors will be required to submit invoices by mail only. The individual responsible for the corrective action is Dave Wallace, CFO with an implementation date of January 1, 2017.

**Shasta Regional Transportation Agency**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**2016 -002 Procurement and Suspension, and Debarment – Internal Control over Verification Against the System for Award Management (“SAM”)**

**Information of the Federal Program:**

Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research (CFDA Number 20.505, U.S. Department of Transportation, Passed through State of California, Department of Transportation (“Caltrans”), Award Number 74A0821, FY2015)

**Criteria:**

In accordance with §200.213 (Suspension and debarment) of the Uniform Guidance, non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> (Note: The OMB guidance at 2 CFR part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

**Condition:**

During our audit, we noted that SRTA did not have documentation on verifying the vendors against the SAM to ensure that they were not suspended or debarred from federally-funded purchases.

**Questioned Cost:**

None

**Context:**

Statistically sampling was performed to draw sample selections. See condition above for context of the findings.

**Effect:**

Without verifying whether the vendors are suspended or debarred from working on federally-funded projects, SRTA could be purchasing or contracting with vendors that are prohibited from working on federally-funded projects.

**Shasta Regional Transportation Agency**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**2016 -02 Procurement and Suspension, and Debarment – Internal Control over Verification Against the System for Award Management (“SAM”) (Continued)**

**Cause:**

SRTA has a formal policy to require planners document the check results from the SAM but the policy is vague and not very definitive.

**Identification as a Repeat Finding, If Applicable:**

Not applicable

**Recommendation:**

We recommended SRTA establish proper internal control procedures to monitor compliance requirements to ensure vendors are not suspended or debarred from federally-funded purchases.

**Views of Responsible Officials and Planned Corrective Action:**

SRTA will adopt stronger policies and procedures to ensure vendors are not suspended or debarred. The individual responsible for the corrective action is Dave Wallace, CFO with an implementation date of January 1, 2017.

**Shasta Regional Transportation Agency**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**2015-003 Reporting – Internal Control and Compliance over Reporting**

**Programs:**

Federal Highway Administration (CFDA Number 20.205, U.S. Department of Transportation, Passed-through State of California, Department of Transportation (“Caltrans”), Award Number 74A0821)

**Condition:**

During our testing of SRTA’s compliance with the reporting requirement, we noted that the third and fourth QPR were submitted after the due date. The third QPR was due April 30, 2015 and it was submitted to the Caltrans on May 12, 2015. The fourth QPR was due July 31, 2015 and it was submitted to the Caltrans on August 6, 2015.

**Recommendation:**

We recommended SRTA improve its monitoring activities to ensure submitting the QPR timely.

**Status:**

Finding was resolved during the year ended June 30, 2016.