

**YUBA-SUTTER TRANSIT AUTHORITY**

Audited Financial Statements  
and Compliance Reports

June 30, 2020

YUBA-SUTTER TRANSIT AUTHORITY

Audited Financial Statements  
and Compliance Reports

June 30, 2020 and 2019

Audited Financial Statements

Independent Auditor’s Report .....	1
Balance Sheets.....	3
Statements of Revenues, Expenses and Changes in Net Position.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements .....	6

Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability – Miscellaneous Plan (Unaudited) and Schedule of Contributions to the Pension Plan – Miscellaneous Plan (Unaudited).....	21
Schedule of Changes in the Total OPEB Liability and Related Ratios .....	22

Compliance Reports

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> , the Transportation Development Act and Other State Program Guidelines.....	23
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	25
Schedule of Findings and Questioned Costs.....	27
Schedule of Expenditures of Federal Awards.....	29
Notes to Schedule of Expenditures of Federal Awards .....	30



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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the Yuba-Sutter Transit Authority (the Authority) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2020 and 2019, and changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

To the Board of Directors  
Yuba-Sutter Transit Authority

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that required supplementary information, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, the Transportation Development Act and other state grant program guidelines. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

December 29, 2020

YUBA-SUTTER TRANSIT AUTHORITY

BALANCE SHEETS

June 30, 2020 and 2019

	2020	(Restated) 2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,762,716	\$ 2,267,339
Accounts receivable	3,570	6,141
Interest receivable	3,837	3,007
Due from other governmental agencies	2,055,151	2,019,885
Prepaid expenses and other assets	45,498	45,877
TOTAL CURRENT ASSETS	<u>4,870,772</u>	<u>4,342,249</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	395,956	511,185
Capital assets:		
Nondepreciable	905,570	1,708,681
Depreciable, net	15,583,011	10,992,476
Total Capital Assets	<u>16,488,581</u>	<u>12,701,157</u>
TOTAL NONCURRENT ASSETS	<u>16,884,537</u>	<u>13,212,342</u>
TOTAL ASSETS	<u>21,755,309</u>	<u>17,554,591</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	482,198	127,450
Other post employment benefits	3,869	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 22,241,376</u>	<u>\$ 17,682,041</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 524,505	\$ 1,373,937
Accrued payroll	37,305	35,415
Accrued compensated absences	42,058	37,539
Unearned revenue	1,964,638	786,734
Deposits payable	25,050	25,075
TOTAL CURRENT LIABILITIES	<u>2,593,556</u>	<u>2,258,700</u>
NONCURRENT LIABILITIES		
Net pension liability	367,031	338,485
Other post employment benefits liability	78,575	60,109
TOTAL LIABILITIES	<u>3,039,162</u>	<u>2,657,294</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan	15,049	15,547
NET POSITION		
Investment in capital assets	16,488,581	12,701,157
Restricted for operations in specified service areas	109,496	56,126
Unrestricted	2,589,088	2,251,917
TOTAL NET POSITION	<u>19,187,165</u>	<u>15,009,200</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 22,241,376</u>	<u>\$ 17,682,041</u>

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

YUBA-SUTTER TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>(Restated) 2019</u>
OPERATING REVENUES		
Passenger fares	\$ 1,045,646	\$ 1,187,342
Special transit fares	25,811	21,433
TOTAL OPERATING REVENUES	<u>1,071,457</u>	<u>1,208,775</u>
OPERATING EXPENSES		
Operations		
Purchased transportation	5,524,708	5,108,024
Depreciation	1,738,696	1,324,374
Fuel and lubricants	615,092	732,863
Maintenance and supplies	303,771	364,482
Vehicle insurance	277,224	292,429
Total operations	<u>8,459,491</u>	<u>7,822,172</u>
General administration		
Personnel costs	623,572	564,507
Services	172,835	113,985
Utilities	55,757	62,525
Casualty and liability insurance	30,872	30,354
Materials	14,338	8,593
Miscellaneous	21,151	23,610
Total general and administration	<u>918,525</u>	<u>803,574</u>
TOTAL OPERATING EXPENSES	<u>9,378,016</u>	<u>8,625,746</u>
NET LOSS FROM OPERATIONS	(8,306,559)	(7,416,971)
NONOPERATING REVENUES (EXPENSES)		
Federal transit administration operating grants	3,445,760	2,325,329
Local Transportation Fund	2,800,000	2,789,800
State Transit Assistance Fund operating	244,421	1,530,001
State operating grants	297,211	96,008
Advertising	43,039	50,064
Other revenues	85,266	76,320
Interest	15,464	5,939
Gain (loss) on disposal of capital assets	4,539	(70,437)
Intergovernmental expenses	(16,707)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>6,918,993</u>	<u>6,803,024</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,387,566)	(613,947)
CAPITAL CONTRIBUTIONS		
Federal Transit Administration capital grants	4,488,867	688,626
State Proposition 1B Transit Security grant	-	330,262
State of California PTMISEA grant	87,639	158,808
Low Carbon Transit Operations Program grant	-	125,405
State Transit Assistance Fund and the State of Good Repair capital	989,025	66,551
Sacramento Metropolitan Air Quality Management District capital grant	-	12,000
TOTAL CAPITAL CONTRIBUTIONS	<u>5,565,531</u>	<u>1,381,652</u>
CHANGE IN NET POSITION	4,177,965	767,705
Net position at beginning of year - as previously reported	15,009,200	14,301,604
Restatement for change in accounting principle - Note K		(60,109)
Net position at beginning of year - as restated	<u>15,009,200</u>	<u>14,241,495</u>
NET POSITION AT END OF YEAR	<u>\$ 19,187,165</u>	<u>\$ 15,009,200</u>

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

YUBA-SUTTER TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 1,074,028	\$ 1,207,308
Cash paid to suppliers for goods and services	(8,397,883)	(10,898,068)
Cash paid to employees for services	(396,209)	(386,459)
NET CASH USED FOR OPERATING ACTIVITIES	<u>(7,720,064)</u>	<u>(10,077,219)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grants and subsidies	6,115,444	6,745,634
Cash paid to other government agencies	(16,707)	
Other nonoperating revenue	128,305	126,384
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>6,227,042</u>	<u>6,872,018</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants received	7,380,117	4,498,035
Proceeds from sale of capital assets	43,950	11,345
Purchase of capital assets	(5,565,531)	(515,166)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,858,536</u>	<u>3,994,214</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earnings received	14,634	5,389
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>14,634</u>	<u>5,389</u>
INCREASE IN CASH AND CASH EQUIVALENTS	380,148	794,402
Cash and cash equivalents at beginning of year	<u>2,778,524</u>	<u>1,984,122</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,158,672</u>	<u>\$ 2,778,524</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS</b>		
Cash and cash equivalents	\$ 2,762,716	\$ 2,267,339
Restricted cash and cash equivalents	395,956	511,185
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,158,672</u>	<u>\$ 2,778,524</u>
<b>RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES:</b>		
Net loss from operations	\$ (8,306,559)	\$ (7,416,971)
Adjustments to reconcile net loss from operations to net cash used for operating activities:		
Depreciation	1,738,696	1,324,374
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	2,571	(1,467)
Prepaid expenses	379	(36,615)
Deferred outflows of resources	(358,617)	19,835
Accounts payable	(849,432)	(3,951,755)
Accrued payroll	1,890	123
Accrued compensated absences	4,519	1,067
Rental income received in advance		
Deposits payable	(25)	
Net pension liability	28,546	(17,556)
OPEB liability	18,466	
Deferred inflows of resources	(498)	1,746
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (7,720,064)</u>	<u>\$ (10,077,219)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Capital asset purchases payable	\$ -	\$ 866,486

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

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents represents the unexpended amounts received under the Low Carbon Transit Operations Program.



YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Unearned Revenue: Unearned revenue represents resources received before the Authority has legal claim to them (i.e. when cost reimbursement grant revenues are received prior to the incurrence of qualifying expenditures) or when exchange revenues are received before the exchange takes place. Unearned revenue at June 30, 2020 and 2019 consisted of unspent State Transit Assistance capital allocations of \$203,978 and \$457,547, respectively, unspent Transportation Development Act funds of \$1,354,775 as of June 30, 2020 and Low Carbon Transit Operations Program revenue received prior to the qualifying expenses being incurred as disclosed in Note J.

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

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earning process is complete. Deferred outflows and inflows of resources represent amounts deferred related to the Authority's pension and OPEB plan as described in Notes G and H.

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

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they were reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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

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

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Reclassification:** Certain revenues were reclassified from special transit fares to other revenues as of June 30, 2019 to conform with the current presentation. This reclassification had no effect on total assets, liabilities, net position or change in net position.

NOTE B – CASH AND CASH EQUIVALENTS

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

	2020	2019
Cash and cash equivalents	\$ 2,762,716	\$ 2,267,339
Restricted cash and cash equivalents	395,956	511,185
Total cash and cash equivalents	\$ 3,158,672	\$ 2,778,524

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

	2020	2019
Cash on hand	\$ 200	\$ 200
Deposits in financial institutions:		
Unrestricted	480,635	643,755
Restricted	395,956	257,640
Total	876,791	901,595
Investment in Local Agency Investment Fund (LAIF)		
Unrestricted	2,281,881	1,623,384
Restricted	-	253,545
Total	2,281,881	1,876,929
Total cash and cash equivalents	\$ 3,158,672	\$ 2,778,524

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

**Interest Rate Risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2020 and 2019, the weighted average maturity of the investments contained in the LAIF investment pool was approximately 191 and 173 days, respectively.

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

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2020 and 2019, the carrying amount of the Authority’s deposits was \$876,591 and \$901,395 and the balance in financial institutions was \$877,843 and \$1,076,908, respectively. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance. The remaining amount of \$627,843 and \$826,908 at June 30, 2020 and 2019, respectively, was collateralized by securities pledged by the financial institution, but not in the name of the Authority.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF was \$101,607,078,218, which is managed by the State Treasurer. Of that amount, 3.37% was invested in asset-back securities and structured financial instruments. The Local Investment Advisory Board (the Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the Authority’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – DUE FROM OTHER GOVERNMENTAL AGENCIES

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

	<u>2020</u>	<u>2019</u>
Sacramento Area Council of Governments (STA)	\$ 891,653	\$ 402,363
Federal Transit Administration (FTA) grants	400,000	479,486
Sacramento Area Council of Governments (LTF)	388,115	282,772
State Department of Transportation (FTA pass-through) grants	320,531	707,196
Other	<u>54,852</u>	<u>148,068</u>
Total due from other governmental agencies	<u>\$ 2,055,151</u>	<u>\$ 2,019,885</u>

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE D – CAPITAL ASSETS

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

	Balance at July 1, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
Capital assets, not being depreciated					
Land	\$ 905,570				\$ 905,570
Work in progress	803,111			\$ (803,111)	
Total capital assets not being depreciated	<u>1,708,681</u>			<u>(803,111)</u>	<u>905,570</u>
Capital assets, being depreciated:					
Buildings and improvements	4,691,997				4,691,997
Vehicles	17,061,917	\$ 5,565,531	\$ (4,261,158)	803,111	19,169,401
Maintenance tools and equipment	260,344				260,344
Office equipment	146,732				146,732
Total capital assets being depreciated	<u>22,160,990</u>	<u>5,565,531</u>	<u>(4,261,158)</u>	<u>803,111</u>	<u>24,268,474</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,785,697)	(176,261)			(1,961,958)
Vehicles	(9,146,168)	(1,536,134)	4,221,747		(6,460,555)
Maintenance tools and equipment	(105,227)	(20,338)			(125,565)
Office equipment	(131,422)	(5,963)			(137,385)
Total accumulated depreciation	<u>(11,168,514)</u>	<u>(1,738,696)</u>	<u>4,221,747</u>		<u>(8,685,463)</u>
Total capital assets being depreciated, net	<u>10,992,476</u>	<u>3,826,835</u>	<u>(39,411)</u>	<u>803,111</u>	<u>15,583,011</u>
Capital assets, net	<u>\$ 12,701,157</u>	<u>\$ 3,826,835</u>	<u>\$ (39,411)</u>	<u>\$ -</u>	<u>\$ 16,488,581</u>
	Balance at July 1, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
Capital assets, not being depreciated					
Land	\$ 905,570				\$ 905,570
Work in progress	3,962,607	\$ 803,111		\$ (3,962,607)	803,111
Total capital assets not being depreciated	<u>4,868,177</u>	<u>803,111</u>		<u>(3,962,607)</u>	<u>1,708,681</u>
Capital assets, being depreciated:					
Buildings and improvements	4,507,685	184,312			4,691,997
Vehicles	14,814,558	237,526	\$ (1,952,774)	3,962,607	17,061,917
Maintenance tools and equipment	114,818	145,526			260,344
Office equipment	149,095	11,177	(13,540)		146,732
Total capital assets being depreciated	<u>19,586,156</u>	<u>578,541</u>	<u>(1,966,314)</u>	<u>3,962,607</u>	<u>22,160,990</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,614,470)	(171,227)			(1,785,697)
Vehicles	(9,883,641)	(1,134,542)	1,872,015		(9,146,168)
Maintenance tools and equipment	(91,751)	(13,476)			(105,227)
Office equipment	(138,810)	(5,129)	12,517		(131,422)
Total accumulated depreciation	<u>(11,728,672)</u>	<u>(1,324,374)</u>	<u>1,884,532</u>		<u>(11,168,514)</u>
Total capital assets being depreciated, net	<u>7,857,484</u>	<u>(745,833)</u>	<u>(81,782)</u>	<u>3,962,607</u>	<u>10,992,476</u>
Capital assets, net	<u>\$ 12,725,661</u>	<u>\$ 57,278</u>	<u>\$ (81,782)</u>	<u>\$ -</u>	<u>\$ 12,701,157</u>

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE E – FARE REVENUE RATIO

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

	<u>2020</u>	<u>2019</u>
Fare revenues	\$ 1,071,457	\$ 1,208,775
Local funds:		
Advertising	43,039	50,064
Other revenues	85,266	76,320
Interest	15,464	5,939
Proceeds from sale of capital assets	<u>43,950</u>	<u>11,345</u>
Total fare revenues and local funds	<u>\$ 1,259,176</u>	<u>\$ 1,352,443</u>
Total operating expenses	\$ 9,378,016	\$ 8,625,746
Less: New service exemptions	(41,841)	
Less: depreciation	<u>(1,738,696)</u>	<u>(1,324,374)</u>
Net operating expenses	<u>\$ 7,597,479</u>	<u>\$ 7,301,372</u>
Fare revenue ratio	<u>16.57%</u>	<u>18.52%</u>

The Authority was in compliance with the required minimum fare revenue ratio at June 30, 2020 and 2019.

NOTE F – INSURANCE

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

NOTE G – PENSION PLAN

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

- Miscellaneous rate plan
- PEPRA Miscellaneous rate plan

Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the 1959 Survivor

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE G – PENSION PLAN (Continued)

Benefit level 3, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law. The Plan’s provisions and benefits in effect at June 30, 2020 and 2019 are summarized as follows:

CalPERS membership date	Miscellaneous	PEPRA
	Prior to January 1, 2013	Miscellaneous On or after January 1, 2013
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Final average compensation period	Three years	Three years
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.426% to 2.418%
Required employee contribution rates 2019	7.000%	6.250%
Required employer contribution rates 2019	8.892%	6.842%
Required employee contribution rates 2020	7.000%	6.750%
Required employer contribution rates 2020	9.680%	6.985%

The Miscellaneous rate plan is closed to new members that are not already CalPERS participants. The Miscellaneous rate plan contribution percentages above do not include the required payment of the Employer Unfunded Accrued Liability (UAL). The contribution percentages, including the UAL payment, would have been 22.270% and 19.794% for the years ended June 30, 2020 and 2019, respectively, for the miscellaneous plan and 7.982% and 9.479%, respectively, for the PEPRA plan.

Contributions: Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The employer contributions for the Plan were \$424,303 and \$58,912 for the years ended June 30, 2020 and 2019, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2020 and 2019, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$367,031 and \$338,485, respectively.

The Authority’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan for the years ended June 30, 2020 and 2019 was measured as of June 30, 2019 and 2018, respectively, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 and 2017 rolled forward to June 30, 2019 and 2018, respectively, using standard update procedures. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority’s proportionate share of the net pension liability as of the June 30, 2019, 2018 and 2017 measurement dates were as follows:

Proportion - June 30, 2018	0.00903%
Proportion - June 30, 2019	0.00898%
Change - Increase	0.00005%
Proportion - June 30, 2020	0.00917%
Change - Increase	0.00014%

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE G – PENSION PLAN (Continued)

For the years ended June 30, 2020 and 2019, the Authority recognized pension expense of \$97,603 and \$62,937, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources as of June 30:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 424,303		\$ 58,912	
Differences between expected and actual experience	25,492	\$ (1,975)	12,987	\$ (4,419)
Changes in assumptions	17,502	(6,204)	38,588	(9,457)
Net differences between projected and actual earnings on pension plan investments		(6,417)	1,673	
Adjustments due to differences in proportions	8,561	(453)	9,077	(1,671)
Difference between actual and allocated contribution	6,340		6,213	
Total	<u>\$ 482,198</u>	<u>\$ (15,049)</u>	<u>\$ 127,450</u>	<u>\$ (15,547)</u>

The amounts above reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized as pension expense as follows as of June 30:

Year Ended June 30	2020	2019
2020		\$ 40,287
2021	\$ 36,678	25,119
2022	588	(9,370)
2023	5,284	(3,045)
2024	1,296	
	<u>\$ 43,846</u>	<u>\$ 52,991</u>

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

	2020	2019
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.5%	2.5%
Payroll Growth	2.9%	2.5%
Projected Salary Increase	4.0% - 8.5% (1)	3.2% - 12.2% (1)
Mortality	CalPERS Table	CalPERS Table

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE G – PENSION PLAN (Continued)

The underlying mortality assumptions and all other actuarial assumptions at the June 30, 2019 measurement date were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. These assumptions at the June 30, 2018 measurement date were based on the January 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% in the June 30, 2019 and 2018 accounting valuations used for the years ended June 30, 2020 and 2019. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Asset Class	2020			2019		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>			<u>100.0%</u>		

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

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



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

June 30, 2020 and 2019

NOTE G – PENSION PLAN (Continued)

	2020	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 592,958	\$ 550,065
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 367,031	\$ 338,485
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 180,543	\$ 163,829

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

Payable to the Pension Plan: At June 30, 2020 and 2019, the Authority reported a payable of \$5,134 and \$4,646, respectively, for the outstanding amount of contributions to the Plan.

NOTE H – OTHER POST-RETIREMENT BENEFITS

Plan Description: The Authority administers a single-employer defined benefit postemployment healthcare plan. Healthcare benefits are provided to eligible retirees and their dependents through the California Public Employees’ Retirement System healthcare program (PEMHCA). Benefit provisions are established and may be amended by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. No prefunding contributions are being made to the Plan.

Benefits Provided: The Authority provides a retiree medical contribution for employees who retire within 120 days of separation from the Authority under CalPERS. The Authority’s contribution is capped at the CalPERS Minimum Employer Contribution, which was \$1,668 for fiscal year 2020. The benefit continues to surviving spouses and dependents. Retirees may select any retiree medical plan and coverage category offered by CalPERS, including spouse and family coverage, but must incur the cost of premiums exceeding the Authority’s contribution.

For employees hired by the Authority on or before January 1, 2013, upon retirement from Authority service, regular full-time or eligible part-time employees who have reached age fifty (50), have served a minimum of five (5) years of accumulated CalPERS service, may be eligible for benefits. For employees hired by the Authority after January 1, 2013, upon retirement from Authority service, regular full-time or eligible part-time employees who have reached age fifty (52), have served a minimum of five (5) years of continuous service with the Authority are eligible.

Employees Covered by Benefit Terms: As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Inactive participants with deferred benefits	2	
Active employees	5	
Total	7	

Total OPEB Liability: The Authority's total OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE H – OTHER POST-RETIREMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions:

Inflation	2.26%
Salary increases	3.25%
Discount rate	3.50%
Mortality rate	CalPERS 2017 Experience Study
Mortality improvement	Post-retirement mortality projected fully generational with Scale MP-2018
Healthcare trend rate	7.2% for 2021, decreasing to an ultimate rate of 4.5% in 2032
Participation rate	100.00%

The discount rate was based on a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Retirement mortality information was derived from data during 2017 CalPERS experience study. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

Changes in the Total OPEB Liability: The changes in the net OPEB liability for the plan are as follows:

	<u>Total OPEB Liability</u>
Balance at July 1, 2019	\$ 60,109
Changes in the year:	
Service cost	11,483
Interest	2,770
Assumption changes	4,213
Net changes	<u>18,466</u>
Balance at June 30, 2020	<u>\$ 78,575</u>
(June 30, 2019 measurement date)	

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2020		
	Current		
	1% Decrease 2.5%	Discount Rate 3.5%	1% Increase 4.5%
Net OPEB liability	\$ 67,885	\$ 78,575	\$ 91,734

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

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

June 30, 2020 and 2019

NOTE H – OTHER POST-RETIREMENT BENEFITS (Continued)

	2020		
	1% Decrease (6.2% Medical decreasing to 3.50%)	Current Healthcare Cost Trend Rates (7.2% Medical decreasing to 4.50%)	1% Increase (8.2% Medical decreasing to 5.50%)
Net OPEB liability	\$ 95,125	\$ 78,575	\$ 65,646

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the years ended June 30, 2020, the Authority recognized OPEB expense of \$14,597.

At June 30, 2020, the Authority reported deferred outflows of resources related to OPEB from the following sources. There were no deferred inflows of resources at June 30, 2020.

	<u>Deferred Outflows of Resources</u>
Employer contributions subsequent to measurement date	
Differences between actual and expected experience	
Changes in assumptions	\$ 3,869
Total	<u>\$ 3,869</u>

The amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2021	\$ 344
2022	344
2023	344
2024	344
2025	344
Thereafter	2,149
	\$ 3,869

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 12.258 years at June 30, 2020.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE I – CONTINGENT LIABILITIES AND COMMITMENTS

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

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Authority’s operation and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

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

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

NOTE J – OTHER STATE GRANTS

**Proposition 1B Transit Grant:** As approved by the voters in the November 2006 general election, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including, among other purposes, transit and passenger rail improvements, state-local partnership transportation projects, and transit security projects. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

The Authority did not receive any additional Proposition 1B funds during the years ended June 30, 2020 and 2019 and did not have any unspent funds at June 30, 2020 and 2019. The Authority had unspent funds from prior years as described below. Grant funds recognized were spent for the purposes described in the following table. Proposition 1B Transit Grant funds received and expended were verified in the course of the audit as follows for the year ended June 30, 2019:

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

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE J – OTHER STATE GRANTS (Continued)

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

PTMISEA: Of the \$19.925 billion of State general obligation bonds authorized by Proposition 1B discussed above, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement. There were no PTMISEA funds received during the year ended June 30, 2020. As of June 30, funds received and expended were verified in the course of the audit as follows:

	2020	2019
Beginning balance	\$ 87,116	
PTMISEA funds received		\$ 248,576
Interest earnings	523	4,969
Expenses incurred:		
One fixed route bus	(52,142)	
Demand response/rural route buses	(35,497)	(166,429)
	\$ -	\$ 87,116
Unexpended proceeds		
Payables at June 30	\$ -	\$ 166,429
Restricted cash	\$ -	\$ 253,545

There is no unearned revenue at June 30, 2020.

State of Good Repair: State of Good Repair (SGR) was established by the California Legislature in 2017 by Senate Bill 1. SGR provides public transportation agencies with a consistent and dependable revenue source to invest in the upgrade, repair, and improvement of the transportation infrastructure and improve transportation services. Sacramento Area Council of Governments (SACOG) has elected to treat these funds on a cost reimbursement basis. No SGR funds were received or expended during the year ended June 30, 2019. Unclaimed SGR funds held by SACOG at June 30, 2019 were \$488,348. As of June 30, 2020, SGR funds received and expended were verified in the course of the of the audit as follows:

Beginning balance	\$ -
SGR received	735,455
Expenses incurred:	
Fixed route bus purchases	(735,455)
	\$ -
Unexpended proceeds	

LCTOP: The Low Carbon Transit Operations Program (LCTOP) was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants. Projects approved for LCTOP will support bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. The Authority received \$40,331 of LCTOP funding for Yuba College shuttle service and \$296,631 for the Enhanced Sacramento Commuter Peak Service during the year ended June 30, 2020. The Authority received \$226,068 of LCTOP funding

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE J – OTHER STATE GRANTS (Continued)

for zero-emission bus purchases during the year ended June 30, 2019. LCTOP funds received and expended were verified in the course of the audit as follows for the years ended June 30:

	2020				2019			
	FY17/18 Connect Card Program	FY17/18 Zero-Emissions Bus Changed to Yuba College Shuttle	FY18/19 Enhanced Sac Com Peak Service	Total	Transit Stop Enhancements	FY16/17 Connect Card Program	Zero- Emission Bus Purchases	Total
Beginning balance	\$ 15,888	\$ 226,183		\$ 242,071	\$ 125,349	\$ 53,966		\$ 179,315
LCTOP funds received		40,331	\$ 296,631	336,962			\$ 226,068	226,068
Changes in unspent interest	(58)	135	125	202	(182)	20	115	(47)
Expenses incurred:								
Transit stop enhancements					(125,167)			(125,167)
Yuba College Shuttle		(36,563)		(36,563)				-
Enhanced Sacramento Service			(130,886)	(130,886)				-
Connect Card program	(15,830)			(15,830)		(38,098)		(38,098)
Unexpended proceeds, including interest	\$ -	\$ 230,086	\$ 165,870	\$ 395,956	\$ -	\$ 15,888	\$ 226,183	\$ 242,071

NOTE K – CHANGES IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2020, the Authority adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement required the Authority to recognize in its financial statements total OPEB liability, deferred outflows of resources and deferred inflows of resources for the Authority’s OPEB plan. Due to implementation of this Statement, the OPEB liability increased by \$60,109 and net position decreased by \$60,109 as of June 30, 2019.

**REQUIRED SUPPLEMENTARY INFORMATION**

YUBA-SUTTER TRANSIT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2020 and 2019

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

Last 10 Years

	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability at measurement date	0.00917%	0.00898%	0.00903%	0.008904%	0.008949%	0.003920%
Proportionate share of the net pension liability	\$ 367,031	\$ 338,485	\$ 356,041	\$ 309,326	\$ 245,520	\$ 243,615
Covered payroll for measurement period	\$ 371,157	\$ 370,163	\$ 323,320	\$ 301,224	\$ 290,280	\$ 279,533
Proportionate share of the net pension liability as a percentage of covered payroll	98.89%	91.44%	110.12%	102.69%	84.58%	87.15%
Plan fiduciary net position	\$ 1,312,693	\$ 1,225,636	\$ 1,075,838	\$ 959,081	\$ 923,112	\$ 876,269
Plan fiduciary net position as a percentage of the total pension liability	78.15%	78.36%	75.13%	75.61%	78.99%	78.25%

Notes to Schedule:

Valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Benefit changes: There were no changes to benefit terms.

Changes in assumptions: The discount rate used for financial reporting purposes was changed from 7.50% in 2016 to 7.65% in 2017 and 2018 and to 7.15% in 2019.

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

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

Last 10 Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution during employer's fiscal year (actuarially determined)	\$ 65,976	\$ 58,912	\$ 51,091	\$ 45,090	\$ 40,421	\$ 42,571
Contributions in relation to the actuarially determined contributions	(424,303)	(58,912)	(51,091)	(45,090)	(40,421)	(42,571)
Contribution deficiency (excess)	\$ (358,327)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll for employer's fiscal year	\$ 385,549	\$ 371,157	\$ 370,163	\$ 323,320	\$ 301,224	\$ 290,280
Contributions as a percentage of covered payroll	17.11%	15.87%	13.80%	13.95%	13.42%	14.67%

Notes to Schedule:

Valuation date for contribution percentages	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
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Methods and assumptions used to determine contribution rates:

Actuarial method						
Amortization method						
Remaining amortization period						
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases						
Payroll growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Additional years will be added prospectively as they become available until 10 years are reported.



YUBA-SUTTER TRANSIT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

June 30, 2020

	<u>2020</u>
Service cost	\$ 11,483
Interest	2,770
Assumption changes	<u>4,213</u>
Net change in total OPEB liability	18,466
Total OPEB liability - beginning	<u>60,109</u>
Total OPEB liability - ending	<u>\$ 78,575</u>
Covered-employee payroll - measurement period	<u>\$ 371,157</u>
Total OPEB liability as percentage of covered-employee payroll	<u>21.17%</u>
Notes to schedule:	
Valuation date	June 30, 2019
Measurement period	June 30, 2019
Discount Rate	3.5%

Note: No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4, to pay related benefits.

Benefit changes: Contribution increased to \$139 per month from \$136.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2020. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

## **COMPLIANCE REPORTS**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Yuba-Sutter Transit Authority (the Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 29, 2020.

**Internal Control Over Financial Reporting**

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

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

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

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

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

To the Board of Directors  
Yuba-Sutter Transit Authority

**Purpose of this Report**

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

*Richardson & Company, LLP*

December 29, 2020



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Sacramento, California 95825  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

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

We have audited the Yuba-Sutter Transit Authority's, (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

**Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal

To the Board of Directors  
Yuba-Sutter Transit Authority

program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Richardson & Company, LLP*

December 29, 2020

YUBA-SUTTER TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

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

Financial Statements

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

Federal Awards

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

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.507 and 20.526	Federal Transit Cluster

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

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

**Internal Control Over Financial Reporting**

None

**Compliance and Other Matters**

None

YUBA-SUTTER TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2020

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

None

**D. Prior Year Findings**

Finding 2019-001

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

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

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

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

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

Status: The Authority obtained approval from SACOG to retain the excess amount for future operating reserves.



YUBA-SUTTER TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor, if Applicable/ Program Title/Grant or Pass-through Number	Federal CFDA Number	Pass-through Entity Identifying Number	Award Amount	Expenditures
<b>U. S. Department of Transportation, Federal Transit Administration</b>				
Formula Grants for Rural Areas				
Section 5311	20.509	64VO20-01054	\$ 542,445	\$ 130,000
Section 5311	20.509	Applied for	200,000	115,760
Total CFDA 20.509			<u>742,445</u>	<u>245,760</u>
Total passed-through the State of California, Department of Transportation			<u>742,445</u>	<u>245,760</u>
Federal Transit Cluster				
Federal Transit Formula Grants, Direct Program				
Section 5307	20.507	CA-2020-083-00	7,366,125	1,000,000
Section 5307	20.507	CA-2020-032-00	2,200,000	2,200,000
Section 5307	20.507	CA-2019-026-01	3,567,868	3,541,993
Total CFDA 20.507			<u>13,133,993</u>	<u>6,741,993</u>
Bus and Bus Facilities Formula Program, Direct Program				
Section 5339	20.526	CA-2019-026-01	194,228	64,742
Section 5339	20.526	CA-2019-026-01	541,377	541,377
Section 5339	20.526	CA-2017-048-00	458,940	340,755
Total CFDA 20.526			<u>1,194,545</u>	<u>946,874</u>
Total Federal Transit Cluster			<u>14,328,538</u>	<u>7,688,867</u>
<b>Total U. S. Department of Transportation, Federal Transit Administration</b>			<u>15,070,983</u>	<u>7,934,627</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 15,070,983</u>	<u>\$ 7,934,627</u>

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

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Yuba-Sutter Transit Authority under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Authority's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COSTS

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

NOTE D – SUBRECIPIENTS

There were no subrecipients of the Authority's programs during the year ended June 30, 2020.