

YUBA-SUTTER TRANSIT AUTHORITY

Audited Financial Statements
and Compliance Reports

June 30, 2015

YUBA-SUTTER TRANSIT AUTHORITY

Audited Financial Statements
and Compliance Reports

June 30, 2015

Audited Financial Statements

Independent Auditor’s Report	1
Balance Sheet	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	7

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).....	18
---	----

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.....	19
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	21
Schedule of Findings and Questioned Costs.....	23
Schedule of Expenditures of Federal Awards.....	25
Notes to Schedule of Expenditures of Federal Awards	25



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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 year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2015, and changes in financial position and cash flows thereof for the year 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

Emphasis-of-Matter

As discussed in Note J to the basic financial statements, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the year ended June 30, 2015. Due to the implementation of these Statements, the Authority recognized deferred outflows of resources and a pension liability for its cost-sharing pension plans as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, the Transportation Development Act and other state grant program guidelines. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 2, 2015

YUBA-SUTTER TRANSIT AUTHORITY

BALANCE SHEET

June 30, 2015

	<u>2015</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 719,016
Restricted cash and cash equivalents	321,311
Accounts receivable	13,404
Interest receivable	449
Due from other governmental agencies	1,360,828
Prepaid expenses	4,636
TOTAL CURRENT ASSETS	<u>2,419,644</u>
CAPITAL ASSETS	
Nondepreciable	923,728
Depreciable, net	12,045,410
TOTAL CAPITAL ASSETS	<u>12,969,138</u>
TOTAL ASSETS	<u>15,388,782</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	73,749
TOTAL ASSETS AN DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 15,462,531</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 479,844
Accrued payroll	27,211
Accrued compensated absences	25,125
Unearned revenue	418,300
Deposits payable	25,700
TOTAL CURRENT LIABILITIES	<u>976,180</u>
NONCURRENT LIABILITIES	
Net pension liability	243,615
TOTAL LIABILITIES	<u>1,219,795</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	60,190
NET POSITION	
Net investment in capital assets	12,969,138
Restricted for operations in specified service areas	129,528
Unrestricted	1,083,880
TOTAL NET POSITION	<u>14,182,546</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 15,462,531</u>

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

YUBA-SUTTER TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2015

	<u>2015</u>
OPERATING REVENUES	
Passenger fares	\$ 1,424,757
Special transit fares	21,922
TOTAL OPERATING REVENUES	<u>1,446,679</u>
OPERATING EXPENSES	
Operations	
Purchased transportation	4,457,364
Depreciation	1,518,984
Fuel and lubricants	715,212
Maintenance and supplies	304,476
Total operations	<u>6,996,036</u>
General administration	
Personnel costs	385,807
Casualty and liability insurance	284,142
Services	148,306
Utilities	54,905
Materials	14,262
Miscellaneous	34,183
Total general and administration	<u>921,605</u>
TOTAL OPERATING EXPENSES	<u>7,917,641</u>
NET LOSS FROM OPERATIONS	(6,470,962)
NONOPERATING REVENUES (EXPENSES)	
Federal transit administration operating grants	2,386,000
Local Transportation Fund	1,823,274
State Transit Assistance Fund operating	950,615
Advertising	28,398
Other revenues	9,571
Interest	1,060
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>5,198,918</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,272,044)
CAPITAL CONTRIBUTIONS	
State Proposition 1B Transit Security Grant	11,230
TOTAL CAPITAL CONTRIBUTIONS	<u>11,230</u>
CHANGE IN NET POSITION	(1,260,814)
Net position at beginning of year - as previously reported	15,688,268
Restatement	(244,908)
Net position at beginning of year - as restated	<u>15,443,360</u>
NET POSITION AT END OF YEAR	<u>\$ 14,182,546</u>

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

YUBA-SUTTER TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015

	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,463,009
Cash paid to suppliers for goods and services	(5,931,771)
Cash paid to employees for services	<u>(318,918)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(4,787,680)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and subsidies	5,200,849
Other nonoperating revenue	<u>37,969</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	5,238,818
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants received	247,484
Purchase of capital assets	<u>(16,271)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	231,213
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings received	<u>742</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>742</u>
INCREASE IN CASH AND CASH EQUIVALENTS	683,093
Cash and cash equivalents at beginning of year	<u>357,234</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,040,327</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS	
Cash and cash equivalents	\$ 719,016
Restricted cash and cash equivalents	<u>321,311</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,040,327</u>

(Continued)

YUBA-SUTTER TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (Continued)

For the Year Ended June 30, 2015

	2015
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES:	
Net loss from operations	\$ (6,470,962)
Adjustments to reconcile net loss from operations to net cash used for operating activities:	
Depreciation	1,518,984
Construction in progress wrttten-off as maintenance and supplies expense	135,740
Pension expense	45,655
Pension contributions	(60,507)
Changes in operating assets and liabilities and deferred inflows:	
Accounts receivable	16,330
Prepaid expenses	130
Accounts payable	18,496
Accrued payroll	3,530
Accrued compensated absences	4,924
NET CASH USED FOR OPERATING ACTIVITIES	\$ (4,787,680)

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

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents represents the unexpended amount received under the State Transportation Bond (Proposition 1B) and Low Carbon Transit Operations Program grants that must be held for use on approved projects.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

New Pronouncements: In February 2015, the GASB approved Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements and will require additional disclosures about assets and liabilities measured at fair value, including additional information about how the fair value was determined. This Statement is effective for periods beginning after June 15, 2015.

In June 2015, the GASB approved Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures for other postemployment benefit (OPEB) plans. For defined benefit OPEB plans, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement also

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

amends disclosure requirements for OPEB plans. This Statement more closely aligns accounting and reporting requirements for OPEB plans with GASB Statement No. 68 implemented during 2015 for the Authority’s pension plans. This Statement is effective for periods beginning after June 15, 2017.

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

NOTE B – CASH AND CASH EQUIVALENTS

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

	<u>2015</u>
Cash on hand	\$ 200
Deposits in financial institutions:	
Unrestricted	91,604
Restricted	321,311
Investment in Local Agency Investment Fund (LAIF)	
Unrestricted	<u>627,212</u>
Total cash and cash equivalents	<u>\$ 1,040,327</u>

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 the following instruments:

- Time deposits
- 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, 2015, the weighted average maturity of the investments contained in the LAIF investment pool was approximately 239 days.

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

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

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

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF was \$69,641,162,418 managed by the State Treasurer. Of that amount, 2.08% was invested in asset-back securities and structured financial instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – DUE FROM OTHER GOVERNMENTAL AGENCIES

The due from other governments for the Authority consisted of the following at June 30, 2015:

Federal Transit Administration grants	\$ 596,300
Local Transportation Funds	255,310
State Department of Transportation	227,000
Sacramento Area Council of Governments (STA)	212,812
Other	<u>69,406</u>
Total due from other governmental agencies	<u><u>\$ 1,360,828</u></u>

NOTE D – CAPITAL ASSETS

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

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015
Capital assets, not being depreciated				
Land	\$ 905,570			\$ 905,570
Construction in progress	142,742	\$ 11,156	\$ (135,740)	18,158
Total capital assets not being depreciated	<u>1,048,312</u>	<u>11,156</u>	<u>(135,740)</u>	<u>923,728</u>
Capital assets, being depreciated:				
Buildings and improvements	4,288,073			4,288,073
Vehicles	14,843,979			14,843,979
Maintenance tools and equipment	114,817	1		114,818
Office equipment	133,481	5,114		138,595
Total capital assets being depreciated	<u>19,380,350</u>	<u>5,115</u>		<u>19,385,465</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,017,409)	(143,867)		(1,161,276)
Vehicles	(4,645,933)	(1,352,229)		(5,998,162)
Maintenance tools and equipment	(58,815)	(8,912)		(67,727)
Office equipment	(98,914)	(13,976)		(112,890)
Total accumulated depreciation	<u>(5,821,071)</u>	<u>(1,518,984)</u>		<u>(7,340,055)</u>
Total capital assets being depreciated, net	<u>13,559,279</u>	<u>(1,513,869)</u>		<u>12,045,410</u>
Capital assets, net	<u>\$ 14,607,591</u>	<u>\$ (1,502,713)</u>	<u>\$ (135,740)</u>	<u>\$ 12,969,138</u>

During fiscal year 2015, the Authority wrote-off \$135,740 of construction in progress that did not meet the capitalization criteria as maintenance and supplies expense.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE E – FARE REVENUE RATIO

The Authority is required by the Sacramento Area Council of Governments (SACOG) to maintain a fare revenue ratio to operating expense ratio of 14.6% in accordance with the Transportation Development Act (TDA). The operating exemption is based on the net operation expense per vehicle service hour. The calculation of the fare revenue ratio with fare revenues and operating costs is as follows for the year ended June 30, 2015:

Fare revenues	<u>\$ 1,446,679</u>
Total operating expenses	\$ 7,917,641
Less: depreciation	<u>(1,518,984)</u>
Net operating expenses	<u>\$ 6,398,657</u>
Fare revenue ratio	<u>22.61%</u>

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

NOTE F – INSURANCE

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

NOTE G – PENSION PLANS

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

- Miscellaneous Plan
- PEPRA Miscellaneous Plan

The PEPRA Miscellaneous Plan had no participants as of the June 30, 2014 measurement date used for valuations. Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

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

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

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE G – PENSION PLANS (Continued)

non-duty disability benefits after 5 years of service. The death benefit is one of the following: the 1959 Survivor Benefit level 3, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

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

The Miscellaneous Plan is closed to new members that are not already CalPERS participants.

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 Plans 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.

For the year ended June 30, 2015, the contributions recognized by the plan from the Authority were as follows:

	PEPRA	
	<u>Miscellaneous</u>	<u>Miscellaneous</u>
Contributions - employer	\$ 40,443	\$ 2,128
Contributions - employee (paid by employer)	17,936	
	<u>\$ 58,379</u>	<u>\$ 2,128</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2015, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Miscellaneous Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Plan	<u>\$ 243,615</u>
Total Net Pension Liability	<u>\$ 243,615</u>

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE G – PENSION PLANS (Continued)

The Authority’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 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 plans relative to the projected contributions of all participating employers, actuarially determined. The Authority’s proportionate share of the net pension liability for the Miscellaneous Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2013	0.00933%
Proportion - June 30, 2014	0.00392%
Change - Increase (decrease)	0.00541%

For the year ended June 30, 2015, the Authority recognized pension expense of \$45,655 for all Plans combined. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 60,507	
Differences between the employer's contribution and the employer's proportionate share of contributions	12,720	
Change in employer's proportion	522	
Net differences between projected and actual earnings on plan investments		<u>\$ (60,190)</u>
Total	<u>\$ 73,749</u>	<u>\$ (60,190)</u>

The \$60,507 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2016	\$ 4,730	\$ (15,048)
2017	4,730	(15,048)
2018	3,782	(15,048)
2019		<u>(15,046)</u>
	<u>\$ 13,242</u>	<u>\$ (60,190)</u>

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

June 30, 2015

NOTE G – PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liabilities in the June 30, 2013 actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

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

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation

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

Discount Rate: The discount rate used to measure the total pension liability was 7.50% for each Plan. 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE G – PENSION PLANS (Continued)

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

The table below reflects the long-term expected real rate of return by asset class for each of the Plans. 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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.0%</u>		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Authority's proportionate share of the net pension liability for the Miscellaneous 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:

	<u>Miscellaneous</u>
1% Decrease	6.50%
Net Pension Liability	\$ 392,182
Current Discount Rate	7.50%
Net Pension Liability	\$ 243,615
1% Increase	8.50%
Net Pension Liability	\$ 120,318

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

Payable to the Pension Plan: At June 30, 2015, the Authority reported a payable of \$3,321 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE H – CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

NOTE I – OTHER STATE GRANTS

Proposition 1B Transit Grant: As approved by the voters in the November 2009 general election, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2009 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including, among other purposes, transit and passenger rail improvements, state-local partnership transportation projects, and transit security projects

The Authority applied for and received proceeds of \$134,301 for safety and security enhancements for mobile communication and video surveillance equipment during the year that were unexpended at June 30, 2015. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. As of June 30, 2015, Proposition 1B Transit Grant funds received and expended were verified in the course of the audit as follows:

Beginning Balance	\$ 134,590
Proposition 1B funds received	134,301
Changes in unspent interest earnings	334
Expenses incurred:	
Facility security projects	(7,098)
Mobile video	(4,132)
	<u> </u>
Unexpended proceeds	<u>\$ 257,995</u>

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

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

YUBA-SUTTER TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE I – OTHER STATE GRANTS (Continued)

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.

As of June 30, LCTOP funds received and expended were verified in the course of the audit as follows:

Project Name	Grant Amount	Received Through June 30, 2015	Expended Through June 30, 2015	Unexpended at June 30, 2015
<u>LCTOP - North Beale Road</u>				
Transit Center Enhancement Project	\$ 60,305	\$ 60,305	\$ -	\$ 60,305

NOTE J – CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These Statements required the Authority to recognize in its accrual basis financial statements the proportional share of the net pension liability, deferred outflows of resources and deferred inflows of resources for the Authority’s cost-sharing pension plans. These Statements also required contributions made after the June 30, 2014 measurement date used in the actuarial valuations for the pension plans to be reported as deferred outflows of resources.

Due to the implementation of these Statements, total deferred outflows of resources increased by \$60,703, total liabilities increased by \$305,611 and total net position decreased by \$244,908 as of July 1, 2014.

NOTE K – SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

YUBA-SUTTER TRANSIT AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

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

	2015
Proportion of the net pension liability	0.00392%
Proportionate share of the net pension liability	\$ 243,615
Covered - employee payroll	\$ 217,224
Proportionate share of the net pension liability as a percentage of covered payroll	112.15%
Plan fiduciary net position	\$ 876,269
Plan fiduciary net position as a percentage of the total pension liability	78.25%

Notes to Schedule:

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

Changes in assumptions: There were no changes in assumption.

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

	2015
Contractually required contribution (actuarially determined)	\$ 41,703
Contributions in relation to the actuarially determined contributions	41,703
Contribution deficiency (excess)	\$ -
Covered - employee payroll	\$ 217,224
Contributions as a percentage of covered - employee payroll	19.20%

Notes to Schedule:

Valuation date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age normal cost method
Amortization method	Level percentage of payroll over closed 30 year period
Remaining amortization period	Not stated
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.3% - 14.2% depending on entry age and service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50-67 years
Mortality	2014 CalPERS Experience Study using Society of Actuaries Scale BB

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

COMPLIANCE REPORTS



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

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, 2015, 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 2, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters (including State grant programs)

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

To the Board of Directors
Yuba-Sutter Transit Authority

Purpose of this Report

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

Richardson & Company, LLP

December 2, 2015



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 the requirements of law, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Richardson & Company, LLP

December 2, 2015

YUBA-SUTTER TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 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 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: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |
| 4. Identification of major programs: | |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.507	Federal Transit Formula Grants (Urbanized Area Formula Program), Section 5307
5. Dollar Threshold used to distinguish between Type A and Type B programs?	\$ 300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	Yes

Federal Award Findings and Questioned Costs

YUBA-SUTTER TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2015

B. Current Year Findings – Financial Statements

None

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

None

D. Prior Year Findings

None

YUBA-SUTTER TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor, if Applicable/ Program Title/Grant or Pass-through Number	Federal CFDA Number	Pass-through Entity Identifying Number	Award Amount	Expenditures
<u>U. S. Department of Transportation</u>				
Federal Transit Administration - Direct Programs				
Federal Transit Formula Grants				
Urbanized Area Formula Program				
Section 5307	20.507	CX-90-Z166-00	\$ 2,000,000	\$ 2,000,000
TOTAL DIRECT FEDERAL AWARDS			<u>2,000,000</u>	<u>2,000,000</u>
Federal Transit Administration, Passed-through the State of California, Department of Transportation				
Job Access Reverse Commute Grant				
Section 5316	20.516	SA-643629	200,000	101,000
Formula Grants for Rural Areas				
Section 5311	20.509	Applied for	200,000	200,000
Federal Transit Administration, Passed-through the Sacramento Area Council of Governments				
Federal Transit Formula Grants				
Formula Grants for Rural Areas				
Section 5304, SRTP	20.515	003-24	85,000	84,917
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>2,485,000</u>	<u>2,385,917</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,485,000</u>	<u>\$ 2,385,917</u>

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

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Yuba-Sutter Transit Authority is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.