Shasta Regional Transportation Agency

Basic Financial Statements

For the year ended June 30, 2023

Prepared by Jessica Carlson
Chief Fiscal Officer

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Financial Section
June 30, 2023

Shasta Regional Transportation Agency

Independent Auditor's Report

Board of Directors
Shasta Regional Transportation Agency
Redding, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Shasta Regional Transportation Agency (Agency) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Notes 1 and 13 to the financial statements, the Agency has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Correction of an Error

As discussed in Note 13 to the financial statements, the Agency corrected for an error resulting in the misstatement of amounts previously reported for unearned revenues as of June 30, 2022. Accordingly, a restatement has been made to beginning net position of the Governmental Activities and the beginning fund balance of the General Fund, the Local Transportation Fund, and the State Transit Assistance Fund as of July 1, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund and each major special revenue fund, schedule of the Agency's proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in net other postemployment benefits (OPEB) and related ratios, and schedule of OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The schedules of allocations and disbursements, schedule of cost allocation plan reconciliation and indirect cost rate carryover, and the schedule of cost allocation plan reconciliation and indirect cost allocation carryover are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information as noted in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2024, on our consideration of the Agency'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Eide Bailly LLP

Sacramento, California
August 28, 2024

As management of the Agency, we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented herein, in conjunction with the rest of the report.

Financial Highlights

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $14,418,392 (net position). Of this amount, $10,872,537 represents amounts restricted for transportation projects and programs.
- The Agency's total net position decreased by $716,293 because the total expenses exceeded the total revenues by that amount including a restatement for the adoption of the new Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (see Note 13 for more information).
- At the close of the fiscal year, the Agency's combined fund balances had increased to $12,947,646 in comparison with the prior year amount of $12,706,506 (as restated).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $2,075,109.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. *The statement of net position* presents financial information on all of the Agency's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. *The statement of activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods. Both of the government-wide financial statements can be found on pages 9-11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The Agency maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures.

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

- The **Local Transportation Fund** is used to account for Transportation Development Act revenues, which may be claimed by regional and/or local agencies, as applicable, for the administration of TDA, planning and programming activities, transit services, bicycle and pedestrian facilities, passenger rail service, and streets and roads.

- The **State Transit Assistance Fund** is used to account for Transportation Development Act revenues, which are claimed by local agencies only for eligible transit capital and operating activities.

The Agency adopts an annual appropriated budget for all its funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 12-16 of this report.

At June 30, 2023, the Agency’s governmental funds reported total fund balance of $12,947,646 which included an increase of $241,14 due to operations as well as a decrease of $404,746 due to a correction of an error in comparison with the prior fiscal year’s total ending fund balance.
Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 17 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Agency's budgetary comparison schedules, schedule of the proportionate share of the net pension liability, schedule of pension contributions, schedule of the other postemployment benefits (OPEB) and related ratios and the schedule of OPEB contributions. Required supplementary information can be found on pages 40-51 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Agency, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $14,418,392 for the fiscal year 2022-2023.

	Governmental Activities		Change	
	2023	2022	$	%
Current and other assets	$ 20,130,159	$ 17,781,333	$ 2,348,826	13.2%
Capital assets	2,147,868	2,301,049	(153,181)	-6.7%
Total assets	22,278,027	20,082,382	2,195,645	10.9%
Deferred outflows of resources	523,732	553,892	(30,160)	-5.4%
Long-term liabilities	1,029,204	877,942	151,262	17.2%
Other liabilities	6,793,097	3,984,280	2,808,817	70.5%
Total liabilities	7,822,301	4,862,222	2,960,079	60.9%
Deferred inflows of resources	561,066	639,367	(78,301)	-12.2%
Net position:				
Net investment in capital assets	1,559,817	1,713,748	(153,931)	-9.0%
Restricted	10,872,537	8,728,895	2,143,642	24.6%
Unrestricted	1,986,038	4,692,042	(2,706,004)	-57.7%
Total net position	$ 14,418,392	$ 15,134,685	$ (716,293)	-4.7%

Overall, capital asset experienced a decrease of $153,181 from prior fiscal year due to recording GASB Statement No. 96 for SBITA activity (see Note 13), where digital assets must be amortized based on current contract terms, net with depreciation and amortization of assets in the amount of $207,485.
During the fiscal year, the Agency's decrease in net position was $716,293. This decrease is due to posting the SBITA activity, and recognizing and adjusting accounts from State of Good Repair (SGR) and Low Carbon Transit Operating Program (LCTOP) funds for close-out.

The following table demonstrates the changes in Agency's net position for the year ended June 30, 2023 and 2022:

	Governmental Activities		Change	
	2023	**2022**	**$**	**%**
Revenues:				
Program revenues:				
Operating grants and contributions	$ 19,378,671	$ 18,174,074	1,204,597	6.6%
General revenue:				
Investment earnings	117,970	33,863	84,107	248.4%
Total revenues	19,496,641	18,207,937	1,288,704	7.1%
Expenses:				
Transportation planning & administration	5,206,823	3,318,774	1,888,049	56.9%
Local transportation assistance	14,580,414	10,907,383	3,673,031	33.7%
Interest expense	20,951	17,920	3,031	16.9%
Total expenses	19,808,188	14,244,077	5,564,111	39.1%
Increase (decrease) in net position	(311,547)	3,963,860	(4,275,407)	-107.9%
Net position - beginning of year, restated	14,729,939	11,170,825	3,559,114	31.9%
Net position - end of year	$ 14,418,392	$ 15,134,685	(716,293)	-4.7%

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

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

During the current fiscal year, the Agency's Local Planning Fund (General) balance decreased by $1,941,918 (as restated).

General Planning Fund Budgetary Highlights

There were three adjustments in the Local Planning Fund budget due to grants. Adopted appropriations were sufficient to cover all general fund operations during the fiscal year.

Capital Assets and Long-Term Obligations

Capital assets and long-term debt are shown in the tables below.

The Agency's capital assets as of June 30, 2023, amounts to $2,140,955, net of accumulated depreciation. Capital assets includes land, building, improvements, equipment, furniture, and software.

	Governmental Activities		Change	
	2023	2022	$	%
Land	$ 235,000	$ 235,000	$ -	0.0%
Building	1,841,238	1,954,401	(113,163)	-5.8%
Improvements	1,359	1,825	(466)	-25.5%
Equipment and furniture	63,358	109,823	(46,465)	-42.3%
SBITA's	6,914	-	6,914	n/a
Total capital assets	$ 2,147,869	$ 2,301,049	(153,180)	-6.7%

As of June 30, 2023, the Agency's debt totaled $529,444, a decrease of $57,857 from the prior year. The decrease was a payment made on the financing for the purchase of the building.

	Governmental Activities		Change	
	2023	2022	$	%
Financed Purchases	$ 529,444	$ 587,301	(57,857)	-9.9%
SBITA's	58,607	-	58,607	n/a
Total long-term debt	$ 588,051	$ 587,301	750	0.1%

Economic Factors and Next Fiscal Year's Budgets and Rates

The revenue and expenditure projections incorporated into the fiscal year 2022-23 budget are based upon historical data with inflationary increases; revenue estimates for grants and sales tax revenues provided by outside agencies such as the State Department of Transportation and the County Auditor's Office; and adjustments to expenditures to reflect the various stages of ongoing and new projects that the Agency will undertake in the coming year.

A priority of the Agency is to continue its longstanding policies of prudent fiscal management while ensuring long-term financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Agency's Chief Fiscal Officer at 1255 East Street, Suite 202, Redding, California 96001, sent by email to finance@srta.ca.gov, or inquired by phone at (530) 262-6190.

	Governmental Activities
Assets	
Current assets	
Cash, cash equivalents, and investments	$ 14,696,076
Accounts receivable	38,238
Due from other governments	4,839,847
Leases receivable	551,460
Other assets	4,538
Total current assets	20,130,159
Noncurrent assets	
Capital assets not being depreciated	235,000
Capital assets, net of depreciation	1,905,955
Right to use subscription IT assets, net of accumulated amortization	6,913
Total noncurrent assets	2,147,868
Total assets	22,278,027
Deferred Outflows of Resources	
Deferred outflows related to pensions	296,665
Deferred outflows related to other postemployment benefits	227,067
Total deferred outflows of resources	523,732
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	685,476
Deposits	5,500
Unearned revenues	5,941,045
Interest payable	4,375
Compensated absences, current portion	50,315
SBITA liability, current portion	46,804
Direct financing purchase, current portion	59,582
Total current liabilities	6,793,097

	Governmental Activities
Noncurrent liabilities	
Compensated absences, net of current portion	$ 117,403
SBITA liability, net of current portion	11,803
Direct financing purchase, net of current portion	469,862
Net other postemployment benefits liability	316,302
Net Pension Liability	113,834
Total noncurrent liabilities	1,029,204
Total liabilities	7,822,301
Deferred Inflows of Resources	
Deferred inflows related to leases receivable	550,492
Deferred inflows related to pensions	1,531
Deferred inflows related to other postemployment benefits	9,043
Total deferred inflows of resources	561,066
Net Position	
Net investment in capital assets	1,559,817
Restricted for transportation projects and programs	10,872,537
Unrestricted net position	1,986,038
Total net position	$ 14,418,392

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Total Program Revenues	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Transportation planning and administration	$ 5,206,823	$ 4,739,682	$ 4,739,682	$ (467,141)
Local transportation assistance	14,580,414	14,638,989	14,638,989	58,575
Interest expense	20,951	-	-	(20,951)
Total governmental activities	$ 19,808,188	$ 19,378,671	$ 19,378,671	(429,517)

General Revenues:	
Use of money and property	117,970
Total general revenues	117,970
Change in Net Position	(311,547)
Net Position at Beginning of Year, as previously reported	15,134,685
Restatement (see Note 13 for details)	(404,746)
Net Position at Beginning of Year, as restated	14,729,939
Net Position at End of Year	$ 14,418,392

		Special Revenue Funds		
	Local Planning Fund (General Fund)	Local Transportation Fund	State Transit Assistance Fund	Total Governmental Funds
ASSETS				
Cash, cash equivalents, and investment	$ 7,600,566	$ 3,563,152	$ 3,532,358	$ 14,696,076
Accounts receivable	-	38,235	3	38,238
Due from other governments	453,475	3,962,984	423,388	4,839,847
Lease receivable	551,460	-	-	551,460
Other assets	4,538	-	-	4,538
Advances to other funds	-	171,967	-	171,967
Total assets	$ 8,610,039	$ 7,736,338	$ 3,955,749	$ 20,302,126
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 521,136	$ 164,340	$ -	$ 685,476
Deposits	5,500	-	-	5,500
Unearned revenues	5,285,835	608,771	46,439	5,941,045
Advances from other funds	171,967	-	-	171,967
Total liabilities	5,984,438	773,111	46,439	6,803,988
Deferred inflows of resources:				
Related to leases receivable	550,492	-	-	550,492
Total deferred inflows of resources	550,492	-	-	550,492
Fund Balances:				
Restricted for highways, transit and non-motorized	-	6,963,227	3,909,310	10,872,537
Unassigned	2,075,109	-	-	2,075,109
Total fund balances	2,075,109	6,963,227	3,909,310	12,947,646
Total liabilities and fund balances	$ 8,610,039	$ 7,736,338	$ 3,955,749	$ 20,302,126

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

Fund balances of governmental funds		$ 12,947,646
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,147,868
Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures, and therefore, are not reported in the governmental fund financial statements:		
Pension related deferred outflows of resources		296,665
Net pension liability		(113,834)
Pension related deferred inflows of resources		(1,531)
Net other postemployment benefits ("OPEB") liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures, and therefore, are not reported in the governmental fund financial statements:		
OPEB related deferred outflows of resources		227,067
Net OPEB liability		(316,302)
OPEB related deferred inflows of resources		(9,043)
Interest on long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.		(4,375)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Direct Financing Purchase	$ (529,444)	
SBITA liability	(58,607)	
Compensated absences	(167,718)	(755,769)
Net position of governmental activities		$ 14,418,392

		Special Revenue Funds		
	Local Planning Fund (General Fund)	Local Transportation Fund	State Transit Assistance Fund	Total Governmental Funds
Revenues:				
Sales tax	$ -	$ 12,384,130	$ 465,370	$ 12,849,500
Intergovernmental:				
Federal Highway Administration	778,689	-	-	778,689
Federal Transit Administration	158,534	-	-	158,534
RSTP exchange fund	2,733,627	-	-	2,733,627
Planning, Programming and Monitoring	25,679	-	-	25,679
TDA Administration	170,012	1,754,749	-	1,924,761
SB1	164,499	-	-	164,499
State Highway Account	76,358	-	-	76,358
Low Carbon Transit Operations Program	348,239	-	-	348,239
State of Good Repair	29,755	-	-	29,755
Use of money and property	114,605	3,363	-	117,968
Other revenue	254,183	34,850	-	289,033
Total revenues	4,854,180	14,177,092	465,370	19,496,642
Expenditures:				
Current:				
Planning and administration	4,655,328	1,417,733	23,552	6,096,613
Transportation programs:				
Street and Roads	-	9,993,384	-	9,993,384
Transit	-	1,409,738	1,210,185	2,619,923
Non-Motorized	-	471,076	-	471,076
Capital outlay	54,305	-	-	54,305
Debt service:				
Principal retirement	108,048	-	-	108,048
Interest	20,951	-	-	20,951
Total expenditures	4,838,632	13,291,931	1,233,737	19,364,300
Excess of revenues over (under) expenditures	15,548	885,161	(768,367)	132,342

		Special Revenue Funds		
	Local Planning Fund (General Fund)	Local Transportation Fund	State Transit Assistance Fund	Total Governmental Funds
Other financing sources (uses):				
SBITAs issued	$ 108,798	$ -	$ -	$ 108,798
Transfers in	-	-	2,534,726	2,534,726
Transfers out	(2,066,264)	(468,462)	-	(2,534,726)
Total other financing sources (uses)	(1,957,466)	(468,462)	2,534,726	108,798
Net change in fund balance	(1,941,918)	416,699	1,766,359	241,140
Fund Balances:				
Beginning of year, as previously reported	4,382,357	6,539,508	2,189,387	13,111,252
Restatement	(365,330)	7,020	(46,436)	(404,746)
Beginning of year	4,017,027	6,546,528	2,142,951	12,706,506
End of year	$ 2,075,109	$ 6,963,227	$ 3,909,310	$ 12,947,646

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

Net change in fund balances of governmental funds	$ 241,140
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the capital transaction is presented below:	
Capital outlay	54,305
Depreciation	(207,486)
Changes in compensated absences do not use current financial resources and, therefore, are not reported as an expenditure in governmental funds.	(79,338)
Pension expense, net of reporting contributions made after measurement date.	(329,467)
OPEB expense	10,048
Payments on a financed purchases represent use of current financial resource in the governmental funds; therefore, not reported as a expense in the statement of activities.	108,048
Proceeds from the issuance of debt are recorded as an other financing source in the governmental funds and is recorded as an increase in liabilities in the statement of net position.	(108,798)
Change in net position of governmental activities	$ (311,548)

Note 1 - Reporting Entity and Significant Accounting Policies

A. Reporting Entity

The Shasta Regional Transportation Agency ("Agency") was designated by the State of California as a Regional Transportation Planning Agency ("RPTA") in 1972, and the Metropolitan Planning Organization ("MPO") by the Governor of California in 1981.

The Agency, the City of Redding, the Redding Area Bus Authority ("RABA"), the City of Anderson, the County of Shasta (the "County"), and Caltrans approved a Memorandum of Understanding outlining legal foundations of the MPO, the planning process, the obligations and responsibilities, the organization makeup, and the funding process. In June 2012, the Agency separated from the County and formerly became the Agency and an independent agency.

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

B. Measurement Focus & Basis of Accounting

The Agency's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide statements: The *statement of net position* and the *statement of activities* display information about the primary government. These financial statements are presented on an "*economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position.

The statement of activities presents the changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: Governmental fund financial statements include a *balance sheet* and a *statement of revenues, expenditures and changes in fund balances*. An accompanying reconciliation explains the differences in net position as presented in these statements to the net position presented in the government-wide financial statements as well as the differences between the changes in fund balance as presented in the fund statements and the changes in net position as presented in the statement of activities.

The governmental funds are accounted for on a "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources related to unavailable revenues and lease revenues are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

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

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

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

The Agency’s major governmental funds are required to be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities and deferred inflows, revenues or expenditures equal to ten percent of their fund-type total. The general fund is always a major fund. All other funds are reported as special revenue funds. The Agency reported the following major governmental funds in the accompanying financial statements:

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

Local Transportation Special Revenue Fund is used to account for Transportation Development Act (TDA) revenues, which may be claimed by regional and/or local agencies, as applicable, for the administration of TDA, planning and programming activities, transit services, bicycle and pedestrian facilities, passenger rail service, and streets and roads.

State Transit Assistance Special Revenue Fund is used to account for TDA revenues, which are claimed by local agencies only for eligible transit capital and operating activities.

C. Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments 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.

D. Capital Assets

Capital assets include general office equipment, furniture and real estate. Capital assets are defined by the Agency as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 the asset's life are not capitalized. Major outlays for capital asset improvements are recorded as assets.

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

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

Right to use subscription IT assets are recognized at the subscription commencement date and Agency's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful lives of the underlying assets using the straight-line method. The amortization period varies from 3 to 5 years.

E. Unearned Revenues

Unearned revenues are reported for resources received before the eligibility requirements are met (excluding time requirements).

F. Compensated Absences

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

Vacation accruals for non-management employees may not exceed 78 times the employee’s bi- weekly accrual rate. Management employees may not exceed 104 times the employee’s bi-weekly accrual rate. There is no limit on the accrual of sick leave. Upon termination, other than discharge, an employee shall be entitled to payment of a percentage of accumulated sick leaves based on the number of years of service.

G. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangement outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans) or “advances to/from other funds” (i.e.: long-term in nature). Eliminations have been made in the government-wide financial statements.

H. Pensions

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

I. Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits (“OPEB”) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency’s OPEB plan (OPEB Plan) and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the California Employer’s Retiree Benefit Trust (CERBT). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

J. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Agency has two (2) items that qualify for reporting in this category. These items are related to the net pension liability/(asset) and net other postemployment benefits. These amounts are further described in their respective footnotes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has three (3) items that qualify for reporting in this category in the government-wide financial statements. These items are related to the net pension liability/(asset), net other postemployment benefits, and lease receivable. These amounts are further described in their respective footnotes. The Agency has two items that qualifies for reporting in this category in the fund statements. The amounts related to the lease receivable are also recorded in the fund statements. The other item, unavailable revenues, arises only under a modified accrual basis of accounting, and is the recognition of revenues earned but not received within the period that the amounts become available. The deferred inflow of resources related to leases where the Agency is the lessor are recognized as an inflow of resources (revenue) on the straight-line basis over the terms of the leases.

K. Net Position

Government-wide financial statements utilize a net position presentation. Net position of the Agency is categorized as net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** represent the capitalized cost of capital assets, net of depreciation and amortization, and the related outstanding debt balances.
- **Restricted** net position represents net position that is constrained by externally imposed requirements of creditors (such as through debt covenants), laws or regulations of other governments or imposed by law, through constitutional provisions or enabling legislation.
- **Unrestricted** describes the portion of net position which is not restricted as to use.

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

L. Fund Balances

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

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

- **Restricted** – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments as well as restrictions imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body and that remain binding unless removed in the same manner. The Agency's Board of Directors is considered the highest authority for the Agency.
- **Assigned** – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Board and the Executive Director have the authority to assign amounts to be used for specific purposes.
- **Unassigned** – This category is for the remaining fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt service expenditures including principal and interest payments are reported as expenditures.

Subscription liabilities represent the Agency's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by the Agency.

N. Lease Receivables

Lease receivables are recorded by the Agency as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the Agency charges the lessee.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

P. New Accounting Principles

Effective This Fiscal Year

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. There was no impact to the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. There was no impact to the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The effect of the implementation of this standard on beginning net position is disclosed in Note 13 and the additional disclosures required by this standard are included in Notes 5 and 6.

Effective in Future Fiscal Years

GASB Statement No. 93 – In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address those and other accounting and reporting implications resulting from the replacement of an IBOR by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an Interbank Offered Rate (IBOR) is replaced and providing clarification to the hedge accounting termination provisions, removing LIBOR as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022. The Agency is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022.* The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistence of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirement of this Statement is effective for the use of LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. Requirements related to leases, Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements, and SBITAs are effective for fiscal years beginning after June 15, 2022. Requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. The Agency is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes for Error Corrections – an amendment of GASB Statement No. 62.* The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement is effective for reporting periods beginning after June 15, 2023. The Agency is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement is effective for reporting periods beginning after December 15, 2023. The Agency is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 102 – In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures.* The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The Statement is effective for fiscal periods beginning after June 15, 2024. The Agency has not determined the effect on the financial statements.

GASB Statement No. 103 – In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements.* The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement also addresses certain application issues. The Statement is effective for fiscal periods beginning after June 15, 2025. The Agency has not determined the effect on the financial statements.

Note 2 - Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments are classified in the financial statements as shown below:

Statement of Net Position:	
Governmental Activities	$ 14,696,076
Petty cash	$ 100
Deposits with financial institution	9,620,793
Cash Pooled with Shasta County Treasury	5,075,183
Total cash , cash equivalents, and investments	$ 14,696,076

A. Demand Deposits

At June 30, 2023, the carrying amount of the Agency's deposits was $9,620,793 and the bank balance was $5,075183. The total bank balance was covered by federal depository insurance or by collateral held by the Agency's agent in the Agency's name as discussed below.

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

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

B. Cash Pooled with Shasta County Treasury

The Agency maintains its State Transit Assistance and Local Transportation Funds cash in the amount of $5,075,183 in the Shasta County Treasury (County Pool). The County pools these funds with those of other entities in the County and invests the cash. These pooled funds are carried at amortized cost. Interest earned is deposited quarterly into participating funds. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Shasta's financial statements may be obtained by contacting the County of Shasta Auditor-Controller's office at 1450 Court Street, Room 238, Redding, California 96001. The investment pool is not registered within the Securities and Exchange Commission ("SEC"), and a treasury oversight committee provides oversight to ensure that investments comply with the approved County investment policy. At June 30, 2023, the weighted average maturity for the Shasta County Treasury is less than one year. The Shasta County Treasury is not rated by a rating agency. At the year end, the Shasta County Treasury was not exposed to custodial credit risk.

C. Fair Value Measurements

The Agency categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the Agency has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Agency's own data.

The fair value of the Agency's investment in the County Pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by the County Pool for the entire Pool portfolio (in relation to the amortized cost of that portfolio).

Deposits and withdrawals in the County Pool are made on the basis of $1 and not fair value. Accordingly, the Agency's proportionate share of investments in those funds at June 30, 2023, is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Note 3 - Due from other governments

Due from other governments in the General Fund consists mainly of amounts due from State of California Department of Transportation in the amount of $453,474 for various grant reimbursements. Amounts recorded in the Local Transportation Special Revenue Fund of $3,962,984, and those is the State Transit Assistance Special Revenue Fund of $423,388 are due from the State of California for sales tax revenues received in July and August. Management believes these amounts to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

Note 4 - Interfund Transactions

A. Interfund Transfers

The General Fund and Local Transportation Fund transferred $2,534,726 to the State Transit Assistance Fund to remit to other agencies for transportation related projects.

B. Advances to and From Other Funds

The Agency purchased a building at 1255 East Street in Redding, California. The Local Transportation Special Revenue Fund (Loan Fund) advanced $401,349 for the 40% of the square footage of the building that is leased. The General Fund is expected, with annual Board approval, to annually return the advances to the Local Transportation Special Revenue Fund with no interest over a seven-year period from net rental income.

At June 30, 2023, the advances from the Local Transportation Special Revenue Fund are in the amount of $171,967.

Note 5 - Capital Assets

A summary of changes in capital assets for the governmental activities for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities:				
Capital Assets, not being depreciated				
Land	$ 235,000	$ -	$ -	$ 235,000
Depreciable assets:				
Building	2,481,676	-	-	2,481,676
Improvements	9,686	-	-	9,686
Equipment and furniture	362,997	-	-	362,997
Total depreciable assets	2,854,359	-	-	2,854,359
Less: accumulated depreciation				
Building	(527,275)	(113,163)	-	(640,438)
Improvements	(7,861)	(466)	-	(8,327)
Equipment and furniture	(253,174)	(46,465)	-	(299,639)
Total accumulated depreciation	(788,310)	(160,094)	-	(948,404)
Total depreciable assets, net	2,066,049	(160,094)	-	1,905,955
Governmental activities capital assets, net	$ 2,301,049	$ (160,094)	$ -	$ 2,140,955

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities:				
Right to use Subscription IT Assets being amortized	$ -	$ 54,305	$ -	$ 54,305
Less Accumulated Amortization	-	(47,392)	-	(47,392)
Governmental activities right to use subscription IT assets, net	$ -	$ 6,913	$ -	$ 6,913

Depreciation and amortization expense in the amount of $207,486 for the year ended June 30, 2023, was charged to transportation planning and administrative function for governmental activities.

Note 6 - Long-Term Debt

A summary of changes in governmental activities long-term debt for the year ended June 30, 2023, is noted below:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due in One Year	Due in More Than One Year
Governmental Activities:						
Direct Financing -						
Financed Purchases	$ 587,301	$ -	$ (57,857)	$ 529,444	$ 59,582	$ 469,862
SBITA's	-	108,798	(50,191)	58,607	46,804	11,803
Compensated absences	88,380	79,338	-	167,718	50,315	117,403
	$ 675,681	$ 188,136	$ (108,048)	$ 755,769	$ 156,701	$ 599,068

Financed Purchase

In April 2016 the Agency financed the purchase of a building to use for an office. The Agency entered into a financing agreement with Umpqua Bank in the amount of $923,000. The agreement stipulates biannual payments of principal and interest in April and October. Interest on the financing is at 2.98%. The Agency holds title to the property. The Agency may prepay the liability up to 10% of the outstanding principal component of the liability payments without a prepayment premium.

Future debt service under the agreement are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	$ 59,582	$ 14,890	$ 74,472
2025	61,357	13,088	74,445
2026	63,186	11,232	74,418
2027	65,068	9,321	74,389
2028	67,008	7,353	74,361
2029-2032	213,243	9,656	222,899
Total debt service	$ 529,444	$ 65,540	$ 594,984

Subscription-Based Information Technology Arrangements (SBITA)

During the current year, the Agency had two current SBITA contracts for the use of operating and backup desktop applications and transit operator data collection software. As of June 30, 2023, the value of the operating and backup desktop application subscription liability was $21,414. The Agency is required to make annual principal and interest payments of $858 through June 2025. An implied interest rate of 10% was applied to anticipate the inflation of software pricing over the term of the agreement. As of June 30, 2023, the value of the transit operator data collection software subscription liability was $37,193. The Agency is required to make monthly principal and interest payments of $3,150 through June 2024. The subscription liabilities were valued using a discount rate of 3.0% which was based on the Agency’s incremental borrowing rate. The total amount of right to use subscription assets, and the related accumulated amortization on right to use subscription assets was $54,305 and $47,391, as of June 30, 2023, respectively.

Remaining principal and interest payments on the subscriptions are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	$ 46,804	$ 14,890	$ 61,694
2025	11,803	13,088	24,891
Total debt service	$ 58,607	$ 27,978	$ 86,585

Compensated Absences

The Agency's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and totaled to $167,718 for governmental activities at June 30, 2023, and are generally liquidated by the Local Planning Fund (General Fund) for the governmental activities.

Note 7 - Pension Plan

The Agency contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple- employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of- living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS.

Benefit provisions and all other requirements are established by State statute and city contracts with employee bargaining groups. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 or 52, depending on hire date, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
	Tier I	Tier II (PEPRA)
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Minimum retirement age	50	52
Benefits, as a % of annual salary	2.0%	2.0%
Required employee contribution rates	6.920%	7.25%
Required employer contribution rates	11.61% + $10,257	7.76% + $5,441

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. All employees in the Tier I plan are required to contribute 7% of their annual covered salary, based on Agency policy. However, employees that are considered PEPRA employees are required to contribute the annual actuarially-determined percentage of the covered salary (7.25% in 2023). For the year ended June 30, 2023, contributions to the Plan were $82,382.

Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the Agency reported net pension liability for its proportionate share of the net pension liability in the amount of $113,834.

The Agency's net pension liability is measured as the proportionate share of the Plan's net pension liability. The net pension liability is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability as of June 30, 2023, and 2022, was as follows:

Proportionate share of net pension liability	Net Pension Liability	Proportionate Share
June 30, 2022	$ (169,765)	-0.00894%
June 30, 2023	113,834	0.00243%
Change - Increase (Decrease)	$ 283,599	0.01137%

For the year ended June 30, 2023, the Agency recognized pension expense in the amount of $329,464. On June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 11,665	$ -
Pension Contributions Subsequent to Measurement Date	82,382	-
Differences Between Expected and Actual Experience	2,286	(1,531)
Differences Between Projected and Actual Investment Earnings	20,851	-
Differences between Employer's Contributions and Proportionate Share of Contributions	24,518	-
Changes in Employer's Proportionate Share of the Net Pension Liability	154,963	-
Total	$ 296,665	$ (1,531)

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is $82,382, which will be recognized as a component of pension expense in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	
2024	$ 91,506
2025	72,165
2026	36,327
2027	12,754
Total	$ 212,752

Actuarial Assumptions

The total pension liabilities in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions for the Miscellaneous CalPERS plan:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth [(1)]	3.3% - 14.2%
Mortality	Based on CalPERS Experience Study

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

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Changes of assumptions – CalPERS reduced the discount rate from 7.15% in measurement year ended June 30, 2021, to 6.90% in measurement year ended June 30, 2022. The inflation rate was also adjusted from 2.50% to 2.30%.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class	Target	Real Return
Global equity - cap-weighted	30.00%	4.54%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100%	

(1) An expected inflation of 2.30% used for this period
(2) Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the net pension liability, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	5.90%	6.90%	7.90%
Net Pension Liability / (Asset)	$ 387,229	$ 113,834	$ (111,102)

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report.

Note 8 - Deferred Compensation Plan

The Agency offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Service (IRS) Code Section 457. Amounts deferred by employees and the related income are held in trust by the plan provider for the exclusive benefit of the participants and their beneficiaries. The amounts are not owned by the Agency nor are they available to the Agency's creditors.

The Plan allows employees to make voluntary contributions to the Plan up to the limits prescribed by the IRS.

The Agency does not participate in Social Security. All part-time, seasonal, and temporary employees participate in a FICA Alternative Plan which requires a 12.4% contribution split between employee and employer for part-time employees. The Agency contributes 6.2% of qualifying payroll to the Plan that the Agency would otherwise pay towards employees' Social Security benefits. Part-time employees are required to participate in CalPERS membership after being employed by the Agency for more than 1,000 hours annually and FICA requirements are then met by required payroll contributions by employee and employer into CalPERS.

In accordance with U.S. GAAP, the Agency is not required to report the value of the plan assets since the assets are held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the value of the plan assets and any related liability to plan participants have been excluded from the Agency's financial statements.

Note 9 - Other Postemployment Benefits

A. Plan Description

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

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

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

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

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

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

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

4. The health plans can include coverage for an eligible spouse and/or dependents. After a member's death, a surviving spouse is eligible to continue coverage. The maximum subsidy for a surviving spouse is the same as it is for a retiree.

5. The Agency will pay 58% of the premium for spousal coverage and 62% of the premium for other dependent coverage.

6. The health plans can include coverage for an eligible spouse and/or dependents. After the member's death, a surviving spouse is eligible to continue health plan coverage. The Agency will pay 58% of the premium for spousal coverage and 62% of the premium for other dependent coverage.

7. If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of $187 per month or a $15 per year of service, whichever is greater.

Contributions. The Agency, as a plan sponsor, determines the contributions into CalPERS to fund the OPEB Plan. The Agency has decided to pay the liability on pay-as-you go basis. During fiscal year 2022-23, the Agency made contributions of $41,505 to the plan.

Employees covered by benefit terms. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	8
Total	11

B. Net OPEB Liability

The Agency's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30,2023
General Inflation	2.50% per annum
Discount Rate	6.25%
Preretirement Mortality- Mortality, Retirement, Disability, Termination	Preretirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).
Mortality Improvement	Mortality projected fully generational with Scale MP-17 for post-retirement mortality
Salary Increases	Aggregate 2.75%
Postretirement Mortality	Post-retirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).
Medical Trend	6.00 percent for 2023, 5.50 percent for 2024, 5.25 percent for 2025-2029, 5.00 percent for 2030-2039, 4.75 precent for 2040-2049, 4.50 percent for 2050-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.50 percent for 2023-2029 and 4.00 percent for 2030 and later years.
Healthcare participation	50%

Changes in assumptions – The Agency lowered the discount rate from 7.00% in measurement period ended June 30, 2022 to 6.25% in measurement period ended in June 30, 2023.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Rate of Return
Global Equity	49.0%	4.80%
Fixed Income	23.0%	1.80%
Treasury Inflation Protection Securities	5.0%	1.60%
Real Estate Investment Trusts	20.0%	3.70%
Commodities	3.0%	1.90%
Total	100.0%	

Discount rate. The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the Agency’s contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Net OPEB Liability

The changes in the net OPEB liability measured as of June 30, 2023 is as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021	$ 555,818	$ 269,186	$ 286,632
Service Cost	21,239	-	21,239
Interest	38,966	-	38,966
Actual vs expected experience	36,946	-	36,946
Changes in assumptions	30,835	-	30,835
Employer contributions	-	80,842	(80,842)
Net investment income	-	17,707	(17,707)
Benefit payments	(41,505)	(41,505)	-
Trustee Fees	-	(98)	98
Administrative expenses	-	(135)	135
Net changes	86,481	56,811	29,670
Balance at June 30, 2022	$ 642,299	$ 325,997	$ 316,302

Detailed information about the OPEB plan’s fiduciary net position is available in the separate CalPERS ACFR that may be obtained on the CalPERS website.

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percent higher (7.25%) than the current discount rate:

	1% Decrease (5.25%)	Current Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability	$ 396,935	$ 316,302	$ 249,021

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (3%) or 1 percentage point higher (5%) than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	$ 240,623	$ 316,302	$ 410,024

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Agency recognized OPEB expense of $70,794. At June 30, 2023, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 77,395	$ -
Changes in assumptions	114,458	-
Differences between projected and actual return investments	35,214	(9,043)
Total	$ 227,067	$ (9,043)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ending June 30,	Deferred outflows/ (inflows) of resources
2024	$ 29,755
2025	28,624
2026	33,145
2027	22,251
2028	21,901
Thereafter	82,348
Total	$ 218,024

Note 10 - Risk Management

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

Insurance	Amount
Personal Injury	$ 2,000,000
Public Officials Errors and Omissions	2,000,000
Products/Completed Operations	2,000,000
Employment Practices	2,000,000
Crime	1,000,000
Property	25,000,000
Workers' Compensation	1,000,000

Note 11 - Commitments and Contingencies

The Agency is subject to litigation arising in the normal course of business. In the opinion of the Agency's Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Agency.

The Agency received federal and state financial assistance from the California Department of Transportation ("Caltrans"). This financial assistance is provided to the Agency as a reimbursement of expenditures incurred in the administration of certain programs. Federal and state financial assistance is recognized as revenue at the time related expenditures are incurred, not when the funds are actually received. Although the Agency's financial assistance programs have been audited through June 30, 2023, in accordance with the provisions of Uniform Guidance, these programs may be subject to further financial and compliance audits by the reimbursing agencies.

As of June 30, 2023, the Agency has no significant outstanding commitments over $10,000.

Note 12 - Lease Receivables

The Agency has accrued a receivable for two office space leases. The remaining receivable for these leases was $551,460 for the year ended June 30, 2023. Deferred inflows related to these leases were $550,492 as of June 30, 2023. Interest revenue recognized on these leases was $17,746 for the year ended June 30, 2023. Principal receipts of $43,465 were recognized during the fiscal year. The interest rate on the leases was 3.00%.

Note 13 - Adoption of New Accounting Standard and Correction of Error

As of July 1, 2022, the Agency adopted GASB Statement No. 96*, Subscription-Based Information Technology Arrangements* (SBITAs). The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The Agency also corrected for errors in the recognition of unearned revenues in previous year. Beginning net position and fund balance was restated to retroactively adopt the provisions of GASB Statement No. 96 and correct for the error as follows:

	Governmental Activities
Net Position at July 1, 2022, as previously reported	$ 15,134,685
Subscription IT asset	104,496
Subscription IT liability	(104,496)
Unearned revenues	(404,746)
Net Position at July 1, 2022, as adjusted	$ 14,729,939

	General Fund	Local Transportation Fund	State Transit Assistance Fund
Fund Balance at July 1, 2022, as previously reported	$ 4,382,357	$ 6,539,508	$ 2,189,387
Unearned revenues	(365,330)	7,020	(46,436)
Fund Balance at July 1, 2022, as adjusted	$ 4,017,027	$ 6,546,528	$ 2,142,951

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Required Supplementary Information
June 30, 2023

Shasta Regional Transportation Agency

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

Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Proportion of the net pension liability	0.00019%	-0.00040%	0.00022%	0.00030%	0.00022%
Proportionate share of the net pension liability/(asset)	$ 11,798	$ (2,960)	$ 7,870	$ 30,218	$ 21,512
Covered payroll	$ 495,433	$ 577,751	$ 646,302	$ 714,715	$ 746,858
Proportionate share of the net pension liability	2.38%	-0.51%	1.22%	4.23%	2.88%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	81.00%	78.30%	74.10%	73.30%	75.30%

[1] Historical information is presented only for measurement periods for which GASB 68 is available for periods after GASB 68 implementation in 2013-14.

June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
0.00011%	0.00103%	-0.00894%	0.00243%
$ 11,025	$ 43,253	$ (169,765)	$ 113,834
$ 843,236	$ 866,425	$ 960,058	$ 1,281,007
1.31%	4.99%	-17.68%	8.89%
75.30%	75.10%	75.10%	75.10%

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

	2013-14[1]	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution	$ 55,298	$ 64,257	$ 56,173	$ 62,807	$ 65,698
Contributions in relation to the actuarially determined contributions	(74,697)	(64,257)	(56,173)	(62,819)	(65,698)
Contribution deficiency (excess)	$ (19,399)	$ -	$ -	$ (12)	$ -
Covered payroll	$ 495,433	$ 577,751	$ 646,302	$ 714,715	$ 746,858
Contributions as a percentage of covered payroll	11.16%	11.12%	8.69%	8.79%	8.80%

[1] Historical information is presented only for measurement periods for which GASB No. 68 is available for periods after GASB 68 implementation in 2013/14. Additional years of information will be displayed as it becomes available.

Notes to Schedule:

Benefit Changes: There were no changes to the benefit terms.

Changes of Assumptions: In 2022, the discount rate was reduced from 7.15% to 6.90% and the inflation rate was reduced from 2.50% to 2.30%. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.
In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.
In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan (administrative expense).
In 2014, amounts reported were based on the 7.5 percent discount rate.

2018-19	2019-20	2020-21	2021-22	2022-23
$ 111,204	$ 79,928	$ 103,172	$ 104,811	$ 82,382
(111,204)	(79,928)	(103,172)	(104,811)	(82,382)
$ -	$ -	$ -	$ -	$ -
$ 843,236	$ 866,425	$ 960,058	$ 1,281,007	$ 1,123,086
13.19%	9.23%	10.75%	8.18%	7.34%

Measurement Date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020[2]
Total OPEB liability				
Service cost	$ 5,991	$ 6,156	$ 6,325	$ -
Interest	15,440	16,483	17,498	-
Benefit payments	(5,558)	(8,103)	(11,623)	-
Difference between expected and actual experience	-	-	-	-
Changes in assumptions and other inputs	-	-	-	-
Other	-	256	17,850	-
Net change in total OPEB liability	15,873	14,792	128,755	-
Total OPEB liability - beginning	220,441	236,314	251,106	-
Total OPEB liability - ending (a)	$ 236,314	$ 251,106	$ 379,861	$ -
OPEB fiduciary net position				
Employer contributions	$ 33,235	$ 256	$ 47,059	$ -
Other adjustments	-	-	-	-
Net investment income	8,161	9,161	9,080	-
Administrative expense	(43)	(213)	(32)	-
Benefit payments	(5,558)	(8,103)	(11,623)	-
Net change in plan fiduciary net position	35,795	1,101	44,484	-
Plan fiduciary net position - beginning	79,262	115,057	116,518	-
Plan fiduciary net position - ending (b)	$ 115,057	$ 116,158	$ 160,642	$ -
Plan net OPEB liability - ending (a) - (b)	$ 121,257	$ 134,948	$ 219,219	$ -
Plan fiduciary net position as a percentage of the total OPEB liability	48.69%	46.26%	42.29%	0.00%
Covered payroll	$ 717,265	$ 746,858	$ 843,236	$ -
Plan net OPEB liability as a percentage of covered payroll	16.91%	18.07%	26.00%	0.00%

[1] Historical information is presented only for measurement periods for which GASB 75 is available for periods after GASB 75 implementation in 2016/17.

[2] During FY 2021, the Agency adjusted the measurement date to coincide with the financial reporting date.

Notes to Schedule:

Benefit Changes: There were no changes to the benefit terms.

Change in Assumptions: In 2023, the Agency dropped the discount rate from 7.00% to 6.25%

June 30, 2021	June 30, 2022	June 30, 2023
$ 16,449	$ 22,958	$ 21,239
28,619	36,695	38,966
(19,228)	(9,999)	(41,505)
44,322	-	36,946
34,152	-	30,835
-	-	-
104,314	49,654	86,481
401,850	506,164	555,818
$ 506,164	$ 555,818	$ 642,299
$ 67,707	$ 48,322	$ 80,842
-	10,083	-
52,888	(35,583)	17,707
-	(224)	(233)
(19,228)	(9,999)	(41,505)
101,367	12,599	56,811
155,220	256,587	269,186
$ 256,587	$ 269,186	$ 325,997
$ 249,577	$ 286,632	$ 316,302
50.69%	48.43%	50.75%
$ 866,425	$ 1,281,007	$ 1,123,086
28.81%	22.38%	28.16%

	2016-17[1]	2017-18	2018-19	2019-20
Actuarially determined contribution[2]	$ 23,235	$ -	$ -	$ -
Contributions in relation to the actuarially determined contributions	(33,235)	(49,363)	(47,059)	(23,116)
Contribution deficiency (excess)	$ (10,000)	$ (49,363)	$ (47,059)	$ (23,116)
Covered payroll	$ 717,265	$ 746,858	$ 843,236	$ -
Contributions as a percentage of covered employee payroll	4.63%	6.61%	5.58%	0.00%

[1] Historical information is presented only for measurement periods for which GASB 75 is available for periods after GASB 75 implementation in 2016/17.

[2] The June 30, 2015 actuarial valuation provided the actuarially determined contributions for the fiscal year ended June 30, 2017. There is no actuarially determined contribution for the fiscal years ended June 30, 2018, 2019, 2020, and 2021. SRTA contributed on pay-as-you go basis.

[3] Includes credit towards implicit subsidy

Notes to Schedule:

Valuation date:	June 30, 2023
<u>Methods and assumptions used to determine contribution rates:</u>	
Actuarial cost method	Entry Age Actuarial Cost Method
Discount rate	6.25%
Service requirement	100% at 5 Years of Service
Increase in CalPERS minimum	3.50%
Healthcare cost trend rates	4.00%
Payroll increases	2.75%

2020-21[3]	2021-22	2022-23
$ -	$ -	$ -
(67,707)	(38,323)	(39,337)
$ (67,707)	$ (38,323)	$ (39,337)
$ 866,425	$ 1,281,007	$ 1,123,086
7.81%	2.99%	3.50%

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
Federal Highway Administration	$ 1,092,720	$ 717,040	$ 778,689	$ 61,649
Federal Transit Administration	911,745	181,596	158,534	(23,062)
Planning, Programming and Monitoring	313,041	441,654	25,679	(415,975)
RSTP exchange fund	2,010,557	4,478,620	2,733,627	(1,744,993)
TDA Administration	-	-	170,012	170,012
SB1	492,879	110,035	164,499	54,464
State Highway Account	205,685	472,417	76,358	(396,059)
Low Carbon Transit Operations Program	567,537	624,851	348,239	(276,612)
State of Good Repair	832,540	818,076	29,755	(788,321)
Interest income	-	-	114,605	114,605
Other revenue	-	54,898	254,183	199,285
Total revenues	6,426,704	7,899,187	4,854,180	(3,045,007)
Expenditures:				
Current:				
Planning and administration	5,403,872	3,183,870	4,655,328	(1,471,458)
Capital outlay	-	-	54,305	(54,305)
Debt service:				
Principal	57,857	57,857	108,048	(50,191)
Interest	-	16,649	20,951	(4,302)
Total expenditures	5,461,729	3,258,376	4,838,632	(1,580,256)
Excess of revenues over (under) expenditures	964,975	4,640,811	15,548	(4,625,263)
Other Financing Sources:				
Proceeds from capital lease	-	-	108,798	108,798
Transfers out	-	-	(2,066,264)	(2,066,264)
Total other financing sources	-	-	(1,957,466)	(1,957,466)
Net change in fund balance	$ 964,975	$ 4,640,811	(1,941,918)	$ (6,582,729)
Fund Balance:				
Beginning of Year (restated)			4,017,027	
End of Year			$ 2,075,109	

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Sales tax	$ 10,856,896	$ 9,119,961	$ 12,384,130	$ 3,264,169
TDA Administration	765,190	967,876	1,754,749	786,873
Interest income	-	-	3,363	3,363
Other revenue	-	-	34,850	34,850
Total revenues	11,622,086	10,087,837	14,177,092	4,089,255
Expenditures:				
Current:				
Planning and administration	1,266,398	1,536,871	1,417,733	119,138
Transportation Programs:				
Street and roads	11,771,828	11,596,005	9,993,384	1,602,621
Transit	1,778,447	1,602,621	1,409,738	192,883
Non-Motorized	471,076	471,076	471,076	-
Total expenditures	15,287,749	15,206,573	13,291,931	1,914,642
Excess of revenues over (under) expenditures	(3,665,663)	(5,118,736)	885,161	6,003,897
Other Financing Use:				
Transfers out	-	-	(468,462)	(468,462)
Total other financing uses	-	-	(468,462)	(468,462)
Net change in fund balance	$ (3,665,663)	$ (5,118,736)	416,699	$ 5,535,435
Fund Balance:				
Beginning of Year (restated)			6,546,528	
End of Year			$ 6,963,227	

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Sales tax	$ 1,693,553	$ 1,811,262	$ 465,370	$ (1,345,892)
Total revenues	1,693,553	1,811,262	465,370	(1,345,892)
Expenditures:				
Current:				
Planning and administration	-	-	23,552	(23,552)
Transportation programs:				
Transit	-	-	1,210,185	(1,210,185)
Total expenditures	-	-	1,233,737	(1,233,737)
Excess of revenues over (under) expenditures	1,693,553	1,811,262	(768,367)	(2,579,629)
Other Financing Use:				
Transfers in	-	-	2,534,726	2,534,726
Total other financing uses	-	-	2,534,726	2,534,726
Net change in fund balance	$ 1,693,553	$ 1,811,262	1,766,359	$ (44,903)
Fund Balance:				
Beginning of Year (restated)			2,142,951	
End of Year			$ 3,909,310	

Budget Information

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

Budgets are adopted annually on the accrual basis for all governmental funds. Amendments to the adopted budget requires an approval by the Board of Directors. Reported budget amounts are as originally adopted and subsequently amended. Annual appropriations lapse at fiscal year-end.

Expenditures over Appropriation

During the year ended June 30, 2023, the Agency had expenditures over appropriations for the following:

Fund	Amount in excess of Appropriations
Local Planning Fund:	
Planning and administration	$ (1,471,458)
Capital outlay	(54,305)
Principal	(50,191)
Interest	(4,302)
State Transit Assistance Special Revenue Fund:	
Planning and administration	(23,552)
Transportation programs: Transit	(1,210,185)

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Supplementary Information
June 30, 2023

Shasta Regional Transportation Agency

	Allocations and Disbursements Under Public Utilities Code Sections				
	99233.1	99260	99275	99400 (a) (c) & (d)	Totals
Allocations:					
County of Shasta	$ -	$ -	$ -	$ 3,709,257	$ 3,709,257
City of Redding	-	-	-	5,078,505	5,078,505
City of Anderson	-	-	-	593,415	593,415
City of Shasta Lake	-	-	-	612,204	612,204
Redding Area Bus Authority	-	392,439	-	-	392,439
Shasta Regional Transportation Agency	1,505,440	-	-	-	1,505,440
SRTA (CTSA)	-	-	501,208	-	501,208
Total allocations	$ 1,505,440	$ 392,439	$ 501,208	$ 9,993,381	$ 12,392,468
Disbursements:					
County of Shasta	$ -	$ -	$ -	$ 3,709,260	$ 3,709,260
City of Redding	-	-	-	5,078,505	5,078,505
City of Anderson	-	-	-	593,412	593,412
City of Shasta Lake	-	-	-	612,204	612,204
Redding Area Bus Authority	-	392,439	-	-	392,439
Shasta Regional Transportation Agency	1,505,440	-	-	-	1,505,440
SRTA (CTSA)	-	-	501,208	-	501,208
Total disbursements	$ 1,505,440	$ 392,439	$ 501,208	$ 9,993,381	$ 12,392,468

	California Administrative Code Section 6730(a)
Allocations:	
City of Redding	$ 1,386,008
Regional Transit Reserve	307,546
Total allocations	$ 1,693,554
Disbursements:	
City of Redding	$ 1,191,068
City of Anderson	11,360
City of Shasta Lake	7,757
Regional Transit Reserve	465,369
Total disbursements	$ 1,675,554

Direct salaries for the year ended June 30, 2023	$	980,316
Approved indirect cost rate for June 30, 2023		135.07%
Total allocable indirect salaries at June 30, 2023		1,324,113
Actual indirect salaries at June 30, 2023		1,092,952
Under (over) recovered indirect salaries at June 30, 2023	$	(231,161)

Shasta Regional Transportation Agency

Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover

For the Fiscal Year Ended June 30, 2023

	Actual Expense	Direct Expense	Indirect Expense
Direct expenses:			
Salaries	$ 858,046	$ 491,635	$ 366,411
PTO	67,367	-	67,367
Employee benefits	666,892	488,681	178,211
Total salaries and employee benefits	1,592,305	980,316	611,989
Building Occupancy			
Depreciation - Building	113,163	-	113,163
Interest	16,649	8,238	8,411
Insurance	36,907	-	36,907
Repairs & Maintenance	21,341	4,797	16,544
Janitorial	7,650	3,779	3,871
Communication - Elevator	4,208	1,071	3,137
Landscape	3,458	1,711	1,747
Taxes	130	-	130
Security	19,138	4,332	14,806
Utilities	13,158	2,128	11,030
Advertising	10,533	7,651	2,882
Bank Charges	655	-	655
Copier	2,016	-	2,016
Communication	11,486	-	11,486
Depreciation - Other	94,322	-	94,322
Books and Educational Materials	-	-	-
Office Supplies	5,198	829	4,369
Taxes - Filing Services	46	-	46
Computer Support	40,792	1,522	39,270
Dues / Subscriptions / Memberships	10,728	3,838	6,890
Postage	42	9	33
Education / Training	6,315	2,965	3,350
Interest Expense - Other	4,302	-	4,302
Software	14,673	9,301	5,372
Public Notice	5,001	5,001	-
Travel	20,351	3,948	16,403
Licenses	12,143	11,858	285
Management Expense	344	-	344
Meetings	25	25	-
Insurance	120	(7,781)	7,901
Audit / Actuarial Services	42,113	6,573	35,540
Legal Services	15,147	-	15,147
Personnel Services (HR, FSA Admin, Drug Testing)	26,739	14,048	12,691
Small Office Equipment	5,689	-	5,689
Conferences	12,462	10,238	2,224
Total expenses	$ 2,169,349	$ 1,076,397	$ 1,092,952

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Compliance Section
June 30, 2023

Shasta Regional Transportation Agency

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

Board of Directors
Shasta Regional Transportation Agency
Redding, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Shasta Regional Transportation Agency (Agency) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated August 28, 2024. Our report contains an emphasis of matter paragraph regarding the implementation of GASB Statement No. 96. *Subscription-Based Information Technology Arrangements*.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 have not been identified. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and responses as item 2023-001 through 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6666 of Title 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the financial statements. 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* or Section 6666 of Title 21 of the California Code of Regulations.

Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Agency's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Eide Bailly LLP

Sacramento, California
August 28, 2024

2023-001 FINANCIAL REPORTING

Criteria:

Management is responsible for taking responsibility for the preparation and fair presentation of the financial statements. Management is responsible for ensuring that all financial records and related information is reliable and properly recorded.

Condition Found:

Material Weakness – Management identified and corrected misstatements related to the recognition of unearned revenues that resulted in a prior period adjustment. We also noted several audit adjustments were required to be made.

Context:

The Agency's financial statements required a material audit adjustment to comply with generally accepted accounting principles.

Repeat Finding from Prior Year(s):

Yes. See finding 2022-001.

Effect:

The result of the condition above resulted in a misstatement of governmental activities and the fund financial statements.

Cause:

Management did not review the accounting treatment for specific funding sources to ensure that the appropriate accounting principles are applied.

Recommendation:

We recommend that the Agency ensure that the financial records of the Agency are complete and accurate prior to the audit process and contain all necessary adjustments.

Views of Responsible Officials and Planned Corrective Actions:

Agency management agrees with the finding. The Agency has updated policies and procedures to ensure appropriate accounting principles are applied. The prior period adjustments were required to reconcile closing program funding years and reconciling other program activities from FY 2022/23 that were not able to be addressed prior to fiscal year-end. Additional staff positions were added to Agency classifications in June 2024 to potentially recruit staff to further remediate the financial reporting weaknesses.

2023-002 SEGREGATION OF DUTIES

Criteria:

Internal controls should be established to ensure segregation of duties between the initiation and approval functions over journal entries.

Condition Found:

Material Weakness – We identified instances in which journal entries were initiated and approved by the same individual.

Context:

During our audit, we identified that the Chief Fiscal Officer both prepares and approves all journal entries that are entered into the Agency's finance system.

Repeat Finding from Prior Year(s):

Yes. See finding 2022-002.

Effect:

There is an increased risk of error or fraud if the journal entries are initiated and reviewed by the same individuals.

Cause:

The journal entry process did not have proper segregation of duties.

Recommendation:

We recommend that management implement policies and procedures within the Agency to disallow an individual from creating, approving, and posting the same entry or implement a period review of these journal entries by a separate individual.

Views of Responsible Officials and Planned Corrective Actions:

Agency management agrees with the finding. The Agency has updated policies and procedures to ensure appropriate accounting principles are applied. In May 2024, an Accounting Clerk Apprentice was hired and could temporarily assist with segregation of duties during their term. Additional staff positions were added to Agency classifications June 2024 to potentially recruit staff to further remediate the segregation of duties weakness. Management will evaluate further opportunities to segregate duties based on available workload.

2022-003 BANK RECONCILIATION

Criteria:

Internal controls should be established to ensure that the cash reconciliation is accurate and accounts for only the items attributable to the reconciled account and policies and procedures are in place to ensure review of the reconciliation is performed by someone other than the preparer.

Condition Found:

Material Weakness – The bank reconciliation was inaccurate and required an adjustment to tie to the trial balance and articulate with the bank balance and the bank reconciliation was not reviewed by another person.

Context:

During our audit we identified a double reconciled deposit from June 2022 that had not been removed from the bank reconciliation in the amount of $69,659. This required an audit adjustment to the trial balance.

Repeat Finding from Prior Year(s):

Yes. See finding 2022-003.

Effect:

The cash balance for the Agency was understated by $69,659.

Cause:

The Agency's QuickBooks system has inherent limitations that allow for the posting of transactions not recorded in a specific bank account. Additionally, the Agency does not have sufficient staffing to ensure that a review and approval of the bank reconciliation is performed.

Recommendation:

We recommend that management implement policies and procedures within the Agency to ensure that the bank reconciliation articulates between the general ledger, trial balance, and the bank balance and evidence of review is maintained.

Views of Responsible Officials and Planned Corrective Actions:

Agency management agrees with the finding. The Agency has updated policies and procedures to ensure appropriate accounting principles are applied. In May 2024, an Accounting Clerk Apprentice was hired and will temporarily assist with bank reconciliation during their term. Additional staff positions were added to Agency classifications June 2024 to potentially recruit staff to further remediate the bank reconciliation weakness.

Federal Awards Reports in Accordance with the Uniform Guidance
June 30, 2023

Shasta Regional Transportation Agency

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 1

Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 3

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Schedule of Findings and Questioned Costs

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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

Board of Directors
Shasta Regional Transportation Agency
Redding, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Shasta Regional Transportation Agency (Agency) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated August 28, 2024. Our report contains an emphasis of matter paragraph regarding the implementation of GASB Statement No. 96. *Subscription-Based Information Technology Arrangements*.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 have not been identified. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and responses as item 2023-001 through 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6666 of Title 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the financial statements. 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* or Section 6666 of Title 21 of the California Code of Regulations.

Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Agency's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Eide Bailly LLP

Sacramento, California
August 28, 2024

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors
Shasta Regional Transportation Agency
Redding, California

Report on Compliance for the Major Federal Program

Opinion on Major Federal Program

We have audited the Shasta Regional Transportation Agency's (Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended June 30, 2023. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which us described in the accompanying schedule of findings and questioned costs as item 2023-004. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Agency as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements. We issued our report thereon dated August 28, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Eide Bailly LLP

Sacramento, California
September 19, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal	Pass-through Entity Identifying Number	Expenditures
U.S Department of Transportation			
Passed through the California Department of Transportation			
Metropolitan Planning and Research			
Federal Highway Administration - Metropolitan Planning	20.505	74A0821	$ 444,387
Federal Transit Administration - Metropolitan Planning	20.505	74A0821	94,306
Federal Transit Administration - State Planning & Research, Part I	20.505	74A0821	222,354
Federal Transit Administration - Section 5304	20.505	74A0821	35,065
Total Metropolitan Planning and Research			796,112
Total U.S Department of Transportation			796,112
Total Federal Financial Assistance			$ 796,112

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Shasta Regional Transportation Agency (the Agency) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position or fund balance of the Agency.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the *(modified accrual)* basis of accounting When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Agency has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audtied were prepaid in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major federal programs:

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Metropolitan Planning and Research	20.505

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2023-001 FINANCIAL REPORTING

Criteria:

Management is responsible for taking responsibility for the preparation and fair presentation of the financial statements. Management is responsible for ensuring that all financial records and related information is reliable and properly recorded.

Condition Found:

Material Weakness – Management identified and corrected misstatements related to the recognition of unearned revenues that resulted in a prior period adjustment. We also noted several audit adjustments were required to be made.

Context:

The Agency's financial statements required a material audit adjustment to comply with generally accepted accounting principles.

Repeat Finding from Prior Year(s):

Yes. See finding 2022-001.

Effect:

The result of the condition above resulted in a misstatement of governmental activities and the fund financial statements.

Cause:

Management did not review the accounting treatment for specific funding sources to ensure that the appropriate accounting principles are applied.

Recommendation:

We recommend that the Agency ensure that the financial records of the Agency are complete and accurate prior to the audit process and contain all necessary adjustments.

Views of Responsible Officials and Planned Corrective Actions:

Agency management agrees with the finding. The Agency has updated policies and procedures to ensure appropriate accounting principles are applied. The prior period adjustments were required to reconcile closing program funding years and reconciling other program activities from FY 2022/23 that were not able to be addressed prior to fiscal year-end. Additional staff positions were added to Agency classifications in June 2024 to potentially recruit staff to further remediate the financial reporting weaknesses.

2023-002 SEGREGATION OF DUTIES

Criteria:

Internal controls should be established to ensure segregation of duties between the initiation and approval functions over journal entries.

Condition Found:

Material Weakness – We identified instances in which journal entries were initiated and approved by the same individual.

Context:

During our audit, we identified that the Chief Fiscal Officer both prepares and approves all journal entries that are entered into the Agency's finance system.

Repeat Finding from Prior Year(s):

Yes. See finding 2022-002.

Effect:

There is an increased risk of error or fraud if the journal entries are initiated and reviewed by the same individuals.

Cause:

The journal entry process did not have proper segregation of duties.

Recommendation:

We recommend that management implement policies and procedures within the Agency to disallow an individual from creating, approving, and posting the same entry or implement a period review of these journal entries by a separate individual.

Views of Responsible Officials and Planned Corrective Actions:

Agency management agrees with the finding. The Agency has updated policies and procedures to ensure appropriate accounting principles are applied. In May 2024, an Accounting Clerk Apprentice was hired and could temporarily assist with segregation of duties during their term. Additional staff positions were added to Agency classifications June 2024 to potentially recruit staff to further remediate the segregation of duties weakness. Management will evaluate further opportunities to segregate duties based on available workload.

2023-003 BANK RECONCILIATION

Criteria:

Internal controls should be established to ensure that the cash reconciliation is accurate and accounts for only the items attributable to the reconciled account and policies and procedures are in place to ensure review of the reconciliation is performed by someone other than the preparer.

Condition Found:

Material Weakness – The bank reconciliation was inaccurate and required an adjustment to tie to the trial balance and articulate with the bank balance and the bank reconciliation was not reviewed by another person.

Context:

During our audit we identified a double reconciled deposit from June 2022 that had not been removed from the bank reconciliation in the amount of $69,659. This required an audit adjustment to the trial balance.

Repeat Finding from Prior Year(s):

Yes. See finding 2022-003.

Effect:

The cash balance for the Agency was understated by $69,659.

Cause:

The Agency's QuickBooks system has inherent limitations that allow for the posting of transactions not recorded in a specific bank account. Additionally, the Agency does not have sufficient staffing to ensure that a review and approval of the bank reconciliation is performed.

Recommendation:

We recommend that management implement policies and procedures within the Agency to ensure that the bank reconciliation articulates between the general ledger, trial balance, and the bank balance and evidence of review is maintained.

Views of Responsible Officials and Planned Corrective Actions:

Agency management agrees with the finding. The Agency has updated policies and procedures to ensure appropriate accounting principles are applied. In May 2024, an Accounting Clerk Apprentice was hired and will temporarily assist with bank reconciliation during their term. Additional staff positions were added to Agency classifications June 2024 to potentially recruit staff to further remediate the bank reconciliation weakness.

Section III – Federal Award Findings and Questioned Costs

2023-004

Program: Metropolitan Planning & Research
Federal Financial Assistance Listing No.: 20.505
Federal Agency: U.S. Department of Transportation
Passed-through: California Department of Transportation
Award Number and Year: 74A0821 (2015)
Compliance Requirement: Reporting
Type of Finding: *Significant Deficiency in Internal Control over Compliance, Instance of Noncompliance*

Criteria:

Per the grant agreement 74A0821 between Shasta Regional Transportation Agency and the State of California Department of Transportation, Division of Transportation Planning, dated January 1, 2015, Article I – Program Administration, Section 2. Quarterly Progress Reports, the Agency is required to submit quarterly progress reports no later than thirty (30) calendar days after the close of each quarter.

Condition:

As a result of our testing over reporting, we identified 1 instance out of 3 sampled in which the report was filed ten (10) days after the due date.

Cause:

The Agency's policies and procedures did not ensure that timely reporting was completed.

Effect:

The lack of performance of timely reporting could result in the risk of noncompliance with the program.

Questioned Costs:

None reported.

Context/Sampling:

A sample of two (2) quarterly reports and one (1) indirect cost plan was selected out of four (4) quarterly reports and one (1) indirect cost plan.

Repeat Finding from Prior Year(s):

No.

Recommendation:

We recommend that the Agency strengthen its current policies and procedures with regards to timeliness of reports.

Views of Responsible Officials:

Management agrees with the finding. Delay in Caltrans approving the first quarter request for reimbursement and progress reports until January 24, 2023, as well as additional staff time needed to prepare the narrative information, resulted in the submittal of the second quarter reports nine days after the due date of January 30, 2023. Caltrans District 2 staff were notified early that there would be a delay in the reporting and indicated this was acceptable. This is an extraordinary occurrence, as it is SRTA's common practice to submit all required reports before the deadline.

Finding No.	Finding or Program/Cluster	Assistance Listing No.	Compliance Requirement	Status
2022-001	Financial Reporting	Not Applicable	Not Applicable	Partially implemented. See finding 2023-001
2022-002	Segregation of Duties	Not Applicable	Not Applicable	Partially implemented. See finding 2023-002
2022-003	Bank Reconciliation	Not Applicable	Not Applicable	Partially implemented. See finding 2023-003