



RABA

A Component Unit of the
City of Redding, California

REDDING AREA BUS AUTHORITY

Comprehensive Annual Financial Report
for Fiscal Years Ended June 30, 2013 and 2012

Redding Area Bus Authority

A Component Unit of the
City of Redding
Redding, California

Comprehensive Annual Financial Report

For the years ended June 30, 2013 and 2012

Prepared by the City of Redding Finance Department

Redding Area Bus Authority
Comprehensive Annual Financial Report
For the years ended June 30, 2013, and 2012

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Introductory Section



December 21, 2013

Honorable Chairman and Members
of the Board of Directors
Redding Area Bus Authority
Redding, California

Honorable Members:

In accordance with state and local statutes, the Redding Area Bus Authority (RABA) hereby submits the Comprehensive Annual Financial Report for the years ended June 30, 2013 and 2012. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

D.H. Scott & Company, LLP, a firm of licensed certified public accountants, have issued an unqualified ("clean") opinion on RABA's financial statements for the years ended June 30, 2013 and 2012. In addition to meeting the requirements set forth in the RABA Joint Powers Agreement, the audits were also designed to meet the requirements of the Transportation Development Act.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

- PROFILE OF THE REDDING AREA BUS AUTHORITY -

RABA is a component unit in the City of Redding's comprehensive annual financial report. The City provides accounting and administrative staff to RABA. Five members of the Redding City Council, one member of the Shasta County Board of Supervisors, one member of the Anderson City Council, and one member of the Shasta Lake City Council serve on RABA's Board of Directors.

RABA was formed in 1976 by a joint powers agreement (JPA) between the City of Redding and the County of Shasta to provide public transportation services within the Greater Redding Area. Between 1976 and 1981, RABA conducted in-depth studies to determine the type of system that would provide the most cost effective service for the community. RABA began fixed route and demand response public transportation service in November 1981.

RABA currently provides fixed route service using 35-foot and 40-foot Gillig Phantom buses. RABA also uses twenty 23-foot vans to provide demand response service in compliance with the Americans with Disabilities Act (ADA).

The Joint Powers Agreement between the City of Redding and the County of Shasta was amended effective January 1, 1998, to include the City of Anderson and City of Shasta Lake.

From July 2012 to June 2013 RABA provided approximately 813,000 fixed route trips, or about 67,800 per month. The demand response system provided approximately 56,000 trips, or about 4,700 per month.

The Board is required to adopt a final budget by no later than the close of the fiscal year. This biennial budget serves as the foundation for RABA's financial planning and control.

This report presents the financial activity and position of RABA. The financial reporting entity (the government) includes the only fund of RABA, which is a component unit of the City of Redding. Component units are legally separate entities for which the primary government is financially accountable. RABA has no component units.

- ECONOMIC CONDITION AND OUTLOOK -

The Redding Area Bus Authority's service area centers on Redding, county seat of Shasta County, located at the northern end of the Sacramento Valley, approximately 160 miles north of Sacramento. Redding is a major trade, recreational, and regional center of commerce for several Northern California counties, as evidenced by its many facilities. Support for retail sales is derived from a retail trade area population of approximately 181,000 in the primary trade area and approximately 250,000 in the secondary trade area. The primary trade area consists of the metropolitan urban area, including the cities of Redding, Anderson, and Shasta Lake. The secondary trade area contains the areas of Shasta, Trinity and Tehama counties.

Extracting timber and the processing of wood by-products, together with agriculture, tourism, and government, have historically been the major sectors of employment in the Redding area. Over the last several decades, the area's economic base has diversified to a regional services economy supported by a wide variety of retail and wholesale trade plus medical, educational, recreational, and government services for an area covering several counties.

According to the California Employment Development Department, the unemployment rate for the Redding urban area was 10.6% in June 2013.

Since 1990, the City's population has grown at approximately .1% to 2% per year. The City's population of 90,670 has increased 12.1% over the 2000 U.S. Census tabulation and represents approximately 50% of Shasta County's population. The following table indicates population growth for Redding and Shasta County from 1970 to 2013:

Year	City of Redding		Shasta County	
	Population	Annualized Percent Change over Interval	Population	Annualized Percent Change over Interval
1970	16,659	---	77,640	---
1980	41,995	9.69%	119,449	4.40%
1990	66,432	4.69%	147,036	2.10%
2000	80,865	1.99%	163,256	1.05%
2010	89,878	1.11%	177,248	0.85%
2011	90,050	0.19%	177,516	0.15%
2012 *	90,342	0.32%	178,107	0.33%
2013	90,670	0.36%	178,601	0.28%

Source: 1970-2010 data from U.S. Census; 2011-2013 estimates from the California State Department of Finance as of January 1 (*2012 revised estimate, May 1, 2013 report)

LONG RANGE PLANNING

RABA currently has no plans for major expansion of its system. The long range financial plan for RABA relies on continued Transportation Development Act Funding and other grants in addition to moderate growth in fare box revenue.

- MAJOR INITIATIVES -

Passenger Amenities for the Year 2013-14

Work is ongoing to improve bus stops by adding additional bus benches, shelters, sidewalk connections, crosswalks and other associated concrete improvements throughout RABA's service area using Federal and State Proposition 1B funds to improve accessibility to all of its patrons. All improvements and acquisitions of equipment are in conformance with the Redding Area Bus Authority's Short-Range Transit Plan. In addition, RABA entered into an agreement with an outdoor advertising firm that has installed six new shelters and plans to install 12 more over the next two years.

RABA continues to work toward retrofitting existing shelters with solar safety lighting. Lighting has been purchased, and the firm noted above is working to get the lights installed.

Maintenance Facility Improvements

In order to improve security at the maintenance facility, the front office area needed to be separated from the rest of the facility with a security door. As part of this improvement, work continues on the HVAC system for the front desk area needed improvements.

Work continues on a solar parking shade structure for the buses that will be built in the maintenance facility parking area. The newly constructed facility will protect the buses from solar exposure and allow drivers to prepare the buses for route dispatch while protected from the rain and other elements. In addition, the facility will have solar panels installed on the roof which will provide electricity to the facility thereby offsetting the costs of utilities.

Downtown Transfer Station

Design of the Intermodal expansion continues. This addition will add bathrooms and redesign the existing driver's area. This will create more room for breaks and will also improve the Greyhound office by adding a separate customer service window. This project is expected to be completed in 2014.

Masonic Security Improvements

Staff is reviewing the Masonic Transfer Station for substantial security improvements, including fencing, video cameras, and other preventative measures intended to discourage illegal activity at the facility. Other options may include relocation of the Masonic station or even its elimination.

Property Purchase

RABA's long term goal has been to purchase the block of property bounded by Tehama Street on the north side, Butte Street on the south side, California Street on the east side, and the railroad tracks on the west side. A major milestone has been overcome with the purchase of the Maddox property at this location. RABA will continue to lease the property to Bing's automotive and plans to do so as long as Bing's automotive wishes to remain in that location.

Technological Improvements

The Demand Response fleet received new video cameras produced by Apollo Video. Each van has 4 cameras with individual microphones. This technology has helped the fixed route system address issues that arise on the bus such as safety concerns, customer complaints, accidents, and even helps to address driver training and safety.

- AWARDS AND ACKNOWLEDGEMENTS -

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to RABA for its component unit financial report for the fiscal year ended June 30, 2012. This was the 26th consecutive year RABA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized component unit financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

I extend my thanks and appreciation for the cooperation and assistance provided by the members of the Redding Area Bus Authority's Board of Directors for their interest and support in conducting the financial operations of RABA in a responsible and progressive manner. Special recognition is also due to RABA's administrative staff and the contract service provider who made this presentation possible. It is their combined effort that enabled the timely issuance of this report and continued provision of a quality transportation service product.

Very truly yours,



Dennice L. Maxwell

Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Redding Area Bus Authority
California

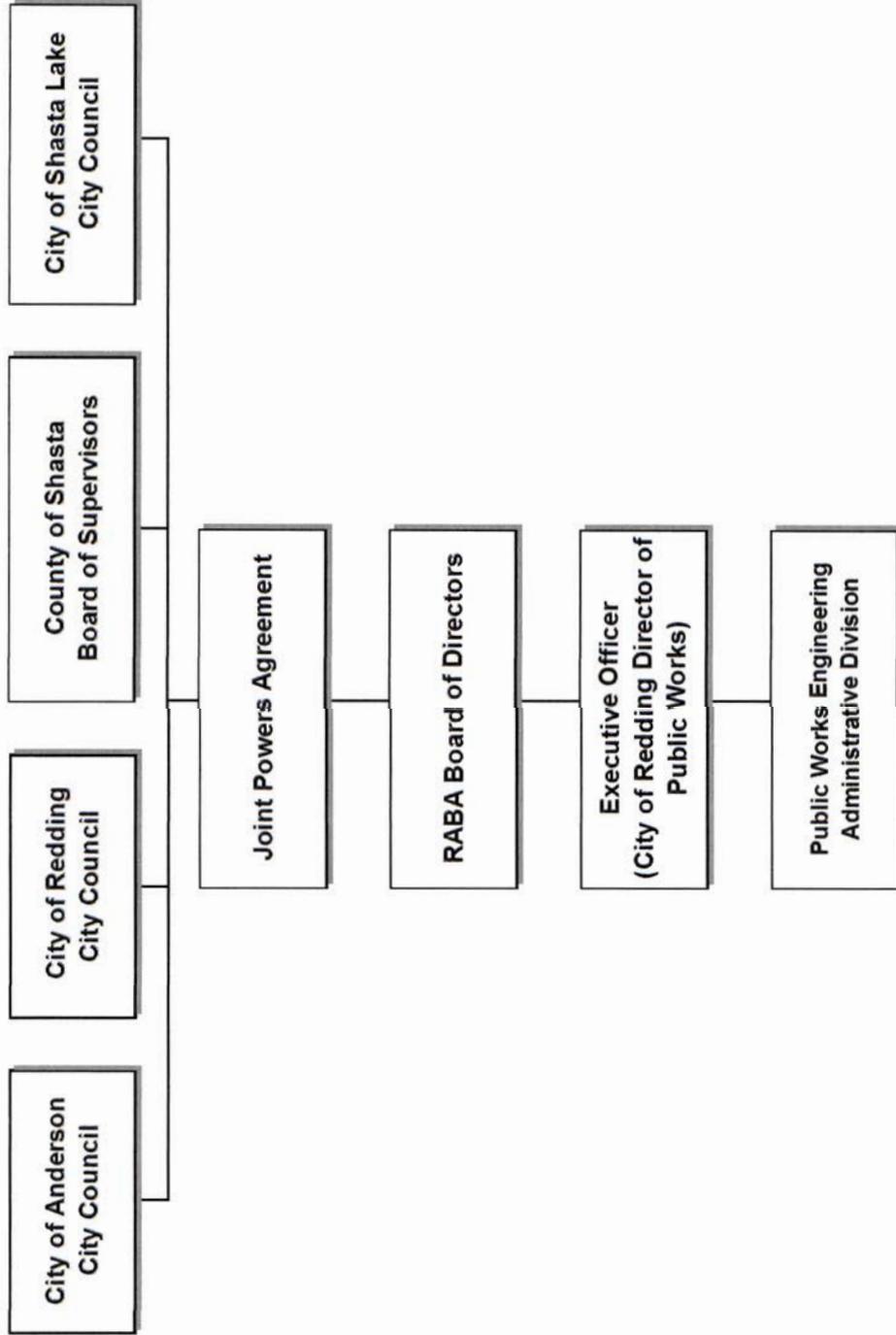
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



ORGANIZATION CHART



- REDDING AREA BUS AUTHORITY OFFICIALS -

Board of Directors

Ron Dixon..... Chairperson
Melissa Hunt..... Vice-Chairperson
Rick Bosetti.....Director
Gary Cadd.....Director
Patrick H. JonesDirector
Missy McArthurDirector
Francie SullivanDirector
David Kehoe Director

Administrative Personnel

Kurt Starman..... City Manager
Brian Crane Executive Officer
Rick Duvernay City Attorney
Pam Mize..... City Clerk
Dennice L. MaxwellDirector of Finance
Chuck Aukland Transportation Manager
Zach Bonnin..... Transportation Planner
Angela Udovich..... Management Analyst
Sam Hewitt..... Accounting Specialist



Financial Section



D. H. SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

David H. Scott, APC, CPA
Keith F. Hunting, CPA
Vivian R. Piche', CPA
Paul J. Catanese, APC, CPA/MBA
Larry T. Dahl, CPA

Charlie J. Burns, CPA
Casey M. Cancilla, CPA
Lori Goyne, CPA/ABV
Cheryl Hull, CPA
Gerald R. Tadina, CPA

REPORT OF INDEPENDENT AUDITORS

Honorable City Council
Redding Area Bus Authority
Redding, California

Report on the Financial Statements

We have audited the basic financial statements of the Redding Area Bus Authority, California (RABA), a component unit of the City of Redding, California (City) as of and for the year ended June 30, 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Redding Area Bus Authority as of June 30, 2013, and the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 - 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RABA's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards*
and the Transportation Development Act**

In accordance with *Government Auditing Standards* and the Transportation Development Act, we have also issued our report dated December 20, 2013, on our consideration of RABA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Transportation Development Act in considering RABA's internal control over financial reporting and compliance.

D. H. Scott & Company LLP

Redding, California
December 20, 2013

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Redding Area Bus Authority

Management's Discussion and Analysis

For the years ended June 30, 2013 and 2012

As management of the Redding Area Bus Authority (RABA), we offer readers of RABA's financial statements this narrative overview and analysis of the financial activities of RABA for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which begins on page 1 of this report

Financial Highlights

Fiscal Year 2013

- The assets of RABA exceeded liabilities at the close of the fiscal year by \$11.0 million (*net position*). This was a decrease of \$792,799 from the previous year and is due to capital contributions of \$236,742 less depreciation of \$1,029,541. New capital purchases are paid from capital grants and are capitalized while depreciation is not funded, since the assets are fully funded by capital grants.
- Fixed Route ridership increased by 7.7 percent, or by over 57,000 riders, this year. Demand Response decreased by 2.2 percent or 1,252 riders. Overall operating revenues increased by \$7,044 (0.67 percent) during the year.
- Operating expenses increased by \$150,649 (2.5 percent) during the year. This increase was attributable to purchase transportation increase (1.1 percent), depreciation expense increase (9.1 percent) and other expenses increase (60.8 percent). These increases were partially offset by a decrease in vehicle materials and supplies due to decreased vehicle fuel costs. Purchase transportation increased due to an increase in fixed route use. Depreciation expense increased because several new busses were purchased last year. Other operating expenses increased due to an increase in the grant funded overall work program.

Fiscal Year 2012

- The assets of RABA exceeded liabilities at the close of the fiscal year by \$11.8 million (*net position*). This was an increase of \$1,144,248 from the previous year and is due to capital contributions of \$2,121,347 less depreciation of \$943,375 and a loss on disposal of assets of \$33,726. New capital purchases are paid from capital grants and are capitalized while depreciation and loss on sale of assets are not funded, since the assets are fully funded by capital grants.
- Fixed Route ridership increased by 13.6 percent, or by over 90,000 riders, this year. Demand Response decreased by 7.9 percent or 4,897 riders. Overall operating revenues increased by \$102,598 (10.8 percent) during the year.
- Operating expenses decreased by \$134,667 (2.2 percent) during the year. This decrease was attributable to purchase transportation decrease (4.5 percent) and other expenses decrease (30.3 percent). These decreases were partially offset by an increase in vehicle materials and supplies due to increased vehicle fuel costs. Purchase transportation decreased due to a decrease in demand response use. Other operating expenses decreased due to a decrease in the grant funded overall work program.

Redding Area Bus Authority

Management's Discussion and Analysis

For the years ended June 30, 2013 and 2012

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to RABA's basic financial statements. RABA's basic financial statements are comprised of four components: 1) statement of net position, 2) statement of revenues, expenses and changes in net position, 3) statements of cash flows, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

RABA, like other government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. RABA is comprised of a single proprietary fund. A proprietary fund operates by charging its customer a fee for the service provided (*operating revenue*), like a typical business enterprise. A proprietary fund may also receive revenue from governmental agencies as grants or support (*non-operating revenue*). These *basic financial statements* are designed to provide readers with a broad overview of RABA's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of RABA's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of RABA is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how RABA's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accounts receivable and accounts payable).

The *statement of cash flows* presents information showing how RABA's cash increased or decreased during the year. Cash is received and used in three ways: operating activities, capital and non-capital financing activities, and investing activities. The statement of cash flows can be found on page 24.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 25-34 of this report.

Redding Area Bus Authority
Management's Discussion and Analysis
For the years ended June 30, 2013 and 2012

Financial Analysis

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of RABA, at the end of the fiscal year 2013, assets exceeded liabilities by \$11,029,771.

Redding Area Bus Authority Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$ 5,065,990	\$ 4,483,760	\$ 4,788,878
Capital assets, net of depreciation	10,419,028	11,211,827	10,067,578
Total assets	<u>15,485,018</u>	<u>15,695,587</u>	<u>14,856,456</u>
Current liabilities	<u>4,455,247</u>	<u>3,873,017</u>	<u>4,178,134</u>
Total liabilities	<u>4,455,247</u>	<u>3,873,017</u>	<u>4,178,134</u>
Net position:			
Invested in capital assets	10,419,028	11,211,827	10,067,578
Unrestricted	610,743	610,743	610,744
Total net position	<u>\$ 11,029,771</u>	<u>\$ 11,822,570</u>	<u>\$ 10,678,322</u>

By far the largest portion of RABA's net position, (94 percent), represents its investment in capital assets (e.g., vehicles, buildings, improvements, and equipment). Vehicles and buildings (including construction in progress) make up over 75% of the capital assets at the end of the fiscal year; consequently, these assets are not available for future spending.

Redding Area Bus Authority
Management's Discussion and Analysis
For the years ended June 30, 2013 and 2012

Changes in Net Position

Current year activities decreased the Redding Area Bus Authority's net position by \$792,799. In 2012 net position increased by \$1,144,248. In years such as in 2012 and 2011, when purchase of capital assets exceeds the current year depreciation and gain or loss on sales of assets, RABA has an increase in net position. Conversely, in years such as 2013 when fewer capital assets are purchased, depreciation exceeds assets purchased and results in a decrease in net position.

Key elements of this increase are as follows:

Redding Area Bus Authority
Changes in Net Position

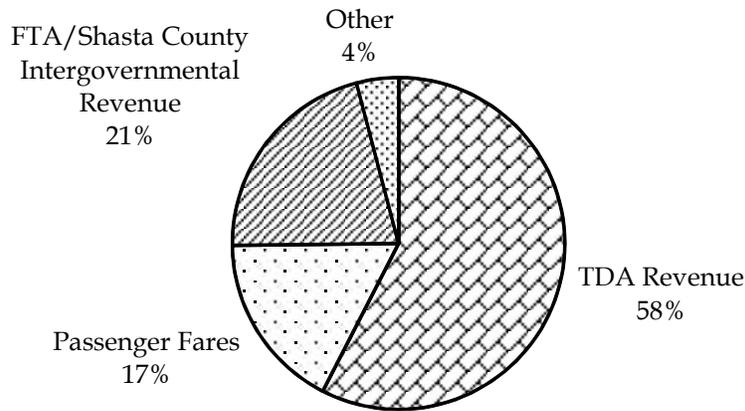
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:			
Passenger fares	\$ 889,096	\$ 883,688	\$ 786,872
Contract services	101,096	99,384	106,488
Other operating revenue	70,884	70,960	58,074
Transportation Development Act revenue	2,946,248	3,207,126	3,384,879
Intergovernmental revenue	1,080,236	777,669	840,295
Other revenue (loss)	31,645	(13,909)	5,759
Total revenues	<u>5,119,205</u>	<u>5,024,918</u>	<u>5,182,367</u>
Expenses:			
Purchased Transportation	3,110,534	3,075,341	3,218,795
Materials and supplies-vehicles	1,074,221	1,149,469	1,089,782
Depreciation	1,029,542	943,375	929,086
Services	529,568	530,064	542,923
Other expenses	404,881	303,768	351,507
Total expenses	<u>6,148,746</u>	<u>6,002,017</u>	<u>6,132,093</u>
(Loss) before capital contributions	(1,029,541)	(977,099)	(949,726)
Capital contributions	<u>236,742</u>	<u>2,121,347</u>	<u>1,989,923</u>
Change in net postion	(792,799)	1,144,248	1,040,197
Net position, beginning of year	<u>10,678,322</u>	<u>10,678,322</u>	<u>9,638,125</u>
Net postion, end of year	<u>\$ 9,885,523</u>	<u>\$ 11,822,570</u>	<u>\$ 10,678,322</u>

Redding Area Bus Authority Management's Discussion and Analysis For the years ended June 30, 2013 and 2012

Financial Analysis

Passenger fares for transit services, revenue collected from customers or riders, is approximately 17 percent in fiscal year 2013 and 18 percent in fiscal year 2012 of RABA's total revenue. The largest proportion of revenue is comprised of State of California Transportation Development Act funds (TDA funds) received through the Shasta Regional Transportation Agency (SRTA). TDA funds come from a 1/4 percent state sales tax that is passed through to local governments for transportation needs, allocated from sales tax on gasoline and diesel fuel. TDA funds made up 58 percent (64 percent in 2012) of the revenue used for operating RABA in 2013. The amount of TDA funds made available to fund RABA's operating costs is calculated annually. TDA funds balance RABA's operating expenses after all other operating revenue has been accounted for. In fiscal years ending 2013, 2012 and 2011, RABA received Federal operating assistance of \$750,000. This grant has reduced the amount of TDA funds RABA required to fund operational needs.

Revenues by Source



**Redding Area Bus Authority
Management's Discussion and Analysis
For the years ended June 30, 2013 and 2012**

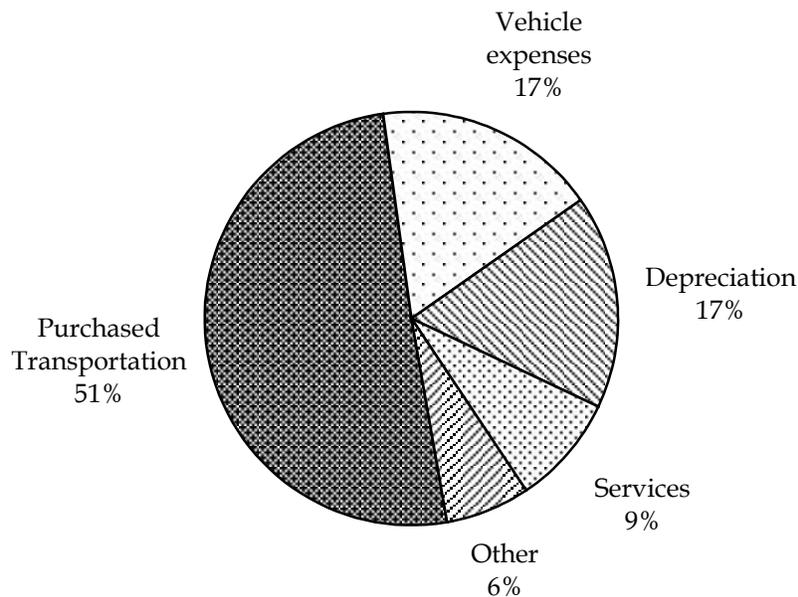
Fiscal Year 2013

RABA's total expenses increased over the prior year by \$146,729. There are four primary reasons for the increase in expenses. First, due to increased use of the fixed route system, purchased transportation costs were \$35,193 higher than the previous year. Second, operating grant related expenses were \$85,674 higher in the current year than the previous year. Third, depreciation increased \$86,167 due to the purchase of new buses in the prior year. Finally, these three increases were partially offset by decreases in fuel costs of \$47,836 and other net decreases of \$7,878.

Fiscal Year 2012

RABA's total expenses decreased over the prior year by \$130,076. There are three primary reasons for the decrease in expenses. First, due to lower use of the demand response system, purchased transportation costs were \$143,454 lower than the previous year. Second, operating grant related expenses were \$74,983 lower in the current year than the previous year. Finally, these two decreases were partially offset by increases in fuel costs of \$104,327 and other net decreases of \$20,557.

Expenses by Category



Redding Area Bus Authority
Management's Discussion and Analysis
For the years ended June 30, 2013 and 2012

Capital Assets

Fiscal Year 2013

RABA's investment in capital assets (net of accumulated depreciation) as of June 30, 2013, amounted to \$10.4 million. This investment in capital assets includes vehicles, land, buildings, improvements, and equipment. RABA's investment in capital assets decreased by \$792,799 during the fiscal year ended June 30, 2013. During the year RABA purchased land at a cost of \$37,127, improvements of \$31,590 and security cameras at a cost of \$101,942. These along with other capital purchases totaled \$236,742 in 2013. Depreciation of \$1,029,542 resulted in an overall decrease of the investment in capital assets during 2013.

Fiscal Year 2012

RABA's investment in capital assets (net of accumulated depreciation) as of June 30, 2012, amounted to \$11.2 million. This investment in capital assets includes vehicles, land, buildings, improvements, and equipment. RABA's investment in capital assets increased by \$1,144,249 during the fiscal year ended June 30, 2012. During the year RABA purchased four new 40 foot transit buses at a cost of \$1,551,164, land at a cost of \$355,178 and security system equipment at a cost of \$130,358. These along with other capital purchases totaled \$2,121,350 in 2012. Depreciation of \$943,375 and net disposal of fixed assets in the amount of \$33,726 resulted in the overall increase of the investment in capital assets during 2012.

Redding Area Bus Authority
Capital Assets (net of depreciation)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 1,719,590	\$ 1,682,463	\$ 1,326,685
Buildings	4,505,498	4,756,237	5,006,852
Vehicles	3,296,053	3,869,327	2,823,590
Improvements	371,679	394,884	452,397
Furnishing and equipment	452,914	501,706	457,987
CWIP	73,294	7,210	67
Total	\$ 10,419,028	\$ 11,211,827	\$ 10,067,578

Additional information on RABA's capital assets can be found in note 5 on page 31 of this report.

Redding Area Bus Authority
Management's Discussion and Analysis
For the years ended June 30, 2013 and 2012

Economic Factors

- ✓ RABA's major source of revenue is Transportation Development Act (TDA) funds. TDA funds come from a combination of ¼ percent state sales tax that is passed through to local governments for transportation needs and a portion of the sales tax attributable to fuel sales. TDA funds in excess of RABA's annual need are reallocated to the sponsoring jurisdictions for transportation and road purposes. Sales tax in the City of Redding has increased by 5.7 percent in FYE 2012 and increased by 4.8 percent in FYE 2013. It is assumed sales tax will increase by about 3.5 percent during FYE 2014; RABA's request in FYE 2014 for TDA funds will be approximately equal to the estimated increase.
- ✓ Prior to 2006 the RABA transit area's annual growth rate was consistently in the 1.5 percent to 2.5 percent range. Since then, with the downturn in the economy, the growth rate has been reduced to less than 1 percent. That lower growth rate is assumed to continue into the fiscal year ending in 2014.
- ✓ The unemployment rate had increased from 7 percent in FYE 2007 to 13.3 percent in FYE 2012. During FYE 2013 the unemployment rate decreased from 13.3 percent to 10.6 percent.
- ✓ Inflationary trends in the region compare favorably to national indices.
- ✓ Ridership on the fixed route system has increased by 7.7 percent in FYE 2013. It is anticipated that ridership will increase in FYE 2014 at a smaller percentage. RABA's fare box ratio for FYE 2013 was 17.28 percent, which was down from its FYE 2012 fare box ratio of 17.5 percent.

All of these factors were considered in preparing RABA's budget for the 2014 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Redding Area Bus Authority's finances for all those with an interest in the authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance at the City of Redding, 777 Cypress Avenue, Redding, CA 96001.

BASIC FINANCIAL STATEMENTS

Redding Area Bus Authority
Comparative Statements of Net Position
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,746,230	\$ 3,524,732
Accounts receivable	44,942	38,034
Intergovernmental receivables	1,175,674	814,886
Interest receivable	2,215	1,991
Materials and supplies inventory	96,929	104,117
Total current assets	5,065,990	4,483,760
Capital assets not being depreciated:		
Land	1,719,590	1,682,463
Construction in Progress	73,294	7,210
Capital assets net of accumulated depreciation:		
Buildings	4,505,498	4,756,237
Automotive Equipment	3,296,053	3,869,327
Improvements other than buildings	371,679	394,884
Furnishings and equipment	452,914	501,706
Total capital assets	10,419,028	11,211,827
Total assets	15,485,018	15,695,587
LIABILITIES		
Current liabilities:		
Accounts payable	450,666	329,144
Intergovernmental payable	1,087,304	1,586,826
Accrued Liabilities	4,591	4,773
Deposit	5,185	3,000
Deferred revenue	2,907,501	1,949,274
Total current liabilities	4,455,247	3,873,017
NET POSITION		
Invested in capital assets	10,419,028	11,211,827
Net Position, unrestricted	610,743	610,743
Total net position	\$ 11,029,771	\$ 11,822,570

The notes to the financial statements are an integral part of this statement.

Redding Area Bus Authority
Comparative Statements of Revenues, Expenses and Changes in Net Position
June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES:		
Passenger fares for transit service	\$ 889,096	\$ 883,688
Contract transit services	101,096	99,384
Charter services	-	750
Other revenue	70,884	70,210
Total operating revenues	1,061,076	1,054,032
OPERATING EXPENSES:		
Purchased transportation	3,110,534	3,075,341
Materials and supplies-vehicles	1,074,221	1,149,469
Depreciation	1,029,542	943,375
Services	529,568	530,064
Advertising	22,645	22,097
Other operating expenses	257,985	160,460
Utilities	123,580	116,620
Total operating expenses	6,148,075	5,997,426
Operating income (loss)	(5,086,999)	(4,943,394)
NONOPERATING REVENUES (EXPENSES):		
Interest income	2,093	1,817
Rent	29,552	18,000
Interest expense	(671)	(4,591)
Gain (Loss) on disposal of property	-	(33,726)
Intergovernmental revenue-Non Capital	1,080,236	777,669
Transportation Development Act revenue	2,946,248	3,207,126
Total nonoperating revenues (expenses)	4,057,458	3,966,295
Income (loss) before contributions	(1,029,541)	(977,099)
Capital Contributions	236,742	2,121,347
CHANGE IN NET POSITION	(792,799)	1,144,248
Total net position - beginning of year	11,822,570	10,678,322
Total net position - end of year	\$ 11,029,771	\$ 11,822,570

The notes to the financial statements are an intergral part of this statement.

Redding Area Bus Authority
Comparative Statements of Cash Flows
June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,054,168	\$ 1,060,196
Cash paid to suppliers	(5,556,055)	(5,119,909)
Net cash provided (used) by operating activities	(4,501,887)	(4,059,713)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Intergovernmental revenue received	3,645,586	3,435,614
Net cash provided (used) by noncapital financing activities	3,645,586	3,435,614
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	1,215,080	3,069,914
Acquisition of capital assets	(168,030)	(2,425,552)
Interest paid	(671)	(4,591)
Net cash provided (used) by capital and related financing activities	1,046,379	639,771
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment revenue received	1,868	3,067
Rent received	29,552	18,000
Net cash provided (used) by investing activities	31,420	21,067
Net change in cash and cash equivalents	221,498	36,739
CASH AND CASH EQUIVALENTS:		
Beginning of year	3,524,732	3,487,993
End of year	\$ 3,746,230	\$ 3,524,732
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (5,086,999)	\$ (4,943,394)
Adjustments to reconcile operating income to net cash provided in operating activities:		
Depreciation	1,029,542	943,375
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,908)	6,164
(Increase) decrease in materials and supplies inventory	7,188	14,705
Increase (decrease) in accounts payable	52,809	(41,747)
Increase (decrease) in accrued liabilities	(182)	(1,286)
Increase (decrease) in deposits	2,185	-
Increase (decrease) in intergovernmental payable	(499,522)	(37,530)
Net cash provided (used) by operating activities	\$ (4,501,887)	\$ (4,059,713)

The notes to the financial statements are an integral part of this statement.

Redding Area Bus Authority
Notes to the Financial Statements
For the years ended June 30, 2013, and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements represent all the funds of the Redding Area Bus Authority (RABA). RABA is a separate governmental entity formed under a joint powers agreement between the County of Shasta, the City of Shasta Lake, the City of Anderson, and the City of Redding. RABA's governing board comprises members of the governing boards of the County of Shasta and the cities of Redding, Anderson, and Shasta Lake. All five members of the Redding City Council sit on the eight member board of RABA, therefore the voting majority is represented by Redding City Council members. Accordingly, RABA is a component unit of the City of Redding (City). Component units are legally separate entities for which the primary government is financially accountable. There are no separate legal entities that are a part of RABA's reporting entity.

B. Basis of Presentation

RABA's financial activity is accounted for under the category of proprietary fund type activity according to generally accepted governmental accounting principles. There are two subcategories of proprietary fund types. These are enterprise funds and internal service funds. All the financial activity of RABA is accounted for in a single enterprise fund.

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

C. Basis of Accounting and Measurement Focus

The activities of RABA are reported in a proprietary fund which is accounted for using the "economic resources" measurement focus and the accrual basis of accounting. In addition, the Uniform System of Accounts for public transit operators as prescribed by the California State Controller calls for accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total fund equity. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

RABA has elected to follow Governmental Accounting Standards Board (GASB) Pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.

Redding Area Bus Authority
Notes to the Financial Statements, Continued
For the years ended June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Basis of Accounting and Measurement Focus, Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 RABA are charges to customers for transportation services. Operating expenses for RABA include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

E. Materials and Supplies Inventory

The materials and supplies inventory is valued at its average cost. The inventory consists of expendable supplies held for consumption. The cost is recorded as inventory when items are purchased and as expense when the items are used (the consumption method of accounting for inventories). The weighted average method is used for establishing the cost of inventory consumed.

F. Capital Assets

Capital assets, which include property and equipment, are reported in the financial statements. Capital assets are defined by RABA as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Redding Area Bus Authority
Notes to the Financial Statements, Continued
For the years ended June 30, 2013, and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings	30 years
Equipment	5 - 10 years
Vehicles	5 - 10 years
Improvements	10 years

G. Unearned Revenue

In the financial statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the accrual basis of accounting. RABA records unearned revenue for transactions for which revenues have not been earned. Typical transactions for which unearned revenue is recorded are grants received but not yet earned.

Grant revenues and receivables are recorded when earned on grants that have been approved and funded by the grantor. Grant sources include Federal Transit Administration (FTA), State Transit Assistance (STA), Transportation Development Act (TDA) and State Proposition 1B Funds.

H. Personnel Services

RABA has no employees. Accounting and administrative services are provided by City personnel. Transportation services are provided by the personnel of an independent transportation company.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Redding Area Bus Authority
Notes to the Financial Statements, Continued
For the years ended June 30, 2013, and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Net Position

In the Statement of Net Position, net position is comprised of three components; net investment in capital assets; restricted; and unrestricted:

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position - This amount consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted Net Position - This amount is the net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

K. New Pronouncements

In 2013, RABA adopted a new accounting standard in order to conform to the following Governmental Accounting Standards Board Statement (GASB):

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Revenues, Deferred Inflows of Resources, and Net Position* - this statement provides financial reporting guidance for deferred outflows and resources and deferred inflows of resources. It also amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

Redding Area Bus Authority
Notes to the Financial Statements, Continued
For the years ended June 30, 2013 and 2012

2. CASH AND INVESTMENTS

As of June 30, 2013 and 2012, RABA had the following cash and investments:

<u>Investment Type</u>	<u>2013</u>		<u>2012</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>Fair Value</u>	<u>Less than 1 year</u>
Deposits	\$ 19,020	\$ 19,020	\$ 1,980,691	\$ 1,980,691
Local Agency Investment Fund	3,727,210	3,727,210	1,544,041	1,544,041
Total Cash and Investment	<u>\$ 3,746,230</u>	<u>\$ 3,746,230</u>	<u>\$ 3,524,732</u>	<u>\$ 3,524,732</u>

RABA reports its investments at fair value.

Interest Rate Risk - In accordance with its investment policy, RABA manages its exposure to declines in fair values by limiting the average maturity of its investment portfolio to less than one year.

Credit Risk - The California Government Code and the investment policy of RABA authorize RABA to invest in obligations, participations, or other instruments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investor Service, Inc., bankers' acceptances, repurchase agreements, and the State Treasurer's Investment Pool (LAIF).

RABA invests funds in the State Treasurer's Pooled Money Investment Account (PMIA) through LAIF, a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. LAIF has oversight by the Local Agency Investment Advisory Board. LAIF is not rated. The fair value of RABA's position in the pool is materially equivalent to the value of pool shares.

In accordance with authorized investment laws, the State Treasurer's Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2013, 1.96% (as compared to 3.47% for 2012) of LAIF's investment portfolio was invested in structured notes and other asset-backed securities, respectively.

Redding Area Bus Authority
Notes to the Financial Statements, Continued
For the years ended June 30, 2013 and 2012

2. CASH AND INVESTMENTS, Continued

Concentration of Credit Risk - RABA has about 99% of its cash invested with the LAIF. In addition to the safety provided by investing in high quality securities, LAIF's policies limit concentration risk by spreading investments over different investment types to minimize the impact of any one industry/investment class and by spreading investments over multiple credits/issuers within an investment type to minimize the credit exposure of the portfolio to any single firm or institution.

Custodial Credit Risk - All bank and LAIF deposits are held in the name of RABA. As a result, RABA had no custodial credit risk at June 30, 2013 and 2012.

3. ACCOUNTS RECEIVABLE

	June 30, 2013	June 30, 2012
Accounts receivable balance	\$ 44,942	\$ 38,034

No allowance for doubtful accounts is presented in the accompanying financial statements as management considers all accounts to be collectible. The accounts receivable generally consist of ticket sales and contract transit services which usually are collected within 60 days.

4. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2013 and 2012 were as follows:

	2013	2012
Federal Department of Transportation	\$ 750,199	\$ 770,309
Far Northern Regional	-	14,494
Shasta Regional Transportation Agency	398,650	19,421
Shasta County - OWP	20,116	-
Shasta County - Other	6,187	9,763
School of the Arts	522	899
Total	<u>\$ 1,175,674</u>	<u>\$ 814,886</u>

Redding Area Bus Authority
Notes to the Financial Statements, Continued
For the years ended June 30, 2013 and 2012

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance 30-Jun-12	Additions	Deletions	Transfers Reclassifications	Balance 30-Jun-13
Capital Assets, not being depreciated:					
Land	\$ 1,682,463	\$ 37,127	\$ -	\$ -	\$ 1,719,590
Construction in progress	7,210	66,084	-	-	73,294
Total capital assets not being depreciated	<u>1,689,673</u>	<u>103,211</u>	<u>-</u>	<u>-</u>	<u>1,792,884</u>
Capital assets, being depreciated:					
Buildings	7,639,062	-	-		7,639,062
Improvements other than buildings	1,652,892	31,590	-	-	1,684,482
Automotive equipment	8,442,124	-	-	-	8,442,124
Furnishings and equipment	2,281,963	101,942	-	-	2,383,905
Total assets, being depreciated	<u>20,016,041</u>	<u>133,532</u>	<u>-</u>	<u>-</u>	<u>20,149,573</u>
Less accumulated depreciation for:					
Buildings	(2,882,825)	(250,739)	-		(3,133,564)
Improvements other than buildings	(1,258,008)	(54,795)	-		(1,312,803)
Automotive equipment	(4,572,797)	(573,274)	-	-	(5,146,071)
Furnishings and equipment	(1,780,257)	(150,734)	-	-	(1,930,991)
Total accumulated depreciation	<u>(10,493,887)</u>	<u>(1,029,542)</u>	<u>-</u>	<u>-</u>	<u>(11,523,429)</u>
Total capital assets, being depreciated, net	<u>9,522,154</u>	<u>(896,010)</u>	<u>-</u>	<u>-</u>	<u>8,626,144</u>
Capital assets, net	<u>\$ 11,211,827</u>	<u>\$ (792,799)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,419,028</u>

Redding Area Bus Authority
Notes to the Financial Statements, Continued
For the years ended June 30, 2013, and 2012

5. CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance 30-Jun-11	Additions	Deletions	Transfers Reclassifications	Balance 30-Jun-12
Capital Assets, not being depreciated:					
Land	\$ 1,326,685	\$ 355,778	\$ -	\$ -	\$ 1,682,463
Construction in progress	67	7,143	-	-	7,210
Total capital assets not being depreciated	<u>1,326,752</u>	<u>362,921</u>	<u>-</u>	<u>-</u>	<u>1,689,673</u>
Capital assets, being depreciated:					
Buildings	7,639,062	-	-	-	7,639,062
Improvements other than buildings	1,621,301	31,591	-	-	1,652,892
Automotive equipment	7,149,233	1,552,557	(259,666)	-	8,442,124
Furnishings and equipment	2,107,682	174,281	-	-	2,281,963
Total assets, being depreciated	<u>18,517,278</u>	<u>1,758,429</u>	<u>(259,666)</u>	<u>-</u>	<u>20,016,041</u>
Less accumulated depreciation for:					
Buildings	(2,632,056)	(250,769)	-	-	(2,882,825)
Improvements other than buildings	(1,169,058)	(88,950)	-	-	(1,258,008)
Automotive equipment	(4,325,643)	(473,094)	225,940	-	(4,572,797)
Furnishings and equipment	(1,649,695)	(130,562)	-	-	(1,780,257)
Total accumulated depreciation	<u>(9,776,452)</u>	<u>(943,375)</u>	<u>225,940</u>	<u>-</u>	<u>(10,493,887)</u>
Total capital assets, being depreciated, net	<u>8,740,826</u>	<u>815,054</u>	<u>(33,726)</u>	<u>-</u>	<u>9,522,154</u>
Capital assets, net	<u>\$ 10,067,578</u>	<u>\$ 1,177,975</u>	<u>\$ (33,726)</u>	<u>\$ -</u>	<u>\$ 11,211,827</u>

6. INTERGOVERNMENTAL PAYABLES

Intergovernmental payables at June 30, 2013 and 2012 were as follows:

	2013	2012
City of Redding - Utilities	\$ 4,824	\$ 3,807
Shasta Regional Transportation Agency	910,668	1,525,775
City of Redding	171,812	57,244
Total	<u>\$ 1,087,304</u>	<u>\$ 1,586,826</u>

As stated in Note 1, Subtitle H, the City of Redding provides administrative and accounting services to RABA. The costs of such services, plus other occasional costs, are recorded as intergovernmental payables to the City of Redding. Payments are made on those payables as RABA funds become available. At June 30, 2013, RABA received \$910,668 in excess TDA funds. At June 30, 2012 RABA had received \$1,525,775, which were paid back to Shasta Regional Transportation Agency (SRTA) during FY 2012-13.

Redding Area Bus Authority
Notes to the Financial Statements, Continued
For the years ended June 30, 2013 and 2012

7. PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)

In November 2006, California Voters passed bond measure 1B (Prop 1B), enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$3.6 billion was allocated to PTMISEA to be available to transit operators over a ten-year period. These funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or rolling stock (buses and rail cars) procurement, rehabilitation or replacement.

In fiscal year 2012-13, RABA received an additional \$855,000 in PTMISEA funding. During the fiscal year RABA incurred \$108,476 in qualifying expenditures and earned \$5,812 in interest income. The June 30, 2013 balance in unspent PTMISEA unspent funding was \$2,551,438.

In fiscal year 2011-12, RABA received an additional \$1,459,181 in PTMISEA funding. During the fiscal year, RABA incurred \$810,411 in qualifying expenditures and earned \$4,629 in interest income. The June 30, 2012 ending balance in unspent PTMISEA funding was \$1,799,103.

8. DEFERRED REVENUE

Transportation Development Act

Deferred revenue at June 30, 2013 included \$2,907,498 of California Proposition 1B funds received from CalTrans.

At June 30, 2012, deferred revenue included \$2 of Federal Transit Agency funds and \$1,949,272 of California Proposition 1B funds received from CalTrans.

Other Proposition 1B Funds

In fiscal year 2012-13 RABA received \$307,122 in non PTMISEA Proposition 1B funds. During the fiscal year RABA incurred \$101,906 in qualifying expenditures and earned \$671 in interest. The June 30, 2013 balance of non PTMISEA Proposition 1B funds was \$356,060.

In fiscal year 2011-12 RABA did not receive any additional non PTMISEA Proposition 1B funds. During the fiscal year RABA incurred \$19,495 in qualifying expenditures and earned \$1,220 in interest. The June 30, 2012 balance of non PTMISEA Proposition 1B funds was \$150,169.

Redding Area Bus Authority
Notes to the Financial Statements, Continued
For the years ended June 30, 2013 and 2012

9. RISK MANAGEMENT

RABA's contract operator for both the fixed route service and the demand response service provide public liability and property damage insurance through its agreement with the RABA to provide purchased transportation. RABA's administrative and accounting personnel services are staffed by employees of the City; therefore, workers' compensation for these positions is carried by the City. Workers' compensation insurance is administered as a co-insurance plan. The City is self-insured up to \$750,000 with an insurance company co-insuring claims from \$750,001 to \$50 million. Claim payments are charged to the fund that employs the claimant. The estimated liability for pending and incurred but not reported claims at June 30, 2013, has been included in the City's Risk Management Fund's claims payable amount as of June 30, 2013. The employees of the purchased transportation provider are covered by workers' compensation insurance through their employer.

10. COMMITMENTS AND CONTINGENCIES

There are various claims and legal actions pending against RABA for which no provision has been made in the accompanying basic financial statements. In the opinion of RABA management, liabilities arising from these claims and legal actions, if any, will not have an adverse material effect on the financial position of RABA.

RABA has received Federal grants for specific purposes that are subject to review and audit by the Federal government. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material.

As of December 20, 2013, in the opinion of RABA Management, there were no additional outstanding matters that would have a significant effect on the financial position of RABA.



Statistical Section

STATISTICAL SECTION

This part of the Redding Area Bus Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the authority's overall financial health.

<u>INDEX</u>	<u>Page</u>
Financial Trends	36
<i>These schedules contain trend information to help the reader understand how the authority's financial performance and well-being have changed over time</i>	
Revenue Capacity	40
<i>These schedules contain information to help the reader assess the authority's most significant local revenue consideration, namely ridership and fare box revenue.</i>	
Demographic and Economic Information	42
<i>These schedules offer demographic and economic data to help the reader understand the environment within which the authority's financial activities take place.</i>	
Operating Information	44
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the authority's financial report relates to the services the authority provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The authority implemented GASB Statement 34 in 2001; schedule presenting net asset information includes information beginning in that year.

REDDING AREA BUS AUTHORITY
NET POSITION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total Net Position</u>
2003-04	9,814,349	515,503	10,329,852
2004-05	8,943,652	525,074	9,468,726
2005-06	8,438,482	525,074	8,963,556
2006-07	8,058,689	565,500	8,624,189
2007-08	7,487,530	565,897	8,053,427
2008-09	8,813,037	565,898	9,378,935
2009-10	9,049,535	588,590	9,638,125
2010-11	10,067,578	610,744	10,678,322
2011-12	11,211,827	610,743	11,822,570
2012-13	10,419,028	610,743	11,029,771

Source: Redding Area Bus Authority Annual
Component Unit Financial Report

**REDDING AREA BUS AUTHORITY
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS**

Fiscal Year	Expenses	Revenues	Capital Contributions	Change in Net Position
2003-04	4,839,807	3,873,561	955,430	(10,816)
2004-05	4,952,874	4,037,269	54,479	(861,126)
2005-06	5,215,281	4,382,514	327,597	(505,170)
2006-07	5,341,443	4,357,856	644,220	(339,367)
2007-08	5,788,537	4,847,686	370,089	(570,762)
2008-09	6,180,566	5,254,385	2,251,689	1,325,508
2009-10	5,886,923	4,971,602	1,174,511	259,190
2010-11	6,132,093	5,182,367	1,989,923	1,040,197
2011-12	6,002,017	5,024,918	2,121,347	1,144,248
2012-13	6,148,746	5,119,205	236,742	(792,799)

Source: Redding Area Bus Authority Annual
Component Unit Financial Report

Note: For additional detail of Expenses and Revenues please refer to following pages.

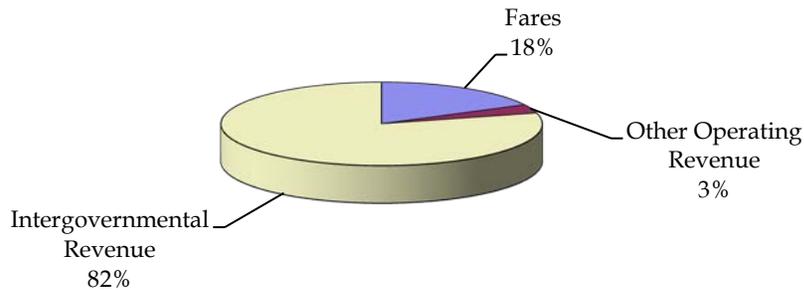
**REDDING AREA BUS AUTHORITY
REVENUES
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Fares</u>	<u>Other Operating Revenue</u>	<u>Intergovernmental Revenue</u>	<u>Other Non-operating Revenue</u>	<u>Total Revenue</u>
2003-04	577,436	77,193	3,218,273	659	3,873,561
2004-05	540,820	113,186	3,417,030	(33,767) (1)	4,037,269
2005-06	620,929	130,279	3,608,565	22,741	4,382,514
2006-07	793,743	144,371	3,445,196	(25,454) (2)	4,357,856
2007-08	845,333	117,041	3,807,699	77,613	4,847,686
2008-09	834,056	130,848	4,237,678	51,803	5,254,385
2009-10	762,983	167,148	4,118,683	(77,212) (3)	4,971,602
2010-11	786,872	164,562	4,225,174	5,759 (4)	5,182,367
2011-12	883,688	170,344	3,984,795	(13,909) (5)	5,024,918
2012-13	889,096	171,980	4,026,484	31,645	5,119,205

- Note:
- (1) Data includes loss on disposal of assets of \$40,213
 - (2) Data includes loss on disposal of assets of \$113,402
 - (3) Data includes loss on disposal of assets of \$88,031
 - (4) Data includes loss on disposal of assets of \$20,641
 - (5) Data includes loss on disposal of assets of \$33,726

Source: Redding Area Bus Authority Annual Component Unit Financial Report

**RABA Revenues - 2013
(Excluding Other Non-Operating Revenues)**



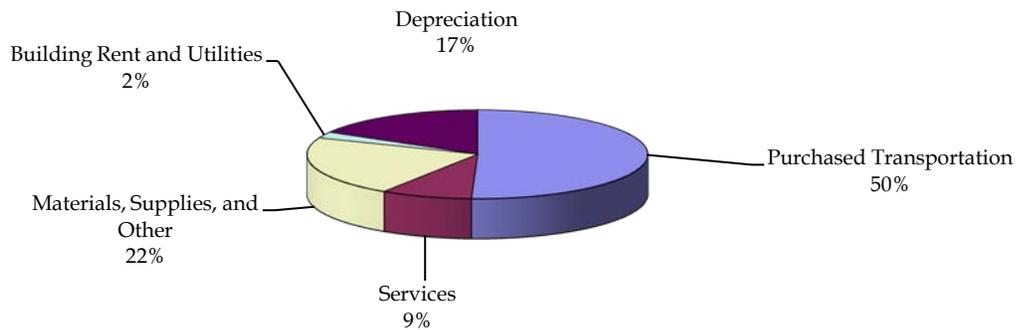
**REDDING AREA BUS AUTHORITY
EXPENSES
LAST TEN FISCAL YEARS**

Fiscal Year	Purchased Transportation	Services	Materials, Supplies, and Other (1)	Building Rent and Utilities	Depreciation	Total Expenses
2003-04	2,310,114	536,572	934,003	96,035	963,083	4,839,807
2004-05	2,362,259	541,669	1,073,038	95,227	880,681	4,952,874
2005-06	2,588,268	472,233	1,228,227	93,786	832,767	5,215,281
2006-07	2,687,022	496,039	1,183,255	104,943	870,184	5,341,443
2007-08	2,782,699	515,884	1,438,573	110,134	941,247	5,788,537
2008-09	3,054,950	721,596	1,358,183	119,654	926,183	6,180,566
2009-10	3,099,220	589,358	1,257,096	113,960	827,289	5,886,923
2010-11	3,218,795	542,923	1,307,473	133,816	929,086	6,132,093
2011-12	3,075,341	530,064	1,320,507	132,730	943,375	6,002,017
2012-13	3,110,534	529,568	1,339,412	139,690	1,029,542	6,148,746

(1) Includes advertising expenses

Source: Redding Area Bus Authority Annual Component Unit Financial Report

RABA Expenses - 2013

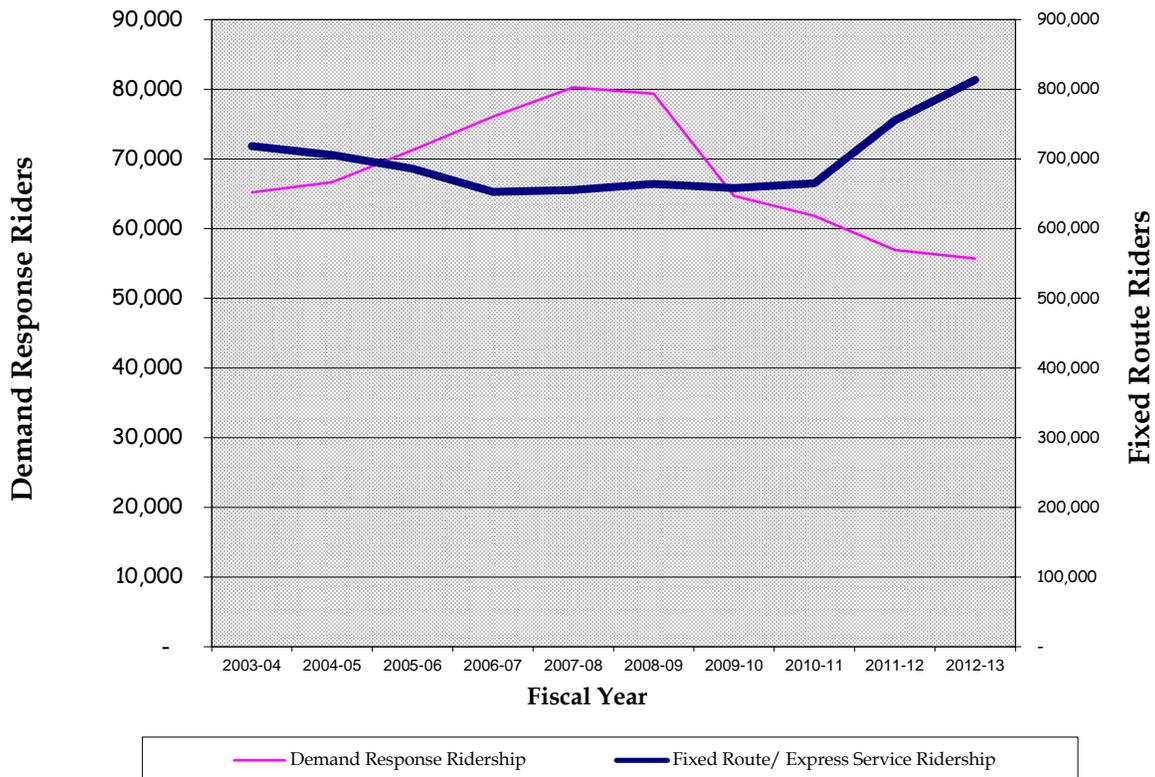


**REDDING AREA BUS AUTHORITY
COMPARISON OF SYSTEM RIDERSHIP DATA
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Fixed Route/ Express Service Ridership</u>	<u>Change</u>	<u>Demand Response Ridership</u>	<u>Change</u>
2003-04	718,417		65,225	
2004-05	705,596	-1.8%	66,645	2.2%
2005-06	685,931	-2.8%	71,273	6.9%
2006-07	652,523	-4.9%	76,091	6.8%
2007-08	655,303	0.4%	80,265	5.5%
2008-09	664,115	1.3%	79,340	-1.2%
2009-10	658,216	-0.9%	64,716	-18.4%
2010-11	665,246	1.1%	61,848	-4.4%
2011-12	755,396	13.6%	56,951	-7.9%
2012-13	813,351	7.7%	55,699	-2.2%

Source: State Controller's Report for Transit

RABA Ridership Trends



**REDDING AREA BUS AUTHORITY
FARE STRUCTURE**

Burney Express Route	\$1.75 - 4.75
Base Fare (Age 6 - 61)	\$1.50
Airport Road Corridor Commuter Route	\$1.50
Zone Change	\$0.75
Children (under 6)	Free
Senior Base Fare (Age 62+)	\$0.75
Handicapped Base Fare	\$0.75
Medicare Card Holder	\$0.75
Zone Change	\$0.40
Transfers	Free
Demand Response	\$3.00
Demand Response Zone Change	\$1.50
Monthly Pass - Youth	\$29.00
Monthly Pass Redding Local	\$48.25
Monthly Pass Anderson or Shasta Lake	\$82.00
Monthly Pass Senior/Disabled Redding Local	\$24.00
Monthly Pass Senior/Disabled Anderson or Shasta Lake	\$41.00

**REDDING AREA BUS AUTHORITY
DEMAND RESPONSE AND FIXED ROUTE COST STRUCTURE**

	<u>Demand Response</u>	<u>Fixed Route</u>	<u>Total Demand Response & Fixed Route</u>	<u>Burney Express</u>	<u>Total</u>
<u>Revenue</u>					
Fare Box revenue	\$ 179,594	\$ 685,897	\$ 865,491	\$ 23,605	\$ 889,096
Other revenue	1,315,517	2,801,037	4,116,554	113,554	4,230,108
Total Revenue	<u>1,495,111</u>	<u>3,486,934</u>	<u>4,982,045</u>	<u>137,159</u>	<u>5,119,204</u>
<u>Expenses</u>					
Depreciation	\$ -	\$ 1,029,542	\$ 1,029,542	\$ -	\$ 1,029,542
Other expense	1,495,111	3,486,934	4,982,045	137,159	5,119,204
Total expense	<u>1,495,111</u>	<u>4,516,476</u>	<u>6,011,587</u>	<u>137,159</u>	<u>6,148,746</u>
Net Loss	-	(1,029,542)	(1,029,542)	-	(1,029,542)
Add Capital Contributions		236,743	236,743		236,743
Gain/(loss) on disposal of assets			-		-
Change in Net Assets	<u>\$ -</u>	<u>\$ (792,799)</u>	<u>\$ (792,799)</u>	<u>\$ -</u>	<u>\$ (792,799)</u>
Excluded Costs	\$ -	\$ 4,355	\$ 4,355		\$ 4,355 *
Fare Box Ratio (Fare Box revenue/Other expense) (Net of Excluded Costs)	<u>12.01%</u>	<u>19.70%</u>	<u>17.39%</u>	<u>17.21%</u>	<u>17.38%</u>

* Excluded costs are per TDA regulations governing fare box ratio calculations.

NOTE: Actual fare box ratio of 17.39% for the combined fixed route and demand response system was more than the SRTA required 17.3% for the fiscal year 2012-13.

REDDING AREA BUS AUTHORITY
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Square Miles	RABA		Personal Income (thousands of dollars)	Per Capita Personal Income (2)	Unemployment Rates (3)
		Service Area Population (1)				
2003-2004	100.00	110,147		3,082,574	27,986	7.50
2004-2005	100.00	114,462		3,283,686	28,688	7.00
2005-2006	100.00	116,454		3,520,521	30,231	6.20
2006-2007	100.00	116,454		3,916,464	33,631	7.00
2007-2008	100.00	116,893		4,099,087	35,067	9.20
2008-2009	100.00	117,478		4,105,386	34,946	14.50
2009-2010	100.00	118,065		4,058,130	34,372	15.10
2010-2011	100.00	115,634	*	4,054,475	35,063	14.90
2011-2012	100.00	116,281	*	4,245,070	36,507	13.30
2012-2013	100.00	116,290	*	4,371,690	37,593	10.60

Source: (1) Shasta County Transit Development Plan (2003-2009).
* 2010-2011 through 2012-2013 based on Department of Finance population at January 1 and percentages presented in *2013-2014 Unmet Transit Needs Assessment by Shasta County RTPA (Attch A)*
(2) Bureau of Economic Analysis, U.S. Department of Commerce
(3) State of California Employment Development Department

Note: Per capita personal income is based on the calendar year information ending during that fiscal year.

REDDING AREA BUS AUTHORITY
PRINCIPAL EMPLOYERS IN THE CITY OF REDDING
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	2013			2003		
	Employees	Rank	Percentage of Total Area Employment	Employees	Rank	Percentage of Total Area Employment
Shasta County	1,838	1	2.55%	1,977	1	2.35%
Mercy Medical Center	1,730	2	2.40%	1,562	2	1.86%
City of Redding	762	3	1.06%	816	5	0.97%
Shasta Community College	675	4	0.94%			
Shasta Regional Medical Center	600	5	0.83%	850	4	1.01%
Wal Mart	442	6	0.61%			
United States Post Office	377	7	0.52%			
Oakdale Heights Management	350	8	0.49%			
Blue Shield of California	330	9	0.46%	600	8	0.71%
Redding Rancheria	310	10	0.43%	612	7	0.73%
Sierra Pacific Industries				690	6	0.82%
Shasta Nursery				600	9	0.71%
J & A Food Service				600	10	0.71%
Holiday Markets				1,050	3	1.25%
Total	<u>7,414</u>			<u>9,357</u>		

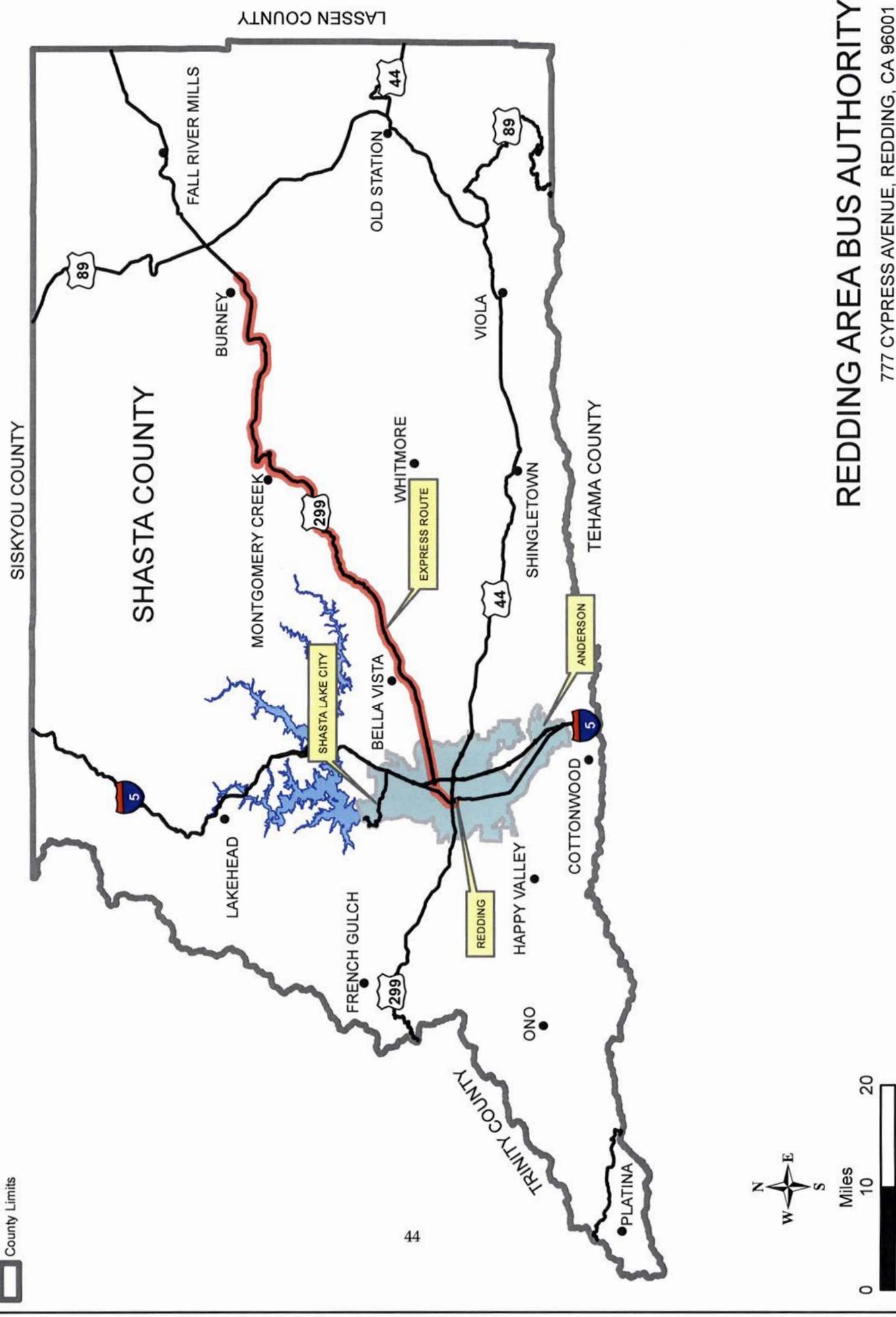
* Full-time equivalent budgeted positions. This includes employees who work outside of the City.

** Full-time budgeted positions.

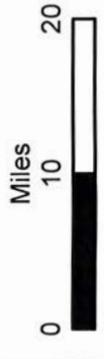
In 2012-13 there were 717 full-time and 344 part-time/temporary positions filled.

In 2003-04 there were 816 full-time and 333 part-time/temporary positions filled.

Source: Derived roughly from the Employment Development Department's (EDD) listing of the top 25 employers in Shasta County.



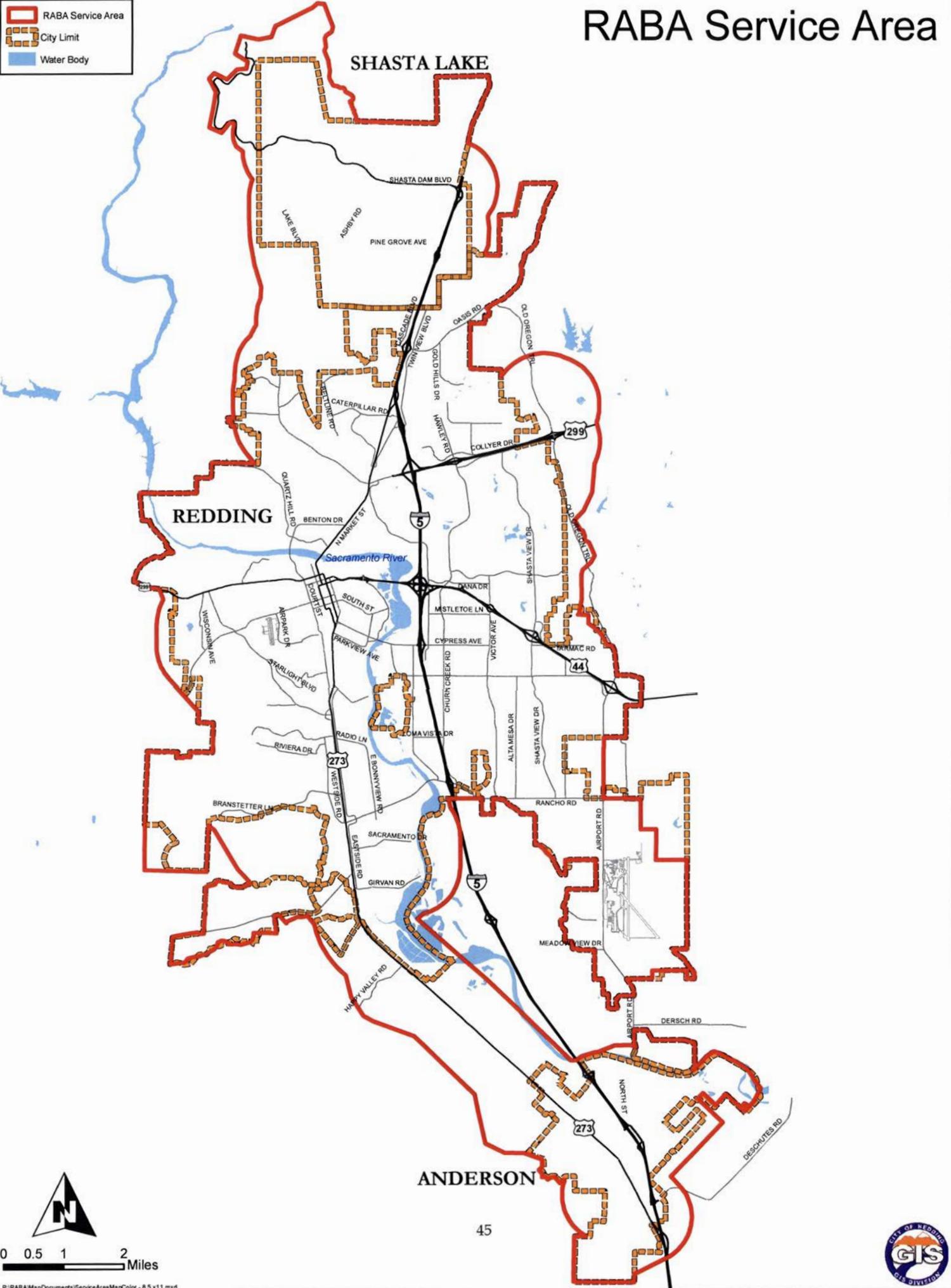
-  Burney Express Route
-  RABA Service Area Boundary
-  Shasta Lake
-  County Limits



REDDING AREA BUS AUTHORITY
 777 CYPRESS AVENUE, REDDING, CA 96001

RABA Service Area

 RABA Service Area
 City Limit
 Water Body



0 0.5 1 2 Miles



REDDING AREA BUS AUTHORITY
SUMMARY OF FIXED ROUTE SYSTEM/EXPRESS SERVICE DATA
LAST TEN FISCAL YEARS

Fiscal Year	Fare Revenue	Total Passengers	Total Actual Vehicle Revenue Hours	Total Actual Revenue Vehicle Miles
2003-04	466,377	718,417	48,296	796,926
2004-05	451,276	705,596	48,181	802,101
2005-06	461,344	685,931	46,721	754,525
2006-07	560,542	652,523	45,825	730,069
2007-08	607,650	655,413	44,700	752,307
2008-09	594,395	664,115	41,746	629,879
2009-10	568,022	658,216	41,620	612,980
2010-11	589,613	665,246	41,857	617,452
2011-12	678,341	755,396	42,435	636,698
2012-13	709,502	813,351	42,316	640,434

Source: State Controller's Report for Transit

REDDING AREA BUS AUTHORITY
SUMMARY OF DEMAND RESPONSE SYSTEM DATA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Fare Revenue</u>	<u>Total Passengers</u>	<u>Total Actual Vehicle Revenue Hours</u>	<u>Total Actual Revenue Vehicle Miles</u>
2003-04	102,430	65,225	25,099	381,374
2004-05	109,186	66,645	25,550	389,350
2005-06 *	159,585	71,273	25,279	381,714
2006-07 *	233,201	76,091	27,135	400,495
2007-08	237,682	80,265	28,619	420,396
2008-09	239,661	79,340	29,086	409,610
2009-10	192,506	64,716	25,067	341,637
2010-11	197,260	64,716	25,067	341,637
2011-12	177,362	56,951	19,239	324,974
2012-13	179,594	55,699	17,326	303,133

* Note: Significant fare increases enacted Oct 2005 and July 2006.

Source: State Controller's Report for Transit

**REDDING AREA BUS AUTHORITY
CAPITAL ASSETS STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Fixed Route Buses	Demand Response Vans	Transfer Stations	Maintenance Facilities
2003-04	22	19	3	1
2004-05	20	21	3	1
2005-06	20	18	3	1
2006-07	16	20	3	1
2007-08	16	20	3	1
2008-09	17	20	3	1
2009-10	18	20	3	1
2010-11	16	20	3	1
2011-12	16	20	3	1
2012-13	16	20	3	1

Note: RABA has only one function and that is transit.

REDDING AREA BUS AUTHORITY

MISCELLANEOUS DATA

June 30, 2013

Date Agency Established:	December 20, 1976
Form of Government:	Joint Powers Agency Board of Directors Staff provided by employees of the City of Redding
Size of Area Serviced by the Authority:	100 square miles
Population of Area Serviced by Authority (1):	116,290
Total Fleet Size:	
Fixed route	16
Paratransit	20
Number of Service and Maintenance Facilities	1
Location:	3333 South Market Street Redding, California
Number of Passenger Transfer Facilities:	3
Locations:	1530 Yuba Street Redding, California Masonic Avenue @ Lake Boulevard Redding, California Canby Road @ Mt. Shasta Mall Redding, California

Source: (1) 2013 Figures based on Department of Finance population @ 1/1/13
and Shasta County RTPA- 2012/13 TDA Budget & Transit requirements.

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D. H. SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

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

Honorable Mayor and Members of the City Council
Redding Area Bus Authority
Redding, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redding Area Bus Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Redding Area Bus Authority's basic financial statements and have issued our report thereon dated December 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Redding Area Bus 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Redding Area Bus Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Redding Area Bus 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redding Area Bus 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. 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*.

(PTMISEA) In November, 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 billion was set aside by the State of California (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.

During the fiscal year ended June 30, 2013, RABA received \$855,000 in PTMISEA funding from the State's PTMISEA account. During the fiscal year ended June 30, 2013, RABA did earn \$5,811 in interest income on unexpended PTMISEA funds of the prior year. The amounts that were verified during the course of our audit are as follows:

Unexpended proceeds at June 30, 2012	\$ 1,799,103
Proceeds received:	
PTMISEA	855,000
PTMISEA - interest income	5,811
Expenditures incurred:	
Maintenance facility	(<u>108,476</u>)
Unexpended proceeds at June 30, 2013	\$ <u>2,551,438</u>

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency, for the year ended June 30, 2013. In connection with our audit, we performed, to the extent applicable, the compliance audit tasks set forth in Section 6667 of the California Code of Regulations.

In our opinion, the funds allocated pursuant to the Transportation Development Act were accounted for and expended in conformance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency.

Purpose of this Report

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

D. H. Scott & Company LLP

Redding, California
December 20, 2013