

AGENDA ITEM 1 G  
Consent Item

**MEMORANDUM**

**DATE:** December 6, 2018

**TO:** El Dorado County Transit Authority

**FROM:** Julie Petersen, Finance Manager

**SUBJECT:** Receive and File Fiscal Year 2017/18 Independent Financial Audit, Single Audit and Compliance Reports

**REQUESTED ACTION:**

**BY MOTION,**

**Receive and File Independent Financial Audit, Single Audit and Compliance Reports for Fiscal Year 2017/18 for the El Dorado County Transit Authority**

**BACKGROUND**

The El Dorado County Transportation Commission (EDCTC) is responsible to ensure that the El Dorado County Transit Authority (El Dorado Transit), as a Transportation Development Act (TDA) claimant, annually submits an independent financial audit per Public Utilities Commission Code 99245. The fiscal and compliance audits are performed in accordance with Generally Accepted Accounting Principles by a certified public accounting firm and include a determination of compliance with TDA rules and regulations. The El Dorado Transit fiscal year (FY) 2017/18 compliance audit and single audit are included in the EDCTC Overall Work Program.

EDCTC awarded a contract to Richardson & Company to produce compliance audits and reports for all FY 2017/18 TDA claimants including El Dorado Transit.

**DISCUSSION**

Ingrid Shepline and Bob Simons of Richardson & Company are scheduled to present the Financial and Compliance audits to El Dorado Transit Chair Shiva Frentzen and Vice Chair Mark Acuna on December 3, 2018. El Dorado Transit staff attending will be Mindy Jackson, Executive Director and Julie Petersen, Finance Manager. Discussion items will include the following:

Richardson & Company reports that under the generally accepted auditing standards; El Dorado Transit received a clean opinion.

There were eight (8) proposed adjustments made by the auditors including;

Two (2) adjustments surrounding the implementation of GASB 68 as outlined in the Financial Statements.

**Response:** This is a requirement as set forth by GASB.

One (1) adjustment to capture true up for State Transit Assistance (STA) allocations.

**Response:** Final Adjustment for allocation received by the State Controllers' Office and interest earnings.

Two (2) adjustment to true-up capital assets and related accumulated depreciation expenses.

**Response:** Final Adjustment to correct recording error.

One (1) adjustment to reclassify Net Assets invested in Property, Plant and Equipment (PPE) to unrestricted.

**Response:** Final Adjustment to correct recording error.

One (1) adjustment to segregate fair shuttle revenues between fares and grant revenue.

**Response:** Separation of revenues between grant and Fair Association.

One (1) adjustment to Reclassifying the current portion of compensated absences.

**Response:** This is required each year to break out the current portion of the total liability, potentially due within one (1) year.

Included in the Audited Financial Statements are a Financial Audit and Compliance Reports.

#### *FINANCIAL AUDIT*

El Dorado Transit staff is pleased to report that the FY 2017/18 Independent Financial Audit has identified no material weaknesses.

The financial audit is a measure of financial activity and compliance to government code during the given fiscal period. Highlights include net assets of El Dorado Transit exceeding its liabilities by \$14,100,624 with unrestricted net asset of \$169,818. It is the opinion of management that the unrestricted net assets indicate a good fiscal condition for El Dorado Transit.

#### *COMPLIANCE REPORT*

The audit report states with regard to the laws, regulations and provisions of the TDA, the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA), and the California Transit Security Grant Program (CTSGP), and the Low Carbon-Transit Operations Program (LCTOP) applicable to El Dorado Transit, "The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.”

### *SINGLE AUDIT*

El Dorado Transit staff is pleased to report that the FY 2017/18 Independent Single Audit identified no material weaknesses.

The Single Audit is a report of internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards. The “trigger” for a single audit is an agency receiving over \$750,000 of federal funding in one fiscal year. El Dorado Transit received \$1,948,061 in federal funding during FY 2017/18 that included one (1) operating assistance grant and four (4) capital assistance grants for rolling stock.

The primary function of a Single Audit is to review internal controls, purchasing procedures and reporting standards of agencies receiving federal grant funds. The Single Audit beginning on page 46 expresses that El Dorado Transit is in compliance with regard to Compliance; Internal Control over Compliance; and Schedule of Expenditures of Federal Awards.



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## MANAGEMENT LETTER

To the Board of Directors and Management  
El Dorado County Transit Authority  
Placerville, California

In planning and performing our audit of the financial statements of the El Dorado County Transit Authority (the Authority) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

We noted no matters involving internal control and its operation for your consideration.

This communication is intended solely for the information and use of management, the Board of Directors and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Richardson & Company, LLP*

November 30, 2018



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## GOVERNANCE LETTER

To the Board of Directors  
El Dorado County Transit Authority  
Diamond Springs, California

We have audited the financial statements of the El Dorado County Transit Authority (the Authority) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 14, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

### Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no internal control issues as a result of our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statements. The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions as of July 1, 2017, which resulted in the Authority recording a restatement of beginning net position at July 1, 2017 to record an other postemployment benefit (OPEB) liability related to health benefits provided to retirees as discussed in Note H of the financial statements. Implementation of GASB No. 75 resulted in the recording of an OPEB liability of \$246,645 and deferred outflows of \$55,642 as of July 1, 2017, which reduced net position by \$191,003. Additional required disclosures under GASB Statement No. 75 were also added to Note H to the financial statements due to the adoption of this Statement. The application of existing policies was not changed during the year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include the need for an allowance for uncollectible accounts receivable, depreciable lives and methods used for depreciating capital assets, the current portion of the liability for compensated absences, the amount of reserve for claims and claims expenses, the pension liability and other postemployment benefits liability. The Authority has an administrator for their self-insurance program that develops the estimate of the incurred but unreported claims liability based on the Authority's historical experience. The pension and other postemployment benefits liabilities are determined by actuarial valuations. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate. We proposed six adjustments to the Authority's financial statements consisting of the following:

- Revised amounts recorded for the net pension liability and related deferred inflows/outflows
- Accrued additional State Transit Assistance revenue equal to the amount of the allocation
- Recognized all remaining Local Transportation Fund deferred revenue as amounts were earned
- Segregated fair shuttle revenues between fares and grant revenue
- Reclassified of current portion of compensated absences for reporting purposes
- Correct amounts reflected as capital asset disposals and related depreciation

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2018.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) listed in the table of contents, which are RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Operating Expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Authority and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

*Richardson & Company, LLP*

**EL DORADO COUNTY TRANSIT AUTHORITY**

Audited Financial Statements,  
Supplementary Information and Compliance Reports

June 30, 2018 and 2017



EL DORADO COUNTY TRANSIT AUTHORITY

Audited Financial Statements,  
Supplementary Information and Compliance Reports  
June 30, 2018 and 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
El Dorado County Transit Authority  
Diamond Springs, California

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

We have audited the accompanying financial statements of the El Dorado County Transit Authority (the Authority), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

To the Board of Directors  
El Dorado County Transit Authority

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2018 and 2017 and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

### **Change in Accounting Principles**

As discussed in Note M to the financial statements, during the year ended June 30, 2018, the Authority adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information on pages 39 through 42, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors  
El Dorado County Transit Authority

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters including the Transportation Development Act and other State grant guidelines. The purpose of that report is solely to describe the scope of our testing of internal control over the effectiveness of the Authority's financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

November 30, 2018

# EL DORADO COUNTY TRANSIT AUTHORITY

## Management's Discussion and Analysis For Year Ended June 30, 2018

The management of the El Dorado County Transit Authority (the Authority) presents this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2018. This section is designed to be read in conjunction with the Authority's basic financial statements and the footnotes.

The primary objective of the Management Discussion and Analysis (MD&A) is to enhance the understandability and usefulness of this external financial audit report to the general public and oversight government bodies.

### Financial and Operational Highlights

- Net assets of the Authority are \$14,100,624.
- \$53,250 of unrestricted net position may be used to meet the Authority's ongoing obligations to provide public transportation. The amount of unrestricted assets is directly affected by recognizing Pension and OPEB Liabilities as outlined in Note G and H.
- Note E – Unearned Revenues, reports there are no unearned LTF funds at June 30, 2018. This is due in part to Pension and Other Post-Employment Benefits (OPEB) Liabilities and increased operating expenses.

### Overview of Financial Statements

The Authority submits proprietary fund financial statements under the enterprise accounting methodology. Enterprise funds account for service where all or a portion of the cost is recovered via user fees. Prepared under the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), revenues are recorded in the period in which they are earned and expenses are recognized in the period in which they are incurred.

This report includes Balance Sheets, Statements of Revenues, Expenses and Changes in Net Assets, Statements of Cash Flows, Supplementary Information and Compliance Reports. These financial statements are prepared by independent auditors. Notes to the financial statements provide additional information that is essential for a reader to fully understand the financial data provided.

The basic financial statements are designed to follow corporate presentation models.

- The focus of the **Balance Sheets** is the total net resources available to continue providing public transportation services. This statement consolidates current spendable assets with capital assets.
- The **Statements of Revenues, Expenses and Changes in Net Assets** focus on the "bottom line results" of the Authority's operations. The intent is to report the net cost of the Authority's activities that are mainly supported by local sales taxes and passenger fares.

## EL DORADO COUNTY TRANSIT AUTHORITY

### Management's Discussion and Analysis For Year Ended June 30, 2018

- The **Statements of Cash Flows** provides an accounting of cash receipts and cash payments that occurred during the fiscal year. This statement includes the cash effects on the Authority's operations, financing and investment transactions.
- **Supplementary Information** is a Schedule of Operating Expenses.
- **Compliance Reports** are included as required.

#### Financial Analysis

The following schedule was prepared from the Authority's Balance Sheets using the accrual basis of accounting. Assets purchased above \$1,000 are capitalized and depreciated. Net position is the difference between liabilities and assets and are one measure of the financial health of the Authority.

	Summary of Net Assets		Increase (Decrease)
	2018	2017	
<b><u>Assets and Deferred Outflow of Resources</u></b>			
Current Assets	\$ 8,114,666	\$ 6,871,372	\$ 1,243,294
Restricted Assets	1,526,719	1,718,083	(191,364)
Capital Assets	13,930,806	11,901,199	2,029,607
Total Assets	23,572,191	20,490,654	3,081,537
Deferred Outflow of Resources	1,222,743	1,207,800	14,943
Total Assets and Deferred Outflow of Resources	\$ 24,794,934	\$ 21,698,454	\$ 3,096,480
<b><u>Liabilities and Deferred Inflow of Resources</u></b>			
Current and Other Liabilities	\$ 6,794,295	\$ 5,959,341	\$ 834,954
Long-Term Liabilities	3,472,359	2,812,938	659,421
Total Liabilities	10,266,654	8,772,279	1,494,375
Deferred Inflow of Resources	427,656	283,582	144,074
Total Liabilities and Deferred Inflow of Resources	10,694,310	9,055,861	1,638,449
<b><u>Net Position</u></b>			
Invested in Capital Assets	13,930,806	11,901,199	2,029,607
Restricted	16,568		16,568
Unrestricted	53,250	741,394	(688,144)
Total Net Assets	14,000,624	12,642,593	1,358,031
Total Liabilities and Net Position	\$ 24,694,934	\$ 21,698,454	\$ 2,996,480

## EL DORADO COUNTY TRANSIT AUTHORITY

### Management's Discussion and Analysis For Year Ended June 30, 2018

	Summary of Changes		Increase (Decrease)
	in Net Assets		
	<u>2018</u>	<u>2017</u>	
Operating Revenues	\$ 1,517,869	\$ 1,583,433	\$ (65,564)
Operating Expenses	<u>9,797,158</u>	<u>8,502,571</u>	<u>1,294,587</u>
Net Operating Loss	<u>(8,279,289)</u>	<u>(6,919,138)</u>	<u>(1,360,151)</u>
Nonoperating Revenues (Expenses):			
Local Transportation Fund Allocation	4,159,003	4,694,462	(535,459)
State Transit Assistance Allocation	1,494,506		1,494,506
Federal Transit Administration Grants	487,448	479,675	7,773
State and Local Operating Grant	113,224	203,536	(90,312)
Interest Revenue	59,712	37,974	21,738
Other Nonoperating Revenues	15,940	16,758	(818)
Loss on Disposal of Capital Assets	<u>(80,087)</u>	<u>--</u>	<u>(80,087)</u>
Total Non-Operating Revenues (Expenses)	<u>6,249,746</u>	<u>5,432,405</u>	<u>817,341</u>
Loss Before Capital Contributions	(2,029,543)	(1,486,733)	(542,810)
Capital Contributions	<u>3,678,577</u>	<u>4,541,758</u>	<u>(863,181)</u>
Change in Net Assets	1,649,034	3,055,025	(1,405,991)
Net Position, Beginning of Year as originally stated	12,642,593	9,587,568	3,055,025
Restatement	<u>(191,003)</u>	<u>--</u>	<u>(191,003)</u>
Net Position, Beginning of Year, restated	<u>12,451,590</u>	<u>9,587,568</u>	<u>2,864,022</u>
Net Position, End of Year	<u>\$ 14,100,624</u>	<u>\$ 12,642,593</u>	<u>\$ 1,458,031</u>

Changes from the prior year include increases to Current Assets and Capital Assets with a reduction to Restricted Assets. Increases to the Liabilities and Deferred Inflow of Resources and the corresponding Increase to Total Net Position. The total change in net position is an increase of \$3,096,480.

It is the opinion of management that unrestricted net assets of \$53,250 are a positive indicator of the fiscal condition for the Authority. Based on projected future needs, the Authority can continue to operate under its current cash management methodology in all areas such as grant management, current and long term liability payments and operating expenses.

The Balance Sheet reflects unearned revenue of \$3,183,821 with details in the Notes to Financial Statements Note E; this is a reduction from the prior year of \$2,130,676. The largest contributing factor for this change was the acquisition of five (5) vehicles using a

## **EL DORADO COUNTY TRANSIT AUTHORITY**

### **Management's Discussion and Analysis For Year Ended June 30, 2018**

variety of funding sources. Additional unearned revenue was expended on Safety and Security projects, Park & Ride projects and Operating Expenses.

As noted, no Local Transportation Fund (LTF) funds were recognized as deferred. This represents eligible expenses for operating that exceeded the claimed amount. With the current requirement of reporting the Pension Liabilities and the additional accounting change of Other Post Employee Benefits (OPEB) liabilities being calculated similarly to the Pension liabilities; staff anticipates that future years will report no deferred LTF.

It is the decision of management to recognize \$1,494,506 as operating revenue in the current year. This is due in part to the recognition of Pension, OPEB and benefit expenses increases.

#### **Transportation Development Act (TDA)**

Enacted by the California legislature in 1972, the Mills-Alquist-Deddeh Act, better known as the Transportation Development Act (TDA) provides a major source of funding for public transportation implemented by regional transportation planning agencies. TDA statutes are under Government Code Title 3, Division 3, Chapter 2, Article 11 and Public Utilities Code Division 10, Part 11, Chapter 4, Articles 1 – 8.

Each county establishes a Local Transportation Fund (LTF) for TDA purposes. LTF revenues are derived from ¼ cent of the retail sales tax dollars collected statewide. The State Board of Equalization returns the ¼ cent to each county according to the amount of tax collected within its boundaries. As noted, the Authority utilizes all of the TDA available for transit. TDA for transit operating is determined following the allocation of TDA to the Tahoe Region of El Dorado County, El Dorado County Auditor, Sacramento Area Council of Governments and El Dorado County Transportation Commission.

Annual audits of TDA recipients include a compliance report to verify that the allocations are made within California Code of Regulations.

The Authority is not a general fund recipient from either JPA member jurisdiction therefore; budget development includes a contingency for unplanned expenses at ten percent (10%) for the preliminary budget process. The Authority approved a preliminary \$770,812 contingency for fiscal year 2017/18. With the impact of the reallocation of an operating grant to capital and the recognition of the Pension Liability; it is management opinion that this practice is still appropriate and vital for cash flow purposes.

#### **Capital Assets**

At June 30, 2018, the Authority has invested \$13,930,806 in buildings and improvements, transit vehicles and construction in progress, net of depreciation. Additional information on the Authority's capital assets is provided in Note C of the Notes to Financial Statements.



# **EL DORADO COUNTY TRANSIT AUTHORITY**

## **Management's Discussion and Analysis For Year Ended June 30, 2018**

### **Long-Term Liabilities**

At June 30, 2018, the Authority's noncurrent liabilities included one-half (1/2) of the accrued compensated employee absences and the Net Pension Liability, and the Net Other Post-Employment Benefit liabilities. Additional information about the Authority's long-term liabilities is provided in Note D of the Notes to Financial Statements.

### **Economic Factors and Related Budget Impact**

The ability to fund public transportation is closely related to the local and regional economies. Seventy-two percent (72%) of the Authority's operating and non-operating revenues are TDA funds including LTF, State Transit Assistance (STA) and State of Good Repair (SGR) funds derived from retail sales tax receipts in the western slope of El Dorado County for fiscal year 2017/18. If an economic downturn occurred, the decrease in local retail sales tax receipts would result in a significant impact on the ability of the Authority to provide public transportation. Fiscal Year 2017/18 saw an increase of approximately ten percent (10%) available LTF to El Dorado Transit.

Research and demographic reporting indicate a projected growth in senior populations. This increase of senior residents on the western slope of El Dorado County will create demand for additional public transit options.

### **Requests for Information**

This discussion is designed to provide general overview to those persons with an interest in the Authority's financial position. Questions or comments may be directed to:

Julie Petersen, Finance Manager  
El Dorado County Transit Authority  
6565 Commerce Way  
Diamond Springs, CA 95619

EL DORADO COUNTY TRANSIT AUTHORITY

BALANCE SHEETS

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,168,757	\$ 5,376,472
Accounts receivable	35,388	51,660
Accrued interest receivable	5,749	2,757
Due from other governments	2,682,755	1,232,980
Inventory	216,111	201,861
Other assets	5,906	5,642
TOTAL CURRENT ASSETS	<u>8,114,666</u>	<u>6,871,372</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	1,526,719	1,718,083
Capital assets:		
Not depreciated	909,043	1,419,514
Depreciated, net	13,021,763	10,481,685
Total capital assets	<u>13,930,806</u>	<u>11,901,199</u>
TOTAL NONCURRENT ASSETS	<u>15,457,525</u>	<u>13,619,282</u>
TOTAL ASSETS	<u>23,572,191</u>	<u>20,490,654</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	1,163,240	1,207,800
Other postemployment benefits (OPEB)	59,503	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,222,743</u>	<u>1,207,800</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 24,794,934</u>	<u>\$ 21,698,454</u>

(Continued)

EL DORADO COUNTY TRANSIT AUTHORITY

BALANCE SHEETS (Continued)

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 3,295,031	\$ 370,333
Accrued expenses	100,111	75,783
Unearned revenues	3,183,821	5,314,497
Compensated absences, due within one year	215,332	198,728
TOTAL CURRENT LIABILITIES	<u>6,794,295</u>	<u>5,959,341</u>
LONG-TERM LIABILITIES		
Compensated absences, due in more than one year	215,332	198,729
Net pension liability	3,075,371	2,614,209
Net other postemployment benefit liability	181,656	-
TOTAL LONG-TERM LIABILITIES	<u>3,472,359</u>	<u>2,812,938</u>
TOTAL LIABILITIES	<u>10,266,654</u>	<u>8,772,279</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	375,851	283,582
Other postemployment benefits	51,805	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>427,656</u>	<u>283,582</u>
NET POSITION		
Net investment in capital assets	13,930,806	11,901,199
Restricted	116,568	
Unrestricted	53,250	741,394
TOTAL NET POSITION	<u>14,100,624</u>	<u>12,642,593</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 24,794,934</u>	<u>\$ 21,698,454</u>

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

EL DORADO COUNTY TRANSIT AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Fares	\$ 1,517,869	\$ 1,583,433
TOTAL OPERATING REVENUES	1,517,869	1,583,433
OPERATING EXPENSES		
Operating expenses	8,345,010	7,150,794
Depreciation and amortization	1,452,148	1,351,777
TOTAL OPERATING EXPENSES	9,797,158	8,502,571
OPERATING LOSS	(8,279,289)	(6,919,138)
NONOPERATING REVENUES (EXPENSES)		
Local transportation fund allocation	4,159,003	4,694,462
State transit assistance allocation	1,494,506	-
Federal transit administration grants	487,448	479,675
State operating grants	78,928	172,232
Local operating grants	34,296	31,304
Other nonoperating revenues	15,940	16,758
Interest revenue	59,712	37,974
Gain (loss) on disposal of capital assets	(80,087)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	6,249,746	5,432,405
LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,029,543)	(1,486,733)
CAPITAL CONTRIBUTIONS		
PTMISEA	98,767	2,506,629
State transit assistance fund allocation	1,865,372	888,653
CalOES	204,902	276,507
Federal grants	1,457,430	869,969
Developers	52,106	-
TOTAL CAPITAL CONTRIBUTIONS	3,678,577	4,541,758
CHANGE IN NET POSITION	1,649,034	3,055,025
Net position, beginning of year as originally stated	12,642,593	9,587,568
Restatement for change in accounting principle	(191,003)	
Net position, beginning of year, restated	12,451,590	9,587,568
NET POSITION, END OF YEAR	\$ 14,100,624	\$ 12,642,593

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

EL DORADO COUNTY TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,534,141	\$ 1,603,003
Cash paid to suppliers for goods and services	(1,933,977)	(3,787,214)
Cash paid to employees for services	(2,862,368)	(3,523,973)
NET CASH USED BY OPERATING ACTIVITIES	<u>(3,262,204)</u>	<u>(5,708,184)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grants and subsidies	6,253,619	4,612,185
Miscellaneous revenues	15,940	16,758
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>6,269,559</u>	<u>4,628,943</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Grants received for capital acquisitions	98,688	1,712,400
Acquisition of capital assets	(3,691,775)	(4,555,150)
Proceeds from disposal of capital assets	129,933	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,463,154)</u>	<u>(2,842,750)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earnings	56,720	36,836
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>56,720</u>	<u>36,836</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(399,079)	(3,885,155)
Cash and cash equivalents, beginning of year	<u>7,094,555</u>	<u>10,979,710</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 6,695,476</u></u>	<u><u>\$ 7,094,555</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET</b>		
Cash and cash equivalents	\$ 5,168,757	\$ 5,376,472
Restricted cash and cash equivalents	<u>1,526,719</u>	<u>1,718,083</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 6,695,476</u></u>	<u><u>\$ 7,094,555</u></u>

(Continued)

EL DORADO COUNTY TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (8,279,289)	\$ (6,919,138)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	1,452,148	1,351,777
Changes in operating assets and liabilities:		
Accounts receivable	16,272	19,570
Inventory	(14,250)	2,927
Other assets	(264)	15
Deferred outflows - pensions	100,202	(753,369)
Deferred outflows - OPEB	(59,503)	-
Accounts payable	2,924,698	56,451
Accrued expenses	24,328	(22,494)
Compensated absences	33,207	23,703
Reserve for claims and claim expenses		(9,833)
Net pension liability	461,162	554,991
Net OPEB liability	(64,989)	-
Deferred inflows - pensions	92,269	(12,784)
Deferred inflows - OPEB	51,805	
	<u>                    </u>	<u>                    </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (3,262,204)</u>	<u>\$ (5,708,184)</u>

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

# EL DORADO COUNTY TRANSIT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 and 2017

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the El Dorado County Transit Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority follows Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

Description of Reporting Entity: The El Dorado Transit, the predecessor to the Authority, was created in the late 1970's to initially provide transit services for the elderly and handicapped and, subsequently, to meet the transportation needs of the general public for the western slope of El Dorado County as part of the El Dorado County's Enterprise Fund. A Joint Exercise of Powers Agreement was signed between El Dorado County and the City of Placerville whereby the Authority would operate as a Joint Powers Agency pursuant to Section 6500 of the California Government Code and would be administratively separated from the County. The Authority's operations were separated from the El Dorado County Enterprise Fund on January 1, 1994. In addition to fare revenues, the Authority receives funds under the provisions of the Transportation Development Act from the El Dorado County Transportation Commission's Local Transportation Fund and State Transit Assistance Fund. The Authority also receives revenue from other federal and state grantor agencies.

The Authority offers the following services: Commuter service to downtown Sacramento with separate service connecting to light rail in Folsom, California; fixed route bus service to the communities of Pollock Pines, Camino, Placerville, El Dorado, Diamond Springs, Shingle Springs, Cameron Park, and non-emergency medical transportation to Sacramento County. The Authority also provides shared-ride services for elderly and disabled persons including activity program transportation for persons attending programs offered by the Mother Lode Rehabilitation Enterprise, Senior Day Care Programs and New West Dialysis Clinic; Americans with Disabilities Act (ADA) services for eligible persons and Dial-A-Ride Services for those persons unable to access the regular bus route system. The Authority offers charter bus services, in which a fee is charged to cover the costs of the charter, and contract services for Alta California Regional Center.

All significant activities on which the Authority exercises oversight responsibility have been included in the financial statements. The Authority is governed by a Board of Directors comprised of five members, with three members appointed by the Board of Supervisors of El Dorado County and two members appointed by the City Council of the City of Placerville.

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

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Authority uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Non-exchange revenues are recognized when all eligibility requirements have been met. Cost reimbursement grant revenues are recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received before eligibility requirements are met they are recorded as unearned revenues until earned.

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

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

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including bank deposits and the investment in the State of California Local Agency Investment Fund (LAIF).

Restricted Cash: The Authority has bank deposits that are restricted for the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) projects	\$ 1,203,117	\$ 1,295,025
California Transit Security Grant Program (CTSGP) projects	226,204	231,810
Low Carbon Transit Operation Program (LCTOP) projects	79,606	172,962
Claims expenses	17,792	18,286
	<u>\$ 1,526,719</u>	<u>\$ 1,718,083</u>



EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Due from Other Governments: Accounts receivable consists mainly of amounts due from passengers and other agencies for fares. Amounts due from other governments consist mostly of amounts due from operating and capital grants. Management believes its accounts receivable and amounts due from other governments to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

Inventory: Inventories are valued at cost, which is determined on an average cost basis, and consist primarily of transit vehicle parts and supplies held for consumption. The cost is recorded as an expense when the items are consumed in operations.

Capital Assets: Capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Capital assets are defined as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Provision is made for depreciation by the straight-line method over the estimated useful lives of these assets which range from three to forty years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Unearned Revenues: Unearned revenues arise when resources are received by the Authority before it has legal claim to them, such as when cost reimbursement grant and other intergovernmental revenues are received prior to the incurrence of qualifying expenses. Information on unearned revenues is reported in Note E.

Compensated Absences: The Authority's policy allows employees to accumulate earned but unused vacation, sick leave, and compensatory time off that will be paid to employees upon separation from the Authority's service, subject to a vesting policy. The cost of vacation, sick leave and compensatory time off is recorded in the period accrued.

Reserve for Claims and Claim Expenses: The Authority establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on complex factors such as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Net Position: Net position are categorized as the net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Authority's restricted net position at June 30, 2018 represent insurance proceeds that are required by federal regulation to be used for another bus purchase. The Authority had no restricted net position at June 30, 2017. All of the Authority's restricted cash is offset by unearned revenue.

Unrestricted Net Position – This category represents net position of the Authority not restricted for any project or other purpose.

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

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

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

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

New Pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Topics that may be applicable include criteria for an enterprise fund to blend a component unit, measuring certain money market investments at amortized cost, timing of pension and OPEB liabilities and expenditures under the current financial resources measurement focus, presenting payroll related measures in RSI for OPEB plans, classifying employer paid member contributions for OPEB plans, accounting and financial reporting for multiple-employer defined benefit OPEB Plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

The Authority is currently analyzing the impact of these new Statements on the financial statements.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, are classified in the accompanying financial statements as follows:

	2018	2017
Cash and cash equivalents	\$ 5,168,757	\$ 5,376,472
Restricted cash and cash equivalents	1,526,719	1,718,083
	\$ 6,695,476	\$ 7,094,555

The Authority’s cash and cash equivalents as of June 30, 2018 and 2017 consisted of the following:

	2018	2017
Cash on hand	\$ 200	\$ 200
Deposits in financial institutions	5,483,752	5,896,980
Investment in the Local Agency Investment Fund	1,211,524	1,197,375
	\$ 6,695,476	\$ 7,094,555

Investment Policy: California statutes, and the Joint Exercise of Powers Agreement establishing the Authority discussed in Note A, authorize governmental agencies to invest surplus funds in a variety of credit instruments as provided in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The Authority’s investment policy further restricts investments to bank deposits, including certificates of deposit, and the Local Agency Investment Fund (LAIF).

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2018 and 2017, the weighted average maturity of the investment in LAIF was approximately 193 and 194 days.

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

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counter party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of governmental investment pools.

At June 30, 2018 and 2017, the carrying amounts of the Authority's deposits were \$5,483,751 and \$5,896,980, respectively, and the balances in financial institutions were \$5,506,991 and \$5,930,305, respectively. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$5,256,991 and \$5,680,305 at June 30, 2018 and 2017, respectively, was covered by the pledging financial institution with assets held in a common pool for the Authority and other governmental agencies, but not in the name of the Authority.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury's Pooled Money Investment Account (PMIA) through which local governments may pool investments. The total fair value amount invested by all public agencies in PMIA was \$150,911,154 managed by the State Treasurer. Of that amount, 2.67% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The amortized cost of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE C – CAPITAL ASSETS

Capital assets consisted of the following at June 30:

	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets, not being depreciated:					
Land	\$ 602,510				\$ 602,510
Construction in progress	817,004	\$ 110,325		\$ (620,796)	306,533
Total capital assets, not being depreciated	<u>1,419,514</u>	<u>110,325</u>		<u>(620,796)</u>	<u>909,043</u>
Capital assets, being depreciated:					
Buildings and improvements	4,736,454	307,485		122,666	5,166,605
Transit vehicles	15,100,331	2,822,099	\$ (549,637)		17,372,793
Equipment	2,247,787	451,866	(414,198)	498,130	2,783,585
Total capital assets, being depreciated	<u>22,084,572</u>	<u>3,581,450</u>	<u>(963,835)</u>	<u>620,796</u>	<u>25,322,983</u>
Less accumulated depreciation:					
Building and improvements	(1,543,127)	(240,917)			(1,784,044)
Transit vehicles	(8,761,454)	(913,124)	425,681		(9,248,897)
Equipment	(1,298,306)	(298,107)	328,134		(1,268,279)
Total accumulated depreciation	<u>(11,602,887)</u>	<u>(1,452,148)</u>	<u>753,815</u>		<u>(12,301,220)</u>
Total capital assets being depreciated, net	<u>10,481,685</u>	<u>2,129,302</u>	<u>(210,020)</u>	<u>620,796</u>	<u>13,021,763</u>
Capital assets, net	<u>\$11,901,199</u>	<u>\$ 2,239,627</u>	<u>\$ (210,020)</u>	<u>\$ -</u>	<u>\$13,930,806</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE C – CAPITAL ASSETS (Continued)

	Balance at June 30, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 602,510				\$ 602,510
Construction in progress	348,861	\$ 474,725		\$ (6,582)	817,004
Total capital assets, not being depreciated	<u>951,371</u>	<u>474,725</u>		<u>(6,582)</u>	<u>1,419,514</u>
Capital assets, being depreciated:					
Buildings and improvements	4,727,426	9,028			4,736,454
Transit vehicles	11,137,261	3,963,070			15,100,331
Equipment	2,155,169	108,327	\$ (22,291)	6,582	2,247,787
Total capital assets, being depreciated	<u>18,019,856</u>	<u>4,080,425</u>	<u>(22,291)</u>	<u>6,582</u>	<u>22,084,572</u>
Less accumulated depreciation:					
Building and improvements	(1,306,732)	(236,395)			(1,543,127)
Transit vehicles	(7,932,367)	(829,087)			(8,761,454)
Equipment	(1,034,302)	(286,295)	22,291		(1,298,306)
Total accumulated depreciation	<u>(10,273,401)</u>	<u>(1,351,777)</u>	<u>22,291</u>	<u>-</u>	<u>(11,602,887)</u>
Total capital assets being depreciated, net	<u>7,746,455</u>	<u>2,728,648</u>	<u>-</u>	<u>6,582</u>	<u>10,481,685</u>
Capital assets, net	<u>\$ 8,697,826</u>	<u>\$ 3,203,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,901,199</u>

NOTE D – LONG-TERM LIABILITIES

Long-term liability activity consisted of the following for the year ended June 30:

	Restated Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018	Due Within One Year
Compensated absences	\$ 397,457	\$ 231,935	\$ (198,728)	\$ 430,664	\$ 215,332
Net pension liability	2,614,209	461,162		3,075,371	
Net OPEB liability	246,645		(64,989)	181,656	
	<u>\$ 3,258,311</u>	<u>\$ 693,097</u>	<u>\$ (263,717)</u>	<u>\$ 3,687,691</u>	<u>\$ 215,332</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE D – LONG-TERM LIABILITIES (Continued)

	Balance at June 30, 2016	Additions	Retirements	Balance at June 30, 2017	Due Within One Year
Compensated absences	\$ 373,754	\$ 210,579	\$ (186,876)	\$ 397,457	\$ 198,728
Reserve for claims and claims expenses	9,833		(9,833)	-	
Net pension liability	2,059,218	554,991		2,614,209	
	<u>\$ 2,442,805</u>	<u>\$ 765,570</u>	<u>\$ (196,709)</u>	<u>\$ 3,011,666</u>	<u>\$ 198,728</u>

NOTE E – UNEARNED REVENUES

A schedule of changes in unearned revenue for the year ended June 30, 2018 and 2017 is as follows:

	STA Operating/ Capital	State of Good Repair	PTMISEA	CalOES	LCTOP	Other	Total
Balance, June 30, 2017	\$3,942,311		\$1,239,380	\$ 80,700	\$ -	\$ 52,106	\$5,314,497
Allocations	886,460	\$236,757		224,738	78,928		1,426,883
Interest and other			11,332	1,721	698	144	13,895
Expenditures	(3,122,855)		(110,099)	(206,624)	(79,626)	(52,250)	(3,571,454)
Balance, June 30, 2018	<u>\$1,705,916</u>	<u>\$236,757</u>	<u>\$1,140,613</u>	<u>\$100,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,183,821</u>

	LTF Operating	STA Operating/ Capital	PTMISEA	CalOES	LCTOP	Other	Total
Balance, June 30, 2016	\$ 913,262	\$4,222,437	\$3,746,009	\$232,353	\$172,237	\$ 67,752	\$ 9,354,050
Allocations	3,781,200	608,527	12,088	124,854		73,101	4,599,770
Interest and other				1,306	727	222	2,255
Expenditures	(4,694,462)	(888,653)	(2,518,717)	(277,813)	(172,964)	(88,969)	(8,641,578)
Balance, June 30, 2017	<u>\$ -</u>	<u>\$ 3,942,311</u>	<u>\$ 1,239,380</u>	<u>\$ 80,700</u>	<u>\$ -</u>	<u>\$ 52,106</u>	<u>\$ 5,314,497</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE E – UNEARNED REVENUES (Continued)

Local Transportation Fund: The Local Transportation Fund (LTF) provides support to the transit system to fund its operation. The Transportation Development Act (TDA) requires that funds in excess of actual operating costs as defined by section 6634 of the California Code of Regulations must be either returned to their source or retained and used in the following fiscal year. The maximum amount allowed is based on operating costs after certain adjustments. Allocations in excess of this amount are recorded as unearned revenue. All LTF allocations for fiscal year 2018 were earned. At June 30, 2017, the Authority had unearned LTF allocations for operating purposes determined as follows:

	<u>2017</u>
Unearned LTF allocations at beginning of year	\$ 913,262
LTF allocation	
Total amount allocated	<u>3,781,200</u>
LTF allocations available for operating costs	<u>4,694,462</u>
Maximum amount allowed:	
Operating expenses	8,502,571
Less: Depreciation	<u>(1,351,777)</u>
Actual operating cost of existing service	7,150,794
Adjustments:	
Fares	(1,583,433)
Federal, state and local operating grants	(683,211)
Other income	(135)
Interest revenue available for operating costs	<u>(23,853)</u>
Maximum amount allowed	<u>4,860,162</u>
Unearned LTF allocations at end of year	<u>\$ -</u>

State Transit Assistance: State Transit Assistance (STA) allocations were used to fund capital asset purchases. Allocations in excess of qualifying expenses are recorded as unearned revenue. The maximum STA revenues available for the fiscal year ended June 30, 2018 and 2017 was determined as follows:

	<u>2018</u>	<u>2017</u>
Unearned STA allocations at beginning of year	\$ 3,942,311	\$ 4,222,437
STA allocation	886,460	608,527
STA allocations available	<u>4,828,771</u>	<u>4,830,964</u>
Maximum amount allowed:		
Capital assets purchased	3,122,855	888,653
Maximum amount allowed	<u>3,122,855</u>	<u>888,653</u>
Unearned STA allocations at end of year	<u>\$ 1,705,916</u>	<u>\$ 3,942,311</u>

State of Good Repair: State of Good Repair allocations are to be used for preventative maintenance for the fleet. None of the \$236,757 allocation for fiscal year 2018 was earned as of June 30, 2018.



EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE E – UNEARNED REVENUES (Continued)

PTMISEA: In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the year ended June 30, 2015, the Authority applied for and received \$1,686,183, from the State PTMISEA account for various purchases. As of June 30, 2018 and 2017, funds expended were verified in the course of the audit as follows:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,239,380	\$ 3,746,009
Interest earnings	11,332	12,088
Expenses incurred:		
Connect Card and vehicle purchases	(5,171)	(2,343,828)
Western Placerville interchange	<u>(104,928)</u>	<u>(174,889)</u>
Unexpended proceeds	<u>\$ 1,140,613</u>	<u>\$ 1,239,380</u>

California Office of Emergency Services (CalOES): As approved by the voters in the November 2006 general elections, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects. CalOES has been charged with administering the following Prop 1B California Transit Security Grant Program (CTSGP).

Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. As of June 30, 2018 and 2017, funds received and expended were as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 80,700	\$ 232,353
CalOES funds received	224,738	124,854
Interest earnings	1,721	1,306
Expenses incurred:		
Collision avoidance system	(125,802)	
Park and ride improvements	(80,822)	
Bus lot improvements		(83,050)
Bus stop surveillance		<u>(194,763)</u>
Unexpended proceeds	<u>\$ 100,535</u>	<u>\$ 80,700</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE E – UNEARNED REVENUES (Continued)

LCTOP: The Low Carbon Transit Operations Program (LCTOP) was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants. Projects approved for LCTOP will support bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions.

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

	<u>2018</u>	<u>2017</u>
LCTOP received	\$ 78,928	\$ 172,237
Interest earnings	698	727
Expenses incurred:		
Cameron Park Fixed Route Service expansion	<u>(79,626)</u>	<u>(172,964)</u>
Unexpended proceeds	<u>\$ -</u>	<u>\$ -</u>

NOTE F – FARE REVENUE RATIO

The Authority is required to maintain a fare revenue to operating expense ratio in accordance with the Transportation Development Act. The fare revenue to operating expenses ratio for the Authority is calculated as follows for the year ended June 30:

	<u>2018</u>	<u>2017</u>
Fare revenues	\$ 1,517,869	\$ 1,583,433
Less: Charter service	<u>(5)</u>	<u>(4,626)</u>
Fare revenues, excluding charter service	1,517,864	1,578,807
Operating expenses	9,797,158	8,502,571
Less allowable exclusions:		
Depreciation and amortization	(1,452,148)	(1,351,777)
Charter service expenses	<u>(5)</u>	<u>(4,626)</u>
Net operating expenses	<u>\$ 8,345,005</u>	<u>\$ 7,146,168</u>
Fare revenue ratio	<u>18.19%</u>	<u>22.09%</u>

The Authority was in compliance with the required 12.22% fare revenue for the years ended June 30, 2018 and 2017.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE G – PENSION PLANS

Plan Descriptions: All qualified employees are eligible to participate in the Authority’s cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). The Authority participates in the Miscellaneous Plan with the CalPERS cost-sharing plan.

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

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is the following: the 1959 Survivor Benefit, level 3 or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2018 and 2017, are summarized as follows:

Hire date	Miscellaneous	PEPRA
	Miscellaneous Plan (Prior to January 1, 2013)	Miscellaneous Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates 2017/18	7.000%	6.500%
Required employer contribution rates 2017/18	9.599%	6.908%
Required employee contribution rates 2016/17	7.000%	6.500%
Required employer contribution rates 2016/17	9.558%	6.930%

In addition to the contribution rate above, the Authority was also required to make a payment of \$166,590 and \$143,408 towards its unfunded actuarial liability during the years ended June 30, 2018 and 2017, respectively.

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

Contributions: Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE G – PENSION PLANS (Continued)

Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The contributions for the Miscellaneous Plan were \$438,662 and \$396,093 for the years ended June 30, 2018 and 2017, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:  
As of June 30, 2018 and 2017, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,075,371 and \$2,614,209, respectively.

The Authority's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability as of June 30, 2018 and 2017 is measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013 rolled forward to June 30, 2015 and 2014 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability as of June 30, 2018 and 2017 was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2018	0.07801%
Proportion - June 30, 2017	0.07525%
Change - Increase (Decrease)	0.00276%

For the years ended June 30, 2018 and 2017, the Authority recognized a pension expense of \$1,031,834 and \$178,279. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>2018</u>		<u>2017</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 438,662		\$ 396,093	
Differences between actual and expected experience	4,347	\$ (62,285)	12,937	\$ (2,964)
Differences between the employer's contribution and the employer's proportionate share of contributions	57,405		10,099	(48,501)
Change of assumptions	539,414	(41,131)		(122,403)
Change in employer's proportion	1,419	(272,435)	151,605	(109,714)
Net differences between projected and actual earnings on plan investments	<u>121,993</u>		<u>637,066</u>	
Total	<u>\$1,163,240</u>	<u>\$ (375,851)</u>	<u>\$1,207,800</u>	<u>\$ (283,582)</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE G – PENSION PLANS (Continued)

The \$438,662 and \$396,093 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 and 2017, respectively. Other amounts reported as net deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended	
<u>June 30</u>	
2019	\$ 45,775
2020	229,619
2021	145,763
2022	<u>(72,430)</u>
	<u>\$ 348,727</u>

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for the Plan were determined using the following actuarial assumptions:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.50%	7.50%
Mortality	Derived using CalPERS Membership Data for all Funds	Derived using CalPERS Membership Data for all Funds

(1) Depending on entry age and service

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

The underlying mortality assumptions was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. Other significant actuarial assumptions used in the June 30, 2016 valuations were based on the results of the actuarial experience study for the period 1997 to 2011. Further details of the April 2014 CalPERS Experience Study can found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% and 7.65% for the years ended June 30, 2018 and 2017, respectively for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE G – PENSION PLANS (Continued)

discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

In fiscal year 2016-2017, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions represent the unamortized portion of this assumption change.

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

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

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

Asset Class	2018			2017		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.80%	2.27%	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.60%	1.39%	6.0%	0.45%	3.36%
Private Equity	12.0%	6.60%	6.63%	10.0%	6.83%	6.95%
Real Estate	11.0%	2.80%	5.21%	10.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	3.90%	5.36%	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.40)%	(0.90)%	1.0%	(0.55)%	(1.05)%
Total	100.0%			100.0%		

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

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

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE G – PENSION PLANS (Continued)

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

	2018	2017
1% Decrease	6.15%	6.65%
Net Pension Liability	\$ 4,853,434	\$ 4,054,583
Current Discount Rate	7.15%	7.65%
Net Pension Liability	\$ 3,075,371	\$ 2,614,209
1% Increase	8.15%	8.65%
Net Pension Liability	\$ 1,602,748	\$ 1,423,810

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

Payable to the Pension Plan: At June 30, 2018 and 2017, the Authority reported payables for the outstanding amount of contributions to the plan of \$28,435 and \$6,605, respectively.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Authority implemented GASB Statement No. 75 as of July 1, 2017. As a result, GASB Statement No. 45 was effective for 2017 and GASB Statement No. 75 was effective for 2018. The following disclosures are required under GASB Statement No. 45.

Plan Description: The Authority provides healthcare benefits to eligible retirees and their dependents through the CalPERS Public Employees’ Medical and Hospital Care Act program (PEMHCA). All of the Authority’s regular employees not represented by a bargaining unit may become eligible for those benefits if they reach normal retirement age while working for the Authority. Benefit provisions are established and may be amended by the Authority’s Board of Directors. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA 95814.

The Authority provides a retiree medical contribution for employees who retire directly from the Authority under CalPERS. The Authority’s contribution is capped at the CalPERS’ Minimum Employer Contribution, which was \$64 per month for calendar year 2018 and 2017, respectively. The benefit continues to surviving spouses and dependents.

Funding Policy: The contribution requirements of the Authority’s participants and the Authority are established by and may be amended by the Authority’s Board of Directors. Retired plan members and their beneficiaries will pay the annual premium cost not paid by the employer.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation: The Authority’s annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Authority’s annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the Plan, and changes in the Authority’s Net OPEB obligation:

Annual required contribution:	
Normal Cost	\$ 31,222
Amortization of UAAL	16,403
Interest	3,467
Annual OPEB cost (expense)	<u>51,092</u>
Contributions made	<u>(51,092)</u>
Decrease in net OPEB obligation	
Net OPEB obligation, beginning of year	<u>          </u>
Net OPEB obligation, end of year	<u><u>\$ -</u></u>

The Authority’s OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 19,453	100.00%	-
6/30/2016	49,525	100.00%	-
6/30/2017	51,092	100.00%	-

Funded Status and Funding Progress: As of the most recent actuarial valuation dated July 1, 2015, the actuarial accrued liability for benefits was \$434,113 and \$249,963 of this amount was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2017 was \$1,275,829 and the ratio of the UAAL (unfunded actuarial accrued liability) to the covered payroll was 19.59%.

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the July 1, 2015 actuarial valuation, the entry age normal cost method with normal cost determined using a level percentage of pay basis was used as the funding method. The actuarial assumptions included a 7.28% investment rate of return, a 3.25% salary increase, a 3% wage inflation rate and a general inflation rate of 2.75%. Premiums were assumed to increase from a range of 7.50% in 2014 to 4.50% in 2023 and later. The initial UAAL was amortized as a level percentage of projected payroll over a fixed 30-year period as of the fiscal year ending June 30, 2010. The remaining amortization period is 23 years as of June 30, 2017.

The following disclosures for 2018 are required under GASB Statement No. 75.

Employees Covered by Benefit Terms: At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>27</u>
Total	<u><u>29</u></u>

Contributions: The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2018, the Authority's average contribution rate was 3.06 percent of covered-employee payroll. Employees are not required to contribute to the Plan. During the fiscal year ended June 30, 2018, the Authority's cash contributions to the trust were \$57,857 and the estimated implied subsidy was \$1,646 resulting in total payments of \$59,503. The Authority makes contributions to the CERBT, which is administered by CalPERS.

Net OPEB Liability: The Authority's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Actuarial cost method	Entry-age normal cost method, level percent of pay
Actuarial assumptions:	
Discount rate	7.28%
Salary increases	3.25% per year
Wage inflation	3.00%
General inflation rate	2.75%
Mortality rate	Bickmore Scale 2017
Healthcare trend rate	8% in 2018 to 5% in 2025 and later

Demographic actuarial assumptions are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected as described below.

The assumed gross return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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	Percentage of Portfolio	Assumed Gross Return
Global Equity	57.0%	5.82%
Fixed Income	27.0%	2.37%
Tresasury Inflation Protected Securities	5.0%	1.44%
Real Estate Investment Trusts	8.0%	4.25%
All Commodities	3.0%	2.34%
	100.0%	4.50%

Discount Rate: The discount rate used to measure the total OPEB liability was 7.28%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those 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.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 434,113	\$ 187,468	\$ 246,645
Changes in the year:			
Service cost	31,222		31,222
Interest	33,711		33,711
Differences between expected and actual experience	(14,513)		(14,513)
Changes in assumptions	(40,263)		(40,263)
Changes in benefit terms			
Contributions - employer		55,642	(55,642)
Net investment income		19,606	(19,606)
Administrative expenses		(102)	102
Benefit payments	(4,550)	(4,550)	
Net changes	<u>5,607</u>	<u>70,596</u>	<u>(64,989)</u>
Balance at June 30, 2018	<u>\$ 439,720</u>	<u>\$ 258,064</u>	<u>\$ 181,656</u>

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 Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Current		
	1% Decrease 6.28%	Discount Rate 7.28%	1% Increase 8.28%
Net OPEB liability	\$ 239,876	\$ 181,656	\$ 133,080

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

	Current Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
Net OPEB liability	\$ 118,208	\$ 181,656	\$ 281,513

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report at [www.calpers.ca.gov](http://www.calpers.ca.gov).

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the Authority recognized OPEB expense of \$42,458. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 59,503	
Change in assumptions		\$ (35,667)
Difference between expected and actual experience		(12,856)
Net differences between projected and actual earnings on plan investments		<u>(3,282)</u>
Total	<u>\$ 59,503</u>	<u>\$ (51,805)</u>

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

<u>Year Ended June 30</u>	
2019	\$ (7,073)
2020	(7,073)
2021	(7,073)
2022	(7,075)
2023	(6,253)
Thereafter	<u>(17,258)</u>
	<u>\$ (51,805)</u>

NOTE I – INSURANCE COVERAGE

The Authority participates in the California Transit Insurance Pool (CalTIP), a joint powers public entity risk pool of governmental transit operators within California, for general, automobile, public officials errors and omissions liability and vehicle physical damage (collision and comprehensive). The Authority is provided with an excess coverage fund for these items through commercial insurance. Loss contingency reserves established by CalTIP are funded by contributions from member agencies. The Authority pays an annual premium to CalTIP that includes its pro-rata share of excess insurance

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE I – INSURANCE COVERAGE (Continued)

premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the CalTIP. The Authority’s deductibles and maximum coverage under CalTIP are as follows:

	<u>Pool Coverage</u>	<u>Commercial Coverage</u>	<u>Deductible</u>
General, Auto and Public Officials Errors & Omissions Liability	\$ 10,000,000	\$ 25,000,000	none
Vehicle Physical Damage	100,000	20,100,000	\$500 to \$5,000

CalTIP is governed by a Board of Directors and member agencies are entitled to representation on the board. Upon termination of the JPA agreements, all property of CalTIP would be returned the respective parties that transferred the property to CalTIP and any surplus of funds and assets would be returned to the parties in proportion to actual balances of each entity. Complete financial information for CalTIP is available at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The Authority has been covered for excess worker’s compensation and employer’s liability through a pooled commercial insurance policy held by the Special District Risk Management Authority pool since July 1, 2002. The Authority pays a pro-rata share of the annual premiums. The Authority continues to carry commercial insurance for property loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

NOTE J – RELATED PARTY TRANSACTIONS

Certain members of the Authority’s Board of Directors are also members of the Board of Supervisors of the County of El Dorado, the City Council of the City of Placerville and El Dorado County Transportation Commission. During the years ended June 30, 2018 and 2017, the Authority had the following related party transactions:

	<u>2018</u>	<u>2017</u>
City of Placerville:		
Bus shelter maintenance expense	\$ 1,210	\$ 1,320
Background checks	240	580
	<u>\$ 1,450</u>	<u>\$ 1,900</u>
County of El Dorado:		
Health insurance	<u>\$ 25,257</u>	<u>\$ 44,596</u>
	<u>\$ 25,257</u>	<u>\$ 44,596</u>
Accounts payable due to County of El Dorado	<u>\$ 5,242</u>	<u>\$ 2,168</u>
Accounts payable due to City of Placerville	<u>\$ 13,314</u>	<u>\$ 8,279</u>
Accounts payable due to El Dorado County Transportation Commission	<u>\$ 4,500</u>	<u>\$ -</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE K – CONCENTRATIONS

The Authority receives a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund created by the Transportation Development Act. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Authority's activities.

NOTE L – CONTINGENCIES

The Authority receives funding for specific purposes that are subject to review and audit by the granting agencies of the funding source. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such audits.

NOTE M – CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement required the Authority to recognize in its financial statements the net OPEB liability, deferred outflows of resources and deferred inflows of resources for the Authority's OPEB plan. Due to implementation of this Statement, total liabilities increased by \$246,645, deferred outflows of resources increased \$55,642 and net position decreased \$191,003 as of July 1, 2017.

NOTE N – SUBSEQUENT EVENTS

In July 2018, the Authority executed an Installment Sale Agreement to finance a portion of the five buses purchased by the Authority in June 2018. The amount financed is \$1,200,000 to be repaid over a five year term ending in July 2023. The Agreement requires payments starting October 26, 2018 of \$65,415.53 on a quarterly basis. The interest rate under this agreement is 3.35%.

**REQUIRED SUPPLEMENTARY INFORMATION**

EL DORADO COUNTY TRANSIT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

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

Last 10 Years

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Proportion of the net pension liability	0.07801%	0.07525%	0.07506%
Proportionate share of the net pension liability	\$ 3,075,371	\$ 2,614,209	\$ 2,059,218
Covered payroll - measurement period	\$ 2,918,283	\$ 2,715,385	\$ 2,337,069
Proportionate share of the net pension liability as a percentage of covered payroll	105.38%	96.27%	88.11%
Plan fiduciary net position as a percentage of the total pension liability	78.02%	75.57%	78.40%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes in assumptions: The discount rate change from 7.50% in 2015 to 7.65% in 2016 and 2017 and 7.15% in 2018.

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

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

Last 10 Years

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually required contribution (actuarially determined)	\$ 438,662	\$ 396,093	\$ 362,047
Contributions in relation to the actuarially determined contributions	(438,662)	(396,093)	(362,047)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 3,211,654	\$ 2,918,283	\$ 2,715,385
Contributions as a percentage of covered payroll	13.66%	13.57%	13.33%

Notes to Schedule:

Valuation date: June 30, 2015      June 30, 2014      June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial method	Entry age normal cost method
Amortization method	Level percentage of payroll over closed 30 year period
Remaining amortization period	Not stated
Asset valuation method	Actuarial value of assets over 30 years. 5-year ramp up/ramp down
Inflation	2.75%
Salary increases	3.2% to 12.20% depending on entry age and service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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



EL DORADO COUNTY TRANSIT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

SCHEDULE OF FUNDING PROGRESS OF THE  
OTHER POSTEMPLOYMENT BENEFITS PLAN (UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2011	\$ 38,904	\$ 127,682	\$ 88,778	30.50%	\$ 1,044,243	8.50%
07/01/2013	79,923	167,989	88,066	47.60%	1,017,350	8.70%
07/01/2015	184,150	434,113	249,963	42.42%	1,275,829	19.59%

EL DORADO COUNTY TRANSIT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)  
Last 10 Years

	<u>2018</u>
Actuarially determined contribution - employer fiscal year	\$ 59,503
Contributions in relation to the actuarially determined contributions	<u>(59,503)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll - employer fiscal year	\$ 1,670,014
Contributions as a percentage of covered-employee payroll	3.56%

**Notes to Schedule:**

Valuation date	July 1, 2017
Measurement period - fiscal year ended	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-age normal cost
Amortization method	Level percentage of payroll
Amortization period	Approximately 30 years
Asset valuation method	Market value of assets
Inflation	3.00%
Healthcare cost trend rates	8% in 2018 to 5% in 2025 and thereafter
Salary increases	3.25%, average, including inflation
Investment rate of return	7.28% in 2018
Retirement age	50-67 years. Probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.
Mortality	Based on 2009 CalPERS Experience Study

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

EL DORADO COUNTY TRANSIT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)  
Last 10 Years

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 31,222
Interest	33,711
Differences between expected and actual experience	(14,513)
Changes in assumptions	(40,263)
Changes in benefit terms	
Benefit payments	<u>(4,550)</u>
Net change in total OPEB liability	5,607
Total OPEB liability - beginning	<u>434,113</u>
Total OPEB liability - ending (a)	<u><u>\$ 439,720</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 55,642
Net investment income	19,606
Benefit payments	(4,550)
Administrative expenses	<u>(102)</u>
Net change in plan fiduciary net position	70,596
Plan fiduciary net position - beginning	<u>187,468</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 258,064</u></u>
Net OPEB liability - ending (a)-(b)	<u><u>\$ 181,656</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>58.69%</u>
Covered-employee payroll - measurement period	<u><u>\$ 1,462,832</u></u>
Net OPEB liability as percentage of covered-employee payroll	<u>12.42%</u>
Notes to schedule:	
Valuation date	July 1, 2017
Measurement period - fiscal year ended	June 30, 2017

Changes in assumptions. During 2018, the discount rate was 7.28%.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

**SUPPLEMENTARY INFORMATION**

EL DORADO COUNTY TRANSIT AUTHORITY

SCHEDULES OF OPERATING EXPENSES

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING EXPENSES		
Salaries and wages	\$ 3,449,044	\$ 3,314,020
Employee benefits	2,416,247	1,387,588
Fuel and lubricants	665,780	539,211
General liability insurance	496,602	385,353
Vehicle maintenance	381,764	480,446
Worker's compensation insurance	214,650	365,881
Office expense	197,870	151,876
Professional services	176,779	164,794
Payroll taxes	68,204	68,098
Utilities	62,871	69,344
Communications	58,104	51,143
Special department expense	54,115	65,016
Equipment rents/leases	27,630	27,351
Staff development and training	26,159	36,593
Uniforms	15,514	21,524
Household supplies	13,217	10,540
Membership and publications	11,536	12,748
Small tools and equipment	5,396	3,531
Miscellaneous	3,528	(73)
Claims expense (recovery)		(4,190)
	<u>                    </u>	<u>                    </u>
TOTAL OPERATING EXPENSES	<u>\$ 8,345,010</u>	<u>\$ 7,150,794</u>

## **COMPLIANCE REPORTS**

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

To the Board of Directors  
El Dorado County Transit Authority  
Diamond Springs, 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 El Dorado County Transit Authority (the Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 30, 2018.

**Internal Control Over Financial Reporting**

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

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

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

To the Board of Directors  
El Dorado County Transit Authority

**Compliance and Other Matters (including other State program guidelines)**

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

**Purpose of this Report**

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

*Richardson & Company, LLP*

November 30, 2018



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

El Dorado County Transit Authority  
Diamond Springs, California

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

We have audited the El Dorado County Transit Authority's, (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

To the Board of Directors  
El Dorado County Transit Authority

## Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

*Richardson & Company, LLP*

November 30, 2018

EL DORADO COUNTY TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

A. SUMMARY OF AUDIT RESULTS

<u>Financial Statements</u>	<u>Summary of Auditor's Results</u>
1. Type of auditor's report issued:	Unmodified opinion
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
3. Noncompliance material to financial statements noted?	No
 <u>Federal Awards</u>	
4. Internal control over major programs:	
a. Material weaknesses identified?	None reported
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
5. Type of auditor's report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
7. Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.507, 20.526	U.S. Department of Transportation, Federal Transit Administration
8. Dollar Threshold used to distinguish between Type A and Type B programs?	\$ 750,000
9. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)?	Yes

(Continued)

EL DORADO COUNTY TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2018

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COST-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. PRIOR YEAR FINDINGS

None

EL DORADO COUNTY TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors' Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>			
Federal Transit Administration			
Passed through the Sacramento Area Council of Governments and the Sacramento Regional Transit District			
Federal Transit Formula Grants, Section 5307			
Bus-Rolling Stock	20.507	CA-2017-161	\$ 348,659
Bus-Rolling Stock	20.507	CA-2016-132	308,771
Federal Transit Administration			
Passed through the California Department of Transportation			
Formula Grants for Rural Areas, Section 5311			
Operating Assistance Grant	20.509	Pending	490,631
Federal Transit Administration			
Passed through the Sacramento Area Council of Governments and the Sacramento Transit District			
Bus & Bus Facilities Formula Grant			
Vehicle Replacement Grant	20.526	CA-2017-161	400,000
Vehicle Replacement Grant	20.526	CA-2016-132	400,000
			<u>800,000</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,948,061</u>

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

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of El Dorado County Transit Authority under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Authority's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COSTS

The Authority did not elect to use the 10 percent de minimus indirect cost rate as covered in 2 CFR §200.414.

NOTE D – SUBRECIPIENTS

There were no subrecipients of the Authority's programs during the year ended June 30, 2018.