



Redding Area Bus Authority
A component unit of the City of Redding, California

Comprehensive
ANNUAL
Financial
REPORT

For Fiscal Years Ended June 30, 2018 and 2017



Redding Area Bus Authority
A Component Unit of the
City of Redding
Redding, California

Comprehensive Annual Financial Report
For the years ended June 30, 2018 and 2017

Prepared by the City of Redding Finance Department

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Introductory Section



**Redding Area Bus Authority
Comprehensive Annual Financial Report
For the years ended June 30, 2018, and 2017**

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December 14, 2018

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), a component unit of the City of Redding, California, hereby submits the Comprehensive Annual Financial Report for the years ended June 30, 2018 and 2017. 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.

The Pun Group, LLP, a firm of licensed certified public accountants, have issued an unmodified opinion on RABA's financial statements for the years ended June 30, 2018 and 2017. 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 (CAFR). 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 2017 to June 2018 RABA provided approximately 666,000 fixed route trips, or about 55,500 per month. The demand response system provided approximately 53,000 trips, or about 4,400 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 126,000 in the primary trade area and approximately 256,000 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, has 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 5.10% in June 2018.

Since 1990, the City’s population has grown at approximately .1% to 2% per year. The City’s population of 90,653 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 2018:

<i>City of Redding</i>			<i>Shasta County</i>	
Year	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	90,848	0.56%	178,953	0.47%
2014	90,950	0.11%	178,742	-0.12%
2015	90,293	-0.72%	179,036	0.16%
2016	90,341	0.05%	178,232	-0.45%
2017 *	91,221	0.97%	* 178,148	-0.05%
2018	91,357	0.15%	178,271	0.07%

Source: 1970-2010 data from U.S. Census;
 2011-2017 estimates from the California State Department of Finance as of January 1
 (*2017 revised estimate, January 1, 2018 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 Loading Improvements for Fiscal Year 2017-18

RABA continues to improve bus stops by adding bus stop amenities (e.g., benches and shelters) and enhancing access to bus stops through street improvements (e.g., crossings, sidewalks, and curb ramps). All improvements are in conformance with the RABA Short-Range Transit Plan.

RABA continues to work towards solar safety lighting at bus stops. This work is expected to be completed by the end of fiscal year 2018-19.

Maintenance Facility Improvements:

The solar parking shade structure at the Maintenance Facility has been completed. The structure protects the RABA fleet from rain, sun, and other environmental elements, while also allowing drivers to prepare for route dispatch. In addition, the solar panels on the structure provide an offset to the electricity usage at the Maintenance Facility reducing electrical costs.

Staff continues to work toward a finalized contract to refurbish the existing bus wash at the Maintenance Facility. This improvement will reduce material usage and staff time it takes to maintain and clean RABA's existing fleet.

Property Purchases:

RABA continues to work on property acquisitions for future build-out and overflow parking for transit-related purposes at the Downtown Transit Center (DTC). For the block immediately north of the DTC (bounded by Shasta Street to the north, California Street to the east, Tehama Street to the south, and the railroad to the west), RABA currently owns two parcels on the west, which were purchased when the DTC was constructed in 1993, and is still in the process of acquiring two parcels on the east.

Rolling Stock:

RABA has received three (3) new 35-foot Gillig buses acquired through the use of Federal 5307 funds and the Proposition 1B state bond program. These vehicles have replaced existing fleet which has reached their maximum useful life.

RABA has applied for a Federal 5339(c) Lo-No Emissions program grant to acquire a fully electric bus and charging infrastructure. The bus emits zero emissions and will help reduce RABA's over fuel and maintenance costs. RABA expects to acquire this vehicle in the next fiscal year.

Transit Technology:

Design services associated with traffic signal priority technology has commenced. RABA is working with the City of Redding to research and determine the best hardware/software and location for the technology.

RABA continues to work on acquiring fareboxes. The existing fareboxes, which are used to track and report ridership data, include outdated hardware and software. The future/new fareboxes will be acquired via Request for Proposal and are anticipated to be installed by the end of calendar year 2019.

RABA is also currently working on acquiring a Real Time Passenger Information System (RTPIS). Staff has been evaluating open source technologies/vendors, to better share data with riders (e.g., real time bus arrival desktop, mobile app, and text data/notices), federal regulating agencies, and other technologies/vendors.

Facility Improvements & Equipment:

RABA has acquired call recording software to evaluate call wait times for paratransit services. This software is needed to monitor ADA paratransit compliance. Staff also continues to review security camera products and is in discussions with the City of Redding's IT team to develop a monitoring system at the Maintenance Facility in order to better monitor the fleet and location.

- 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 2017. This was the 31st 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

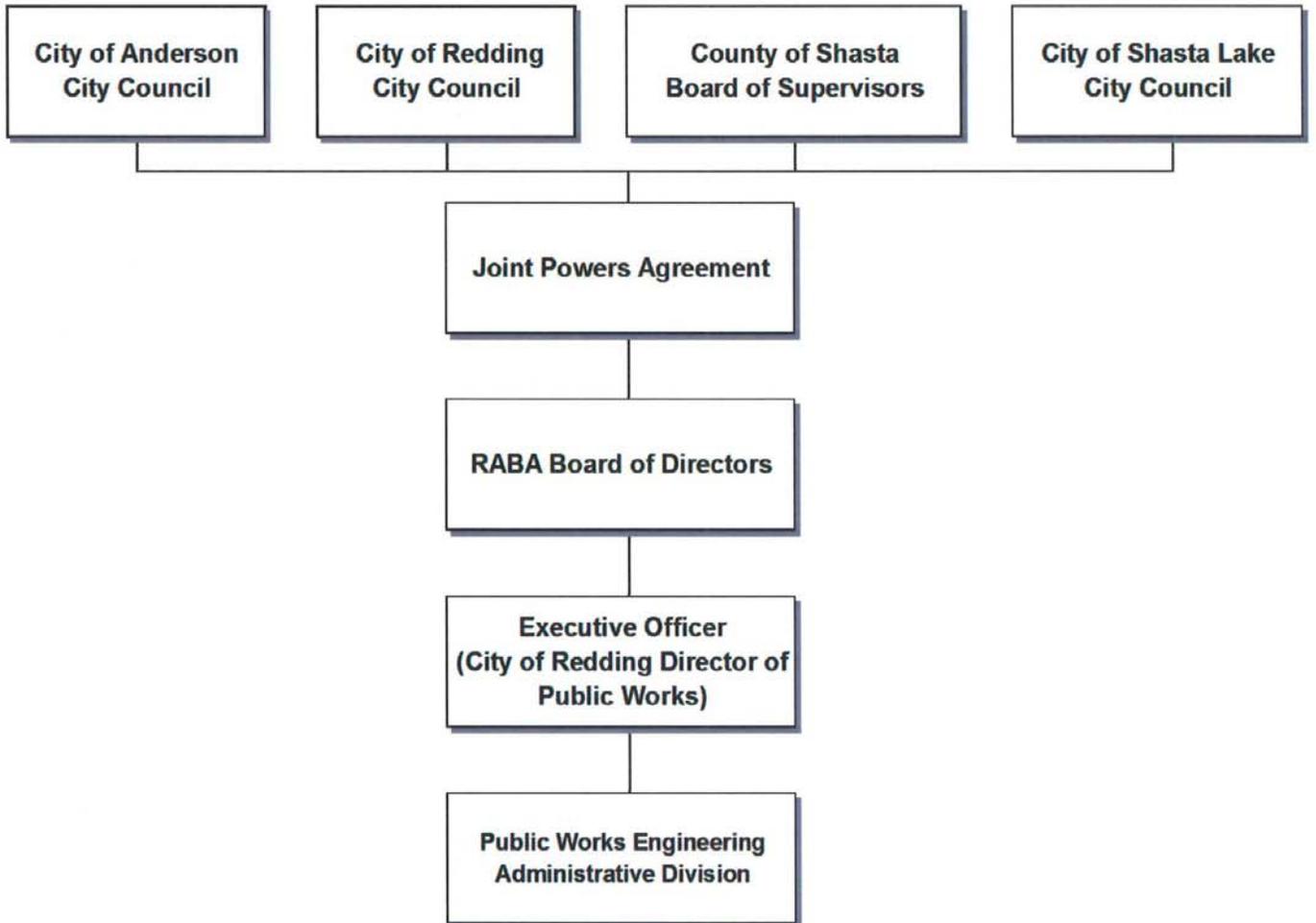
June 30, 2017

Christopher P. Morill

Executive Director/CEO



ORGANIZATION CHART



- REDDING AREA BUS AUTHORITY OFFICIALS -

Board of Directors

Norma Comnick Chairperson
Francie Sullivan..... Vice-Chairperson
David Kehoe..... Director
Richard Kern Director
Adam McElvain Director
Kristen Schreder Director
Brent Weaver..... Director
Julie Winter Director

Administrative Personnel

Barry TippinCity Manager
Chuck Aukland..... Executive Officer
Barry DeWaltCity Attorney
Pam Mize..... City Clerk
Dennice L. Maxwell Director of Finance
John Abshier..... Transportation Manager
Melissa Estrada Transportation Planner
Anthony Maggiore Management Analyst
Kathy Hawkins.....Accounting Specialist
Ron Penington Senior Accountant



Financial Section





INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Directors
of the Redding Area Bus Authority
Redding, California

Report on Financial Statements

We have audited the accompanying financial statements of the Redding Area Bus Authority (the "Authority"), a component unit of the City of Redding, California (the "City"), which comprise the statement of net position as of June 30, 2018 and June 30, 2017 and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to financial statements.

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 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 Authority'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 Authority'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.

To the Honorable Board of Directors
of the Redding Area Bus Authority
Redding, California
Page 2

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2018, and the results of its operations and its 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 through 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 the 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*, the Transportation Development Act, and the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) regulations, we have also issued our report dated December 14, 2018, 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 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*, the Transportation Development Act and the PTMISEA regulations in considering the Authority's internal control over financial reporting and compliance.

The PwC Group, LLP

Walnut Creek, California
December 14, 2018

**Redding Area Bus Authority
Management's Discussion and Analysis
For the years ended June 30, 2018 and 2017**

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, 2018 and 2017. 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 2018

- The assets of RABA exceeded liabilities at the close of the fiscal year by \$13.1 million (*net position*). This was an increase of \$1,411,285 from the previous year and is due primarily to capital contributions of \$2,653,282 less depreciation of \$1,242,385. 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 decreased by 2.9 percent, or by 20,058 riders, this year. Demand Response decreased by 2.9 percent or 1,574 riders. Overall operating revenues increased by \$168,536 (12.35 percent) during the year. The operating revenue increase was primarily the result of a free fare days operating grant received from Shasta Regional Transportation Agency (SRTA) for the Crosstown Express route.
- Total expenses increased by \$334,592 (4.94 percent) during the year. This increase was primarily attributable to increases in purchased transportation (2.76%), depreciation (9.03%), services (3.16%), and vehicle expenses (11.92%). Additional smaller increases occurred in other operating expense categories.

Fiscal Year 2017

- The assets of RABA exceeded liabilities at the close of the fiscal year by \$11.7 million (*net position*). This was a decrease of \$589,478 from the previous year and is due primarily to capital contributions of \$556,554 less depreciation of \$1,139,534. 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 2.3 percent, or by 15,457 riders, this year. Demand Response increased by 3.1 percent or 1,651 riders. Overall operating revenues increased by \$53,512 (4.08 percent) during the year.
- Total expenses increased by \$245,992 (3.77 percent) during the year. This increase was primarily attributable to increases in purchased transportation (2.89%), depreciation (9.35%), services (5.80%), advertising (14.44%), and utilities (4.46%). Additional smaller increases occurred in other operating expense categories.

Redding Area Bus Authority
Management's Discussion and Analysis (Continued)
For the years ended June 30, 2018 and 2017

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 noncapital financing activities, and investing activities. The statement of cash flows can be found on page 25.

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 27-38 of this report.

**Redding Area Bus Authority
Management's Discussion and Analysis (Continued)
For the years ended June 30, 2018 and 2017**

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 2018, assets exceeded liabilities by \$13,140,771.

Redding Area Bus Authority Net Position

	2018	2017	2016
Current assets	\$ 4,704,104	\$ 5,103,215	\$ 5,632,198
Capital assets, net of depreciation	12,492,105	11,077,221	11,662,484
Total assets	17,196,209	16,180,436	17,294,682
Current liabilities	4,055,438	4,450,950	4,975,718
Total liabilities	4,055,438	4,450,950	4,975,718
Net position:			
Investment in capital assets	12,492,105	11,077,221	11,662,484
Unrestricted	648,666	652,265	656,480
Total net position	\$ 13,140,771	\$ 11,729,486	\$ 12,318,964

By far the largest portion of RABA's net position, (95 percent), represents its investment in capital assets (e.g., vehicles, buildings, improvements, and equipment). Vehicles and buildings (including construction in progress) make up approximately 65% 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 (Continued)
For the years ended June 30, 2018 and 2017

Changes in Net Position

Current year activities increased the Redding Area Bus Authority's net position by \$1,411,285. In 2017 net position decreased by \$589,478 and in 2016 net position decreased by \$191,779. In years such as in 2018 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 2017 and 2016 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

	2018	2017	2016
Revenues:			
Passenger fares	\$ 957,830	\$ 873,441	\$ 844,800
Contract services	498,547	419,455	399,263
Other operating revenue	76,532	71,477	66,798
Transportation Development Act revenue	3,309,348	3,239,843	3,306,912
Intergovernmental revenue	1,000,000	1,002,997	754,536
Other revenue (loss)	23,110	19,527	(975)
Total revenues	<u>5,865,367</u>	<u>5,626,740</u>	<u>5,371,334</u>
Expenses:			
Purchased Transportation	3,703,988	3,604,394	3,503,399
Materials and supplies-vehicles	1,086,494	970,759	887,820
Depreciation	1,242,385	1,139,534	1,132,127
Services	791,558	767,307	725,288
Other expenses	282,939	290,778	278,146
Total expenses	<u>7,107,364</u>	<u>6,772,772</u>	<u>6,526,780</u>
(Loss) before capital contributions	<u>(1,241,997)</u>	<u>(1,146,032)</u>	<u>(1,155,446)</u>
Capital contributions	<u>2,653,282</u>	<u>556,554</u>	<u>963,667</u>
Change in net position	<u>1,411,285</u>	<u>(589,478)</u>	<u>(191,779)</u>
Net position, beginning of year	<u>11,729,486</u>	<u>12,318,964</u>	<u>12,510,743</u>
Net position, end of year	<u>\$ 13,140,771</u>	<u>\$ 11,729,486</u>	<u>\$ 12,318,964</u>

**Redding Area Bus Authority
Management's Discussion and Analysis (Continued)
For the years ended June 30, 2018 and 2017**

Financial Analysis

RABA has three primary sources of revenues. The first source of revenue is passenger fares for transit services, revenue collected from customers or riders. 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 ¼ percent state sales tax that is passed through to local governments for transportation needs, allocated from sales tax on gasoline and diesel fuel. The amount of TDA funds made available to fund RABA's operating costs is calculated annually. The final primary revenue source is Federal operating assistance, which is a federal grant that has reduced the amount of TDA funds RABA required for operational needs.

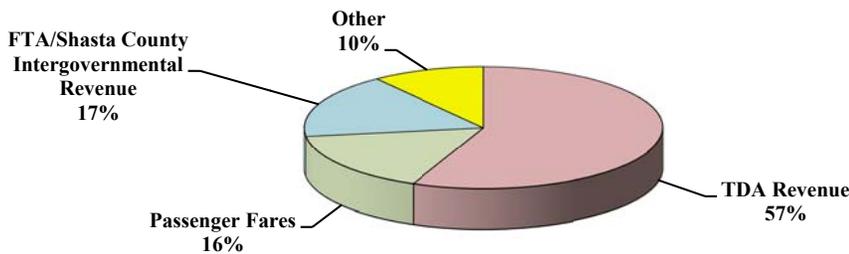
Fiscal Year 2018

RABA's total revenues increased over the prior year by \$238,626. Passenger fares increased by \$84,389. TDA funds increased by \$69,505. Federal operating assistance decreased by \$2,997.

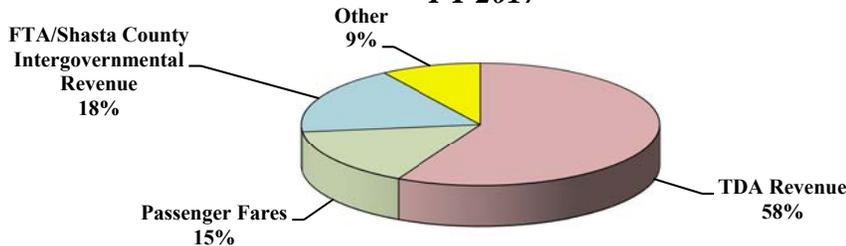
Fiscal Year 2017

RABA's total revenues increased over the prior year by \$255,406. Passenger fares increased by \$28,641. TDA funds decreased by \$67,069. Federal operating assistance increased by \$248,461.

*Revenues by Source
FY 2018*



*Revenues by Source
FY 2017*



**Redding Area Bus Authority
Management's Discussion and Analysis (Continued)
For the years ended June 30, 2018 and 2017**

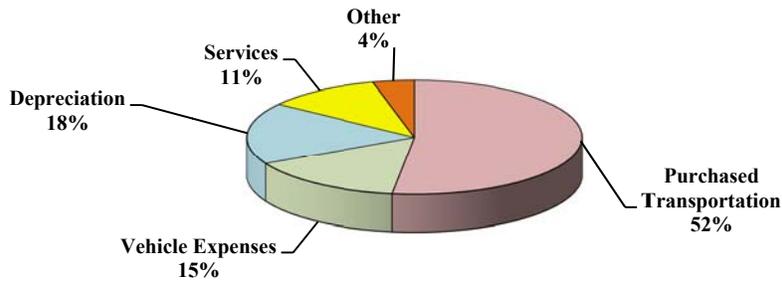
Fiscal Year 2018

RABA's total expenses increased over the prior year by \$334,592. There are three primary reasons for the increase in expenses. First, vehicle expenses increased by \$115,735. Second, depreciation increased by \$102,851. And third, purchased transportation increased by \$99,594. In addition to these increases, services and other operating and non-operating expenses increased by a combined total of \$16,412.

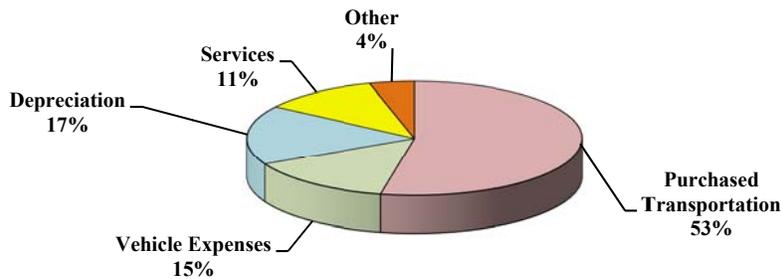
Fiscal Year 2017

RABA's total expenses increased over the prior year by \$245,992. There are three primary reasons for the increase in expenses. First, purchased transportation increased by \$100,995. Second, vehicle expenses increased by \$82,939. And third, services increased by \$42,019. In addition to these increases, depreciation and other operating and non-operating expenses increased by a combined total of \$20,039.

*Expenses by Category
FY 2018*



*Expenses by Category
FY 2017*



Redding Area Bus Authority
Management's Discussion and Analysis (Continued)
For the years ended June 30, 2018 and 2017

Capital Assets

Fiscal Year 2018

RABA's investment in capital assets (net of accumulated depreciation) as of June 30, 2018, amounted to \$12.49 million. This investment in capital assets includes vehicles, land, buildings, improvements, and equipment. RABA's investment in capital assets increased by \$1,414,884 during the fiscal year ended June 30, 2018. During the year RABA purchased land of \$425,033, building and loading improvements of \$896,847, various equipment totaling \$7,091, and vehicles of \$1,324,311 for a total of \$2,653,282. RABA also disposed of various obsolete equipment items that were fully depreciated and an original cost value of \$118,643. Including depreciation of \$1,242,385, the net result is an overall increase in investment in capital assets during 2017-18.

Fiscal Year 2017

RABA's investment in capital assets (net of accumulated depreciation) as of June 30, 2017, amounted to \$11.08 million. This investment in capital assets includes vehicles, land, buildings, improvements, and equipment. RABA's investment in capital assets decreased by \$585,263 during the fiscal year ended June 30, 2017. During the year RABA purchased building and loading improvements of \$68,477, various equipment totaling \$104,386, and vehicles of \$381,408 for a total of \$554,271. RABA also disposed of various obsolete equipment items that were fully depreciated and an original cost value of \$54,901. Including depreciation of \$1,139,534, the net result is an overall decrease in investment in capital assets during 2016-17.

Redding Area Bus Authority
Capital Assets (net of depreciation)

	2018	2017	2016
Land	\$ 2,231,614	\$ 1,806,581	\$ 1,806,581
Buildings	3,983,934	4,257,009	4,530,084
Vehicles	3,832,440	3,261,398	3,513,234
Improvements	1,972,285	1,362,664	1,502,919
Furnishing and equipment	146,920	197,392	153,992
CWIP	324,912	192,177	155,674
Total	\$ 12,492,105	\$ 11,077,221	\$ 11,662,484

Additional information on RABA's capital assets can be found in note 5 on pages 34 and 35 of this report.

**Redding Area Bus Authority
Management's Discussion and Analysis (Continued)
For the years ended June 30, 2018 and 2017**

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 1.3 percent in FYE 2018 and increased by 2.7 percent in FYE 2017. It is expected sales tax will increase by approximately 3.25 percent during FYE 2019. RABA's request in FYE 2019 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 2019.
- ✓ The unemployment rate had increased from 7 percent in FYE 2007 to 16.20 percent in FYE 2010 before decreasing to an adjusted 5.80 percent in FYE 2017. During FYE 2018 the unemployment rate decreased from 5.80 percent to 5.10 percent.
- ✓ Inflationary trends in the region compare favorably to national indices.
- ✓ Ridership on the fixed route system has decreased by 2.9 percent in FYE 2018. It is anticipated that ridership will have a slight decrease in FYE 2019 by approximately 2%. RABA's fare box ratio for FYE 2018 was 18.42 percent, which was up from its FYE 2017 fare box ratio of 16.46 percent. The increase in fare box ratio in spite of the ridership decrease was the result of a free fare day operating grant received from SRTA for the Crosstown Express route.

All of these factors were considered in preparing RABA's budget for the 2018-19 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

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Redding Area Bus Authority
Statements of Net Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,923,085	\$ 2,405,000
Accounts receivable	67,663	64,007
Intergovernmental receivables	1,608,112	2,488,967
Interest receivable	10,637	6,708
Materials and supplies inventory	94,607	138,533
Total current assets	4,704,104	5,103,215
Capital assets, not being depreciated:		
Land	2,231,614	1,806,581
Construction in progress	324,912	192,177
Capital assets, being depreciated, net of accumulated depreciation:		
Buildings	3,983,934	4,257,009
Automotive equipment	3,832,440	3,261,398
Improvements other than buildings	1,972,285	1,362,664
Furnishings and equipment	146,920	197,392
Total capital assets	12,492,105	11,077,221
Total assets	17,196,209	16,180,436
LIABILITIES		
Current liabilities:		
Accounts payable	749,443	446,473
Intergovernmental payable	108,784	124,643
Accrued liabilities	8,618	8,512
Deposit	3,000	3,000
Unearned revenue	3,185,593	3,868,322
Total current liabilities	4,055,438	4,450,950
NET POSITION		
Investment in capital assets	12,492,105	11,077,221
Unrestricted	648,666	652,265
Total net position	\$ 13,140,771	\$ 11,729,486

See accompanying Notes to Basic Financial Statements.

Redding Area Bus Authority
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Passenger fares for transit service	\$ 957,830	\$ 873,441
Contract transit services	498,547	419,455
Other revenue	76,532	71,477
Total operating revenues	<u>1,532,909</u>	<u>1,364,373</u>
OPERATING EXPENSES:		
Purchased transportation	3,703,988	3,604,394
Materials and supplies-vehicles	1,086,494	970,759
Depreciation	1,242,385	1,139,534
Services	791,558	767,307
Advertising	25,239	31,370
Other operating expenses	120,902	116,583
Utilities	132,634	141,412
Total operating expenses	<u>7,103,200</u>	<u>6,771,359</u>
Operating (loss)	<u>(5,570,291)</u>	<u>(5,406,986)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	444	632
Rent	22,666	18,895
Interest expense	(4,164)	(1,413)
Intergovernmental revenue - noncapital	1,000,000	1,002,997
Transportation Development Act revenue	3,309,348	3,239,843
Total nonoperating revenues (expenses)	<u>4,328,294</u>	<u>4,260,954</u>
(Loss) before capital contributions	<u>(1,241,997)</u>	<u>(1,146,032)</u>
Capital Contributions	<u>2,653,282</u>	<u>556,554</u>
CHANGE IN NET POSITION	<u>1,411,285</u>	<u>(589,478)</u>
Total net position - beginning of year	<u>11,729,486</u>	<u>12,318,964</u>
Total net position - end of year	<u>\$ 13,140,771</u>	<u>\$ 11,729,486</u>

See accompanying Notes to Basic Financial Statements.

Redding Area Bus Authority
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,529,253	\$ 1,406,001
Cash paid to suppliers	<u>(5,520,016)</u>	<u>(5,983,805)</u>
Net cash (used) by operating activities	<u>(3,990,763)</u>	<u>(4,577,804)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Intergovernmental revenue received	5,197,842	3,497,323
Advances from other funds	105,799	119,442
Repayment of advances from other funds	<u>(119,442)</u>	<u>(183,309)</u>
Net cash provided by noncapital financing activities	<u>5,184,199</u>	<u>3,433,456</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	1,962,914	479,975
Acquisition of capital assets	<u>(2,653,282)</u>	<u>(572,679)</u>
Interest paid	<u>(4,164)</u>	<u>(1,413)</u>
Net cash (used) by capital and related financing activities	<u>(694,532)</u>	<u>(94,117)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment revenue received	(3,485)	(744)
Rent received	<u>22,666</u>	<u>18,895</u>
Net cash provided by investing activities	<u>19,181</u>	<u>18,151</u>
Net change in cash and cash equivalents	518,085	(1,220,314)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>2,405,000</u>	<u>3,625,314</u>
End of year	<u>\$ 2,923,085</u>	<u>\$ 2,405,000</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (5,570,291)	\$ (5,406,986)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	1,242,385	1,139,534
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,656)	41,628
(Increase) decrease in materials and supplies inventory	43,926	13,934
Increase (decrease) in accounts payable	298,983	(366,648)
Increase (decrease) in accrued liabilities	106	1,307
Increase (decrease) in deposits	-	(895)
Increase (decrease) in intergovernmental payable	<u>(2,216)</u>	<u>322</u>
Net cash (used) by operating activities	<u>\$ (3,990,763)</u>	<u>\$ (4,577,804)</u>

See accompanying Notes to Basic Financial Statements.

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Redding Area Bus Authority
Notes to the Financial Statements
For the years ended June 30, 2018 and 2017

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Redding Area Bus Authority
Notes to the Basic Financial Statements
For the Years Ended June 30, 2018, and 2017

Note 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. City of Redding personnel provides administrative responsibility as well. 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 as an enterprise fund under the category of proprietary fund type activity according to generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standards-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States, which includes RABA. 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 enterprise 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.

Enterprise 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 enterprise 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.

Redding Area Bus Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2018, and 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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 acquisition value at the date of donation.

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

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

<u><i>Asset Types</i></u>	<u><i>Useful Life (in years)</i></u>
Buildings	30
Furnishing and Equipment	5-40
Vehicles	5-10
Improvements	10

Redding Area Bus Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2018, and 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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 the City of Redding's personnel. Transportation services are provided by the personnel of an independent transportation company. RABA paid the City of Redding for accounting and administrative services \$600,918 in fiscal year ending June 30, 2018 and \$572,374 in fiscal year ending June 30, 2017.

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.

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.

Redding Area Bus Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2018, and 2017

Note 2 – Cash and Investments

As of June 30, 2018 and 2017, RABA's cash and investments and the fair value measurement input are as follows:

	<u>2018</u>			<u>2017</u>		
	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>Measurement Input</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>Measurement Input</u>
Deposits	\$ 5,777	\$ 5,777	<i>Uncategorized</i>	\$ 10,707	\$ 10,707	<i>Uncategorized</i>
Local Agency Investment Fund	<u>2,917,308</u>	<u>2,917,308</u>	<i>Uncategorized</i>	<u>2,394,293</u>	<u>2,394,293</u>	<i>Uncategorized</i>
Total Cash and Investments	<u>\$ 2,923,085</u>	<u>\$ 2,923,085</u>		<u>\$ 2,405,000</u>	<u>\$ 2,405,000</u>	

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, 2018, 2.67%, as compared to 2.89% as of June 30, 2017, of LAIF's investment portfolio was invested in structured notes and other asset-backed securities, respectively.

Redding Area Bus Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2018, and 2017

Note 2 – Cash and Investments (Continued)

Concentration of Credit Risk - RABA has approximately 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.

<i>Issurer</i>	<i>Investment Type</i>	<i>2018</i>	<i>2017</i>
Local Agency Investment Fund (LAIF)	California Pooled Investment Fund	\$ 2,917,308	\$ 2,394,293

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, 2018 and 2017.

Note 3 – Accounts Receivable

At June 30, 2018 and 2017, accounts receivable consists of the following:

	<i>June 30, 2018</i>	<i>June 30, 2017</i>
Ticket Sales	\$ 45,033	\$ 34,153
Contract Services	7,869	19,086
Auxiliary Revenue	5,855	10,768
Miscellaneous	8,906	-
Accounts Receivable Balance	<u>\$ 67,663</u>	<u>\$ 64,007</u>

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.

Note 4 – Intergovernmental Receivables

Intergovernmental receivables at June 30, 2018 and 2017 were as follows:

	<i>June 30, 2018</i>	<i>June 30, 2017</i>
Federal Department of Transportation	\$ 1,007,639	\$ 1,304,200
Shasta Regional Transportation Agency	483,394	893,452
Shasta County - Other	117,079	291,315
Total	<u>\$ 1,608,112</u>	<u>\$ 2,488,967</u>

Redding Area Bus Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2018, and 2017

Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	<i>Balance</i> <i>July 1, 2017</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers/ Reclassifications</i>	<i>Balance</i> <i>June 30, 2018</i>
Capital assets, not being depreciated:					
Land	\$ 1,806,581	\$ 425,033	\$ -	\$ -	\$ 2,231,614
Construction in progress	192,177	230,029	-	(97,294)	324,912
Total capital assets, not being depreciated	<u>1,998,758</u>	<u>655,062</u>	<u>-</u>	<u>(97,294)</u>	<u>2,556,526</u>
Capital assets, being depreciated:					
Buildings	8,426,798	-	-	-	8,426,798
Improvements other than buildings	3,049,752	670,805	-	97,294	3,817,851
Automotive equipment	9,078,913	1,324,311	-	-	10,403,224
Furnishings and equipment	2,496,227	7,091	(118,643)	-	2,384,675
Total capital assets, being depreciated	<u>23,051,690</u>	<u>2,002,207</u>	<u>(118,643)</u>	<u>97,294</u>	<u>25,032,548</u>
Less accumulated depreciation for:					
Buildings	(4,169,789)	(273,075)	-	-	(4,442,864)
Improvements other than buildings	(1,687,088)	(158,478)	-	-	(1,845,566)
Automotive equipment	(5,817,515)	(753,269)	-	-	(6,570,784)
Furnishings and equipment	(2,298,835)	(57,563)	118,643	-	(2,237,755)
Total accumulated depreciation	<u>(13,973,227)</u>	<u>(1,242,385)</u>	<u>118,643</u>	<u>-</u>	<u>(15,096,969)</u>
Total capital assets, being depreciated, net	<u>9,078,463</u>	<u>759,822</u>	<u>-</u>	<u>97,294</u>	<u>9,935,579</u>
Capital assets, net	<u><u>\$ 11,077,221</u></u>	<u><u>\$ 1,414,884</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,492,105</u></u>

Redding Area Bus Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2018, and 2017

Note 5 – Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2017 was as follows:

	<i>Balance</i> <u>July 1, 2016</u>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers/ Reclassifications</i>	<i>Balance</i> <u>June 30, 2017</u>
Capital assets, not being depreciated:					
Land	\$ 1,806,581	\$ -	\$ -	\$ -	\$ 1,806,581
Construction in progress	<u>155,675</u>	<u>49,087</u>	<u>-</u>	<u>(12,585)</u>	<u>192,177</u>
Total capital assets, not being depreciated	<u>1,962,256</u>	<u>49,087</u>	<u>-</u>	<u>(12,585)</u>	<u>1,998,758</u>
Capital assets, being depreciated:					
Buildings	8,426,798	-	-	-	8,426,798
Improvements other than buildings	3,030,364	19,388	-	-	3,049,752
Automotive equipment	8,697,505	381,408	-	-	9,078,913
Furnishings and equipment	<u>2,434,157</u>	<u>104,386</u>	<u>(54,901)</u>	<u>12,585</u>	<u>2,496,227</u>
Total capital assets, being depreciated	<u>22,588,824</u>	<u>505,182</u>	<u>(54,901)</u>	<u>12,585</u>	<u>23,051,690</u>
Less accumulated depreciation for:					
Buildings	(3,896,714)	(273,075)	-	-	(4,169,789)
Improvements other than buildings	(1,527,445)	(159,643)	-	-	(1,687,088)
Automotive equipment	(5,184,271)	(633,244)	-	-	(5,817,515)
Furnishings and equipment	<u>(2,280,164)</u>	<u>(73,572)</u>	<u>54,901</u>	<u>-</u>	<u>(2,298,835)</u>
Total accumulated depreciation	<u>(12,888,594)</u>	<u>(1,139,534)</u>	<u>54,901</u>	<u>-</u>	<u>(13,973,227)</u>
Total capital assets, being depreciated, net	<u>9,700,230</u>	<u>(634,352)</u>	<u>-</u>	<u>12,585</u>	<u>9,078,463</u>
Capital assets, net	<u><u>\$ 11,662,486</u></u>	<u><u>\$ (585,265)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,077,221</u></u>

Redding Area Bus Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2018, and 2017

Note 6 – Intergovernmental Payables

Intergovernmental payables at June 30, 2017 and 2016 were as follows:

	<i>June 30, 2018</i>	<i>June 30, 2017</i>
City of Redding - Utilities	\$ 2,985	\$ 5,201
City of Redding	105,799	119,442
Total	\$ 108,784	\$ 124,643

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.

Note 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 2017-18, RABA received or accrued an additional \$599,432 in PTMISEA funding. During the fiscal year RABA incurred \$1,443,181 in qualifying expenditures and earned \$29,729 in interest income. The June 30, 2018 ending balance in unspent PTMISEA funding was \$2,757,618.

In fiscal year 2016-17, RABA received or accrued an additional \$0 in PTMISEA funding. During the fiscal year RABA incurred \$249,947 in qualifying expenditures and earned \$17,012 in interest income. The June 30, 2017 ending balance in unspent PTMISEA funding was \$3,562,224.

Redding Area Bus Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2018, and 2017

Note 8 – Unearned Revenue

Transportation Development Act

Unearned revenue at June 30, 2018 included \$3,185,593 of California Proposition 1B funds received from CalTrans.

Unearned revenue at June 30, 2017 included \$3,868,322 of California Proposition 1B funds received from CalTrans.

Other Proposition 1B Funds

In fiscal year 2017-18 RABA received \$276,410 in non PTMISEA Proposition 1B funds. During the fiscal year RABA incurred \$158,304 in qualifying expenditures and earned \$3,771 in interest. The June 30, 2018 balance of non PTMISEA Proposition 1B funds was \$427,975.

In fiscal year 2016-17 RABA received \$153,561 in non PTMISEA Proposition 1B funds. During the fiscal year RABA incurred \$0 in qualifying expenditures and earned \$988 in interest. The June 30, 2017 balance of non PTMISEA Proposition 1B funds was \$306,098.

Note 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 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, 2018, has been included in the City's Risk Management Fund's claims payable amount as of June 30, 2018. The employees of the purchased transportation provider are covered by workers' compensation insurance through their employer.

Note 10 – Commitments and Contingencies

There are no material, pending, or threatened items of litigation, claims or assessments involving RABA as of June 30, 2018, as expressed in the attorney confirmation letter dated December 5, 2018.

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 14, 2018, in the opinion of RABA Management, there were no additional outstanding matters that would have a significant effect on the financial position of RABA.

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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 <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>	39
Revenue Capacity <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>	43
Demographic and Economic Information <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>	46
Operating Information <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>	48

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 position information includes information beginning in 2008-09.

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**Redding Area Bus Authority
Net Position
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Investment in Capital Assets</u>	<u>Unrestricted</u>	<u>Total Net Position</u>
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
2013-14	10,883,829	633,226	11,517,055
2014-15	11,877,517	633,226	12,510,743
2015-16	11,662,484	656,480	12,318,964
2016-17	11,077,221	652,265	11,729,486
2017-18	12,492,105	648,666	13,140,771

Source: Redding Area Bus Authority Annual Component Unit Financial Report.

**Redding Area Bus Authority
Change in Net Position
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Capital Contributions</u>	<u>Change in Net Position</u>
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)
2013-14	6,333,614	5,302,629	1,518,269	487,284
2014-15	6,333,387	5,284,171	2,042,904	993,688
2015-16	6,526,780	5,371,334	963,667	(191,779)
2016-17	6,772,772	5,626,740	556,554	(589,478)
2017-18	7,107,364	5,865,367	2,653,282	1,411,285

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

Source: Redding Area Bus Authority Annual Component Unit Financial Report.

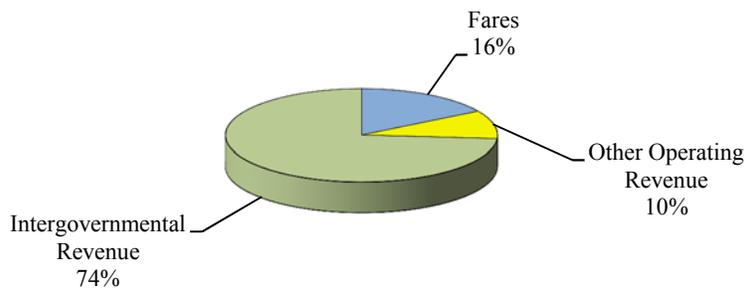
**Redding Area Bus Authority
Revenues
Last Ten Fiscal Years**

<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>
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) (1)	4,971,602
2010-11	786,872	164,562	4,225,174	5,759 (2)	5,182,367
2011-12	883,688	170,344	3,984,795	(13,909) (3)	5,024,918
2012-13	889,096	171,980	4,026,484	31,645	5,119,205
2013-14	911,964	405,418	3,930,694	54,553 (4)	5,302,629
2014-15	888,666	439,059	3,938,343	18,103	5,284,171
2015-16	844,800	466,062	4,061,447	(975) (5)	5,371,334
2016-17	873,441	490,932	4,242,840	19,527	5,626,740
2017-18	957,830	575,079	4,309,348	23,110	5,865,367

- Note:
- (1) Data includes loss on disposal of assets of \$88,031
 - (2) Data includes loss on disposal of assets of \$20,641
 - (3) Data includes loss on disposal of assets of \$33,726
 - (4) Data includes gain on disposal of assets of \$21,706
 - (5) Data includes loss on disposal of assets of \$22,522

Source: Redding Area Bus Authority Annual Component Unit Financial Report.

**RABA Revenues 2017-18
(Excluding Other Non-Operating Revenues)**



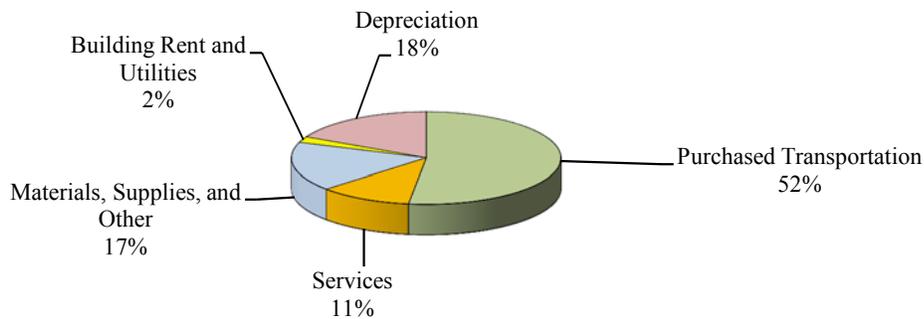
**Redding Area Bus Authority
Expenses
Last Ten Fiscal Years**

Fiscal Year	Purchased Transportation	Services	Materials, Supplies, and Other (1)	Building Rent and Utilities	Depreciation	Total Expenses
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
2013-14	3,251,489	620,932	1,253,830	153,899	1,053,464	6,333,614
2014-15	3,374,768	679,523	1,060,403	169,477	1,049,216	6,333,387
2015-16	3,503,399	725,288	1,014,479	151,487	1,132,127	6,526,780
2016-17	3,604,394	767,307	1,101,731	157,522	1,139,534	6,770,488
2017-18	3,703,988	791,558	1,220,688	148,744	1,242,385	7,107,364

(1) Includes advertising expenses.

Source: Redding Area Bus Authority Annual Component Unit Financial Report.

RABA Expenses 2017-18

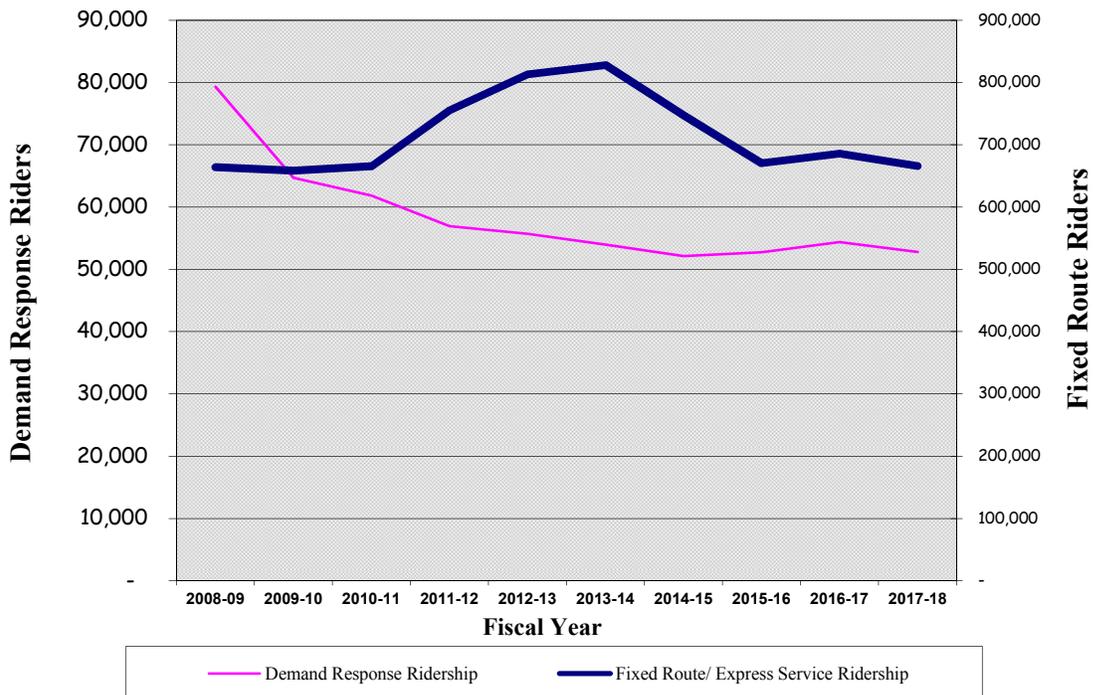


**Redding Area Bus Authority
Comparison of System Ridership Data
Last Ten Fiscal Years**

Fiscal Year	Fixed Route/ Express Service Ridership	Change	Demand Response Ridership	Change
2008-09	664,115	1.8%	79,340	4.3%
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%
2013-14	827,924	1.8%	53,953	-3.1%
2014-15	747,205	-9.7%	52,158	-3.3%
2015-16	670,336	-10.3%	52,744	1.1%
2016-17	685,793	2.3%	54,395	3.1%
2017-18	665,735	-2.9%	52,821	-2.9%

Source: State Controller's Report for Transit.

RABA Ridership Trends



Redding Area Bus Authority Fare Structure

Burney Express Route	\$2.00 - \$5.00
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	\$0.35
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

	Demand Response	Fixed Route	Demand Response & Fixed Route	Burney Express	Total
<u>Revenue</u>					
Fare Box revenue	\$ 161,296	\$ 770,812	\$ 932,108	\$ 25,722	\$ 957,830
Local Funds	28,387	70,499	98,886	-	\$ 98,886
Fare Box revenue (incl Local Funds)	189,683	841,311	1,030,994	25,722.00	\$ 1,056,716
Other revenue	1,421,917	3,165,681	4,587,598	221,053	4,808,651
Total Revenue	\$ 1,611,600	\$ 4,006,992	\$ 5,618,592	\$ 246,775	\$ 5,865,367
<u>Expenses</u>					
Depreciation	-	1,242,385	1,242,385	-	1,242,385
Other expense	1,611,600	4,006,604	5,618,204	246,775	5,864,979
Total expense	1,611,600	5,248,989	6,860,589	246,775	7,107,364
Net Loss	-	(1,241,997)	(1,241,997)	-	(1,241,997)
Add Capital Contributions		2,653,282	2,653,282		2,653,282
Change in Net Position	\$ -	\$ 1,411,285	\$ 1,411,285	\$ -	\$ 1,411,285
Excluded Costs	\$ 45,700	\$ 82,094	\$ 127,794		\$ 127,794 *
Fare Box Ratio (Fare Box revenue/Other expense) (Net of Excluded Costs)	<u>12.11%</u>	<u>21.44%</u>	<u>18.78%</u>	<u>10.42%</u>	<u>18.42%</u>

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

**Redding Area Bus Authority
Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Square Miles	RABA Service Area Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (2)	Unemployment Rates (3)
2008-2009	100.00	117,478	\$ 3,890,871	\$ 33,120	14.10
2009-2010	100.00	118,065	3,906,299	33,086	16.20
2010-2011	100.00	115,634	* 4,002,208	34,611	15.90
2011-2012	100.00	116,281	* 4,136,115	35,570	14.20
2012-2013	100.00	116,518	* 4,239,507	36,385	11.80
2013-2014	100.00	116,516	* 4,326,822	37,135	9.30
2014-2015	100.00	116,607	* 4,619,036	39,612	7.50
2015-2016	100.00	116,337	* 4,914,540	42,244	6.80
2016-2017	100.00	116,747	* 5,057,947	43,324	5.80
2017-2018	100.00	116,912	* 5,224,914	44,691	5.10

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

Source: (1) *Shasta County Transit Development Plan*

* 2010-2011 through 2017-2018 based on Department of Finance population at January 1 and percentages presented in 2013-2014 *Unmet Transit Needs Assessment* by Shasta County RTPA (Attach A). Prior years updated for any change in Department of Finance information.

(2) *Bureau of Economic Analysis, U.S. Department of Commerce*. Prior years updated for any change in data.

(3) *State of California Employment Development Department*. Prior years updated for any change in data.

**Redding Area Bus Authority
Principal Employers in the City of Redding
Current Year and Nine Years Ago**

Employer	2018			2009			
	Employees	Rank	Percentage of Total Area Employment	Employees	Rank	Percentage of Total Area Employment	
Shasta County	*	2,020	1	2.85%	1,925	1	2.66%
Mercy Medical Center	*	1,505	2	2.12%	1,600	2	2.21%
Shasta Regional Medical Center		818	3	1.15%	600	3	0.83%
City of Redding	**	777	4	1.10%	860	4	119.00%
Shasta Community College		612	5	0.86%	700	5	0.97%
Redding Rancheria		565	6	0.80%	370	8	0.51%
CA Transportation Department		514	7	0.72%			
Shasta Union High School District		398	8	0.56%			
Shasta Community Health		384	9	0.54%			
Blue Shield of California		330	10	0.47%	430	6	0.59%
Wal-Mart					375	7	0.52%
United States Post Office					300	9	0.41%
Shasta Head Start					250	10	0.35%
Total		<u>7,923</u>			<u>7,410</u>		

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

** Full-time budgeted positions.

In 2017-18 there were 744 full-time and 433 part-time/temporary positions filled.

In 2008-09 there were 860 full-time and 319 part-time/temporary positions filled.

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

**Redding Area Bus Authority
Summary of Fixed Route 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>
2008-09	\$ 572,248	658,804	40,216	571,739
2009-10	555,009	654,164	40,084	554,612
2010-11	564,626	658,906	40,309	559,312
2011-12	670,276	749,222	40,893	578,102
2012-13	685,897	807,894	40,798	582,760
2013-14	706,413	823,012	41,200	586,060
2014-15	699,922	742,712	41,101	595,628
2015-16	639,281	664,367	40,762	631,855
2016-17	670,176	679,527	41,685	648,171
2017-18	770,812	659,697	41,257	637,806

Source: State Controller's Report for Transit

**Redding Area Bus Authority
Summary of Express Service 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>
2008-09	\$ 22,147	5,311	1,530	58,140
2009-10	14,698	4,052	1,536	58,368
2010-11	24,986	6,340	1,548	58,140
2011-12	27,050	6,174	1,542	58,596
2012-13	23,605	5,457	1,518	57,674
2013-14	22,764	4,912	1,530	58,140
2014-15	20,993	4,493	1,529	58,141
2015-16	26,560	5,969	2,214	58,372
2016-17	26,021	6,266	2,313	87,780
2017-18	25,722	6,038	2,340	86,526

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>
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
2013-14	182,786	53,953	16,678	293,840
2014-15	167,751	52,158	16,824	298,360
2015-16	178,959	52,744	17,169	302,227
2016-17	177,245	54,395	16,405	300,213
2017-18	161,296	52,821	16,232	294,282

Source: State Controller's Report for Transit

**Redding Area Bus Authority
Capital Assets Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Fixed Route Buses</u>	<u>Demand Response Vans</u>	<u>Transfer Stations</u>	<u>Maintenance Facilities</u>
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
2013-14	18	20	3	1
2014-15	18	20	3	1
2015-16	18	20	3	1
2016-17	19	18	3	1
2017-18	18	18	3	1

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

**Redding Area Bus Authority
Miscellaneous Data
June 30, 2018**

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):	116,912
Total Fleet Size:	
Fixed route	18
Paratransit	18
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) Based on Department of Finance population estimates @ 1/1/18 and Shasta County RTPA-2013/14 TDA Budget Transit requirements. See Demographic Statistics, pg. 48

RABA



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE (INCLUDING COMPLIANCE WITH
THE TRANSPORTATION DEVELOPMENT ACT AND THE PUBLIC TRANSPORTATION
MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT GUIDELINES)
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Board of Directors
of the 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 business-type activities of the Redding Area Bus Authority (the "Authority"), a component unit of the City of Redding, California (the "City"), as of and for the year ended June 30, 2018, 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 14, 2018.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the Authority’s 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. Further tests were made to determine that TDA funds allocated and received by the Authority were expended in accordance with the applicable provisions of the Act as prescribed in §6666 and §6667 of Title 21, Chapter 3, Subchapter 2, Article 5.5 of the California Code of Regulations and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency.

We also tested the Authority’s compliance with requirements for the PTMISEA for the verification of the receipt and expenditure of PTMISEA funds as follows:

Unspent proceeds at July 1, 2017	\$ 3,561,638
Interest earned on PTMISEA funds	29,729
Additional appropriations	599,432
Expenditures incurred	<u>(1,433,181)</u>
Unexpended proceeds at June 30, 2018	<u>\$ 2,757,618</u>

However, providing an opinion on compliance with these 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 that are required to be reported under *Government Auditing Standards*, the Transportation Development Act, PTMISEA statutes or guidelines and the Shasta Regional Transportation Agency rules, regulations and allocation instructions.

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 Authority’s internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, the TDA and PTMISEA in considering the Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Walnut Creek, California
December 14, 2018