COUNTY OF PLACER

TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2015

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS
AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Placer
Auburn, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Funds of the County of Placer (the County), as of and for year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Supervisors
County of Placer
Auburn, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the County as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1A, the financial statements present only the TDA Fund of the County and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2015, the changes in financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 12 to the basic financial statements, the County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* during the year ended June 30, 2015. Due to the implementation of these Statements, the County recognized deferred outflows of resources and a pension liability for its cost-sharing pension plans as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

We have previously audited the TDA Fund financial statements dated March 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived. However, the net pension liability, deferred inflows or resources and deferred outflows of resources as of July 1, 2013 and pension expense for the year ended June 30, 2014 were not restated as is necessary to report these balances in accordance with general accepted accounting principles because the information necessary to record these amounts was not available.

Correction of Errors

As discussed in Note 12, correction of errors made during the current year. Accordingly, an adjustment has been made to due from other governments and State Transit Assistance revenues as of and for the year ended June 30, 2014 to correct these errors.

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information for the governmental fund that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

To the Board of Supervisors
County of Placer
Auburn, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2016 on our consideration of the County's internal control over financial reporting related to the TDA Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, and the Transportation Development Act. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Richardson & Company, LLP

March 10, 2016

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS

Balance Sheet
Transportation and Pedestrian/Bike Funds
June 30, 2015
(With Comparative Totals as of June 30, 2014)

	Transportation Fund	Pedestrian/Bike Fund	Total 2015	Total 2014
Assets				
Due from other governments	$ -	$ -	$ -	$ -
Total assets	$ -	$ -	$ -	$ -
Liabilities and Fund Balance				
Accounts payable	$ -	$ -	$ -	$ -
Fund balance:				
Restricted	-	-	-	-
Total liabilities and fund balance	$ -	$ -	$ -	$ -

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

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balance
Transportation and Pedestrian/Bike Funds
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the fiscal year ended June 30, 2014)

	Transportation Fund	Pedestrian/Bike Fund	Total 2015	Total 2014
Revenues				
Local Transportation Funds	$ 2,000,000	$ -	$ 2,000,000	$ 1,663,518
Total revenues	2,000,000	-	2,000,000	1,663,518
Expenditures				
Streets and roads	2,000,000	-	2,000,000	1,663,518
Bicycle and pedestrian	-	-	-	-
Total expenditures	2,000,000	-	2,000,000	1,663,518
Changes in fund balance	-	-	-	-
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	$ -	$ -	$ -	$ -

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

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS

Statement of Net Position
Transit Fund
June 30, 2015
(With Comparative Totals as of June 30, 2014)

	2015	2014
Assets		
Current assets:		
Cash and investments	$ 5,785,051	$ 4,919,490
Accounts receivable	39,956	39,237
Interest receivable	4,314	4,874
Due from other governments	1,457,795	1,275,208
Total current assets	7,287,116	6,238,809
Net OPEB asset	670,066	-
Capital assets, net of accumulated depreciation	3,284,292	3,978,077
Total assets	11,241,474	10,216,886
Deferred outflows of resources:		
Employer pension contributions	272,834	-
Liabilities and Net Position		
Current liabilities:		
Accounts payable	128,470	258,644
Due to other governments	171,058	161,389
Accrued salaries and benefits	96,019	91,240
Compensated absences	25,096	26,272
Total current liabilities	420,643	537,545
Long-term liabilities:		
Compensated absences	225,862	236,453
Net pension liability	2,655,077	-
Total liabilities	3,301,582	773,998
Deferred inflows of resources:		
Net difference between projected and actual earnings on pension plan investments	420,691	-
Net position:		
Investment in capital assets	3,284,292	3,978,077
Restricted for:		
PTMISEA projects	2,767,700	1,760,603
LTF projects	1,268,210	826,473
TSSSDRA projects	123,823	122,592
Unrestricted	348,010	2,755,143
Total net position	$ 7,792,035	$ 9,442,888

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

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS

Statement of Revenues, Expenses and Changes in Net Position
Transit Fund
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the fiscal year ended June 30, 2014)

	2015	2014
Operating revenues:		
Passenger fares	$ 687,225	$ 709,740
Van pool fares	70,120	75,020
Total operating revenues	757,345	784,760
Operating expenses:		
Salaries and benefits	2,201,759	2,196,657
Professional services	1,445,646	1,481,729
Maintenance	971,785	801,784
Fuels and lubricants	315,285	352,057
Insurance	140,704	131,214
Administration and overhead	435,534	430,808
Depreciation	697,244	705,849
Total operating expenses	6,207,957	6,100,098
Operating loss	(5,450,612)	(5,315,338)
Nonoperating revenues (expenses):		
Local Transportation Funds	2,560,700	2,435,500
Contributions from other agencies	1,007,449	1,024,358
Contributions from TART	-	35,710
State Transit Assistance	531,288	425,557
Interest	48,174	53,780
Fair market value adjustment	(1,944)	36,639
Federal revenue	877,420	949,516
Other revenues	192,146	177,133
Contributions to Road fund	-	(15,510)
Contributions to City of Lincoln	(171,058)	(316,076)
Total nonoperating revenues (expenses)	5,044,175	4,806,607
Loss before contributions	(406,437)	(508,731)
Capital contributions - PTMISEA	988,200	-
Capital contributions - TSSSDRA	-	106,058
Change in net position	581,763	(402,673)
Net position, beginning of year, as restated	7,210,272	9,845,561
Net position, end of year	$ 7,792,035	$ 9,442,888

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

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS

Statement of Cash Flows
Transit Fund
For the Fiscal Year ended June 30, 2015
(With Comparative Totals for the fiscal year ended June 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	$ 757,345	$ 784,827
Cash paid to employees	(2,308,495)	(2,210,227)
Cash paid to suppliers for goods and services	(3,284,441)	(2,967,767)
Net cash used for operating activities	(4,835,591)	(4,393,167)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants and other revenue	4,669,621	4,181,314
Net cash provided by noncapital financing activities	4,669,621	4,181,314
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(3,459)	(220,771)
Capital contributions received	988,200	106,058
Net cash (used for) provided by capital and related financing activities	984,741	(114,713)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	46,790	89,676
Net cash provided by investing activities	46,790	89,676
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	865,561	(236,890)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,919,490	5,156,380
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,785,051	$ 4,919,490
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	$ (5,450,612)	$ (5,315,338)
Adjustments to reconcile net loss to net cash used for operating activities		
Depreciation	697,244	705,849
Pension expense	(36,986)	-
Changes in assets and liabilities:		
Decrease in accounts receivable	-	67
(Increase) in net OPEB asset	(62,762)	-
Increase (decrease) in accounts payable and accrued expenses	24,513	229,825
Increase in accrued salaries	4,779	10,290
(Decrease) in compensated absences payable	(11,767)	(23,860)
Net cash used for operating activities	$ (4,835,591)	$ (4,393,167)

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

Note 1: Summary of Significant Accounting Policies

The financial statements of the Transportation Development Act Funds allocated to the County of Placer (the County) have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The *Governmental Accounting Standard Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Description of Reporting Entity

The County annually receives allocations from the Placer County Transportation Planning Agency (PCTPA) to operate public transit services and to fund street and road and pedestrian and bicycle infrastructure improvements.

The financial statements present only the Transportation Development Act Funds allocated to the County of Placer and do not purport to, and do not, present fairly the financial position of the County of Placer as of June 30, 2014, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

B. Basis of Presentation

The County uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of ear-marked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

The County of Placer utilizes the special revenue fund type of the governmental fund category to report its financial activity of the Transportation Development Act Funds. This includes accounting for the Transportation and Pedestrian & Bike funds.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the County (internal service funds).

The Transit Fund is an enterprise fund of the County and is used to account for the operation of Placer County Transit.

Note 1: **Summary of Significant Accounting Policies** (continued)

C. **Basis of Accounting**

All governmental funds are accounted for on a spending or *flow of current financial resources* measurement focus which means that only *current assets* and *current* liabilities are generally included on their balance sheets. Their reported fund balance is their net current assets, which is considered only to be a measure of *available spendable resources.* Governmental fund operating statements present a summary of sources and uses of available spendable resources during a period by presenting increases and decreases in net current assets.

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds are accounted for using the *modified accrual basis* of accounting. These fund revenues are recognized when they become measurable *and* available as net current assets. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter (generally sixty days) to be used to pay liabilities of the current period. Amounts that could not be measured or were not available were not accrued as revenue in the current fiscal year. Revenue susceptible to accrual includes sales taxes, intergovernmental grants, interest revenue, and charges for services.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private businesses or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Transit Fund distinguishes operating from nonoperating revenues and expenses. Operating revenues and expenses generally result from provided services in connection with Transit's principal ongoing operations. The principal operating revenue of the Transit Fund is passenger fares. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. **Cash and Cash Equivalents**

Cash and cash equivalents represent the Transit Fund's share in the County Treasurer's cash and investment pool.

E. **Capital Assets**

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from ten to fifty years for structures and improvements and two to twenty-five years for equipment. The County's capitalization policy is to capitalize asset acquisitions with an individual cost greater than $5,000 for equipment and vehicles and $50,000 for building and improvements and infrastructure.

Note 1: **Summary of Significant Accounting Policies** (continued)

F. **Compensated Absences**

The County reports a liability for compensated absences attributable to services already rendered as of June 30, 2015, and which are not contingent on a specific event that is outside the control of the County, such as employee illness. This liability is based on the probability that the County will eventually compensate the employees for the benefits through paid time off or some other means, such as annual leave cash-outs, payment of future health insurance premiums, or cash payments at termination or retirement. The liability is calculated based on pay rates in effect on June 30, 2015, in addition to those salary-related payments that are directly and incrementally associated with payments made for compensated absences on termination, such as Social Security and Medicare taxes. See the County of Placer's Comprehensive Annual Financial Report (CAFR) for additional details.

G. **Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense/expenditure until then. The Transit Fund has one item, employer pension contributions, that qualify for reporting in this category, related to the implementation of GASB 68.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents the net difference between projected and actual earnings on pension plan investments.

During the fiscal year ended June 30, 2015, the County implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* As a result, the fiscal year ended June 30, 2015 will be the initial year that deferred inflows and outflows are reported on the Statement of Net Position. As of June 30, 2015, the Transit Fund has deferred outflows of resources related to employer pension contributions totaling $272,834, and $420,691 of deferred inflows which are the net difference between projected and actual earnings on pension plan investments.

H. **Pensions**

For purposes of measuring the net pension liability and deferred inflows/outflows of resources related to pensions, and pensions expense, information about the fiduciary net position of the County of Placer California Public Employees' Retirement System (CalPERS) 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 at fair value.

I. **Net Position / Fund Balance**

The Transit Fund utilizes a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted.

Investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the net position balance.

Note 1: **Summary of Significant Accounting Policies** (continued)

Restricted – This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents net position, not restricted for any project or other purpose.

The Transportation Fund and the Pedestrian/Bike Fund report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent. As of June 30, 2015, there is no fund balance reported.

The Board of Supervisors established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. When restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, followed by assigned, committed, and unassigned resources as they are needed.

J. **Use of Estimates**

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

Note 2: **Cash and Investments**

The County's Funds maintain specific cash deposits with the County and involuntarily participate in the County's external investment pool. The County is restricted by state code in the types of investments it can purchase. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. The County has a Treasury Review Panel, which performs regulatory oversight for its pool pursuant to the County investment policy. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, negotiable certificates of deposit, local agency bonds, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, corporate notes, and the California Local Agency Investment Fund (LAIF). As of June 30, 2015, the Transit Fund's investment in the County Treasurer's pool is stated at fair value. However, the value of the pool shares in the County's investment pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Transit Fund's position in the pool.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3,* requires additional disclosures about government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk.

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 is to changes in market interest rates. The weighted average to maturity of the County's external investment pool as of June 30, 2015 was 1,483 days.

Note 2: **Cash and Investments** (continued)

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. The County external investment pool is not rated.

Custodial Credit Risk and Concentration of Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Transit Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Concentration of credit risk is the risk of loss attributed to the magnitude of the Transit Fund's investment in a single issuer. The Transit Fund is not exposed to custodial credit or concentration of credit risk as it participates in the County's external investment pool, and therefore, is not subject to such risks.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's comprehensive annual financial report and may be obtained by contacting the County Auditor-Controller's Office at 2970 Richardson Drive, Dewitt Center, Auburn, California.

Note 3: **Capital Assets**

A summary of changes in capital assets in the Transit Fund during the fiscal year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2015
Capital assets, not being depreciated:					
Construction in progress	$ 1,907	-	-	$ (1,907)	-
Total capital assets, not being depreciated	1,907	-	-	(1,907)	-
Capital assets, being depreciated:					
Buildings and improvements	2,231,156	-	-	1,907	$ 2,233,063
Transit vehicles and equipment	7,515,173	$ 3,459	$(324,205)	-	7,194,427
Total capital assets, being depreciated	9,746,329	3,459	(324,205)	1,907	9,427,490
Less accumulated depreciation for:					
Buildings and improvements	(1,021,495)	(161,142)	-	-	(1,182,637)
Transit vehicles and equipment	(4,748,664)	(536,102)	324,205	-	(4,960,561)
Total accumulated depreciation	(5,770,159)	(697,244)	324,205	-	(6,143,198)
Total capital assets, being depreciated, net	3,976,170	(693,785)	-	1,907	3,284,292
Total capital assets, net	$3,978,077	$ (693,785)	$ -	$ -	$ 3,284,292

Note 4: **Fare Revenue Ratio**

The Transit Fund is required under the Transportation Development Act to maintain fare revenue to operating expenses ratio of at least 13.2%. The calculation of the fare revenue ratio for the fiscal year ended June 30, 2015, is as follows:

Fare revenues	$ 687,225
Other fare revenues	70,120
Total fares	$ 757,345
Operating expenses	$ 6,207,957
Less: Depreciation	(697,244)
Other exclusions	(268,380)
Total	$ 5,242,333
Fare revenue ratio	14.45%

Note 5: **Compensated Absences**

The following is a summary of activity for compensated absences for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Compensated Absences	$ 262,725	$ 181,196	$ (192,963)	$ 250,958	$ 25,096

Note 6: **Employees' Pension Plan**

Plan Description

The Transit Fund contributes to the County's California Public Employees Retirement System (CalPERS) Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions under the plan are established by state statute and county resolution. CalPERS issues a publicly available financial report 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 http://calpers.ca.gov/index.jap?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml.

All full and part-time permanent Transit Fund employees and certain extra help employees who have worked over 1,000 hours in a fiscal year are eligible to participate in the County's Miscellaneous Plan with CalPERS. Elected officials may also participate at their option. Per diem employees and extra help employees working less than 1,000 hours in a fiscal year are not eligible. Benefits vest after five years of service. To be eligible for retirement an employee must be at least 50 years of age and have five years of CalPERS credited service. Effective January 1, 2013, new CalPERS members are subject to the Public Employees' Pension Reform Act (PEPRA) and to be eligible for retirement, an employee must be at least 52 years of age and have five years of CalPERS credited service.

Note 6: **Employees' Pension Plan** (continued)

Benefits Provided

The Plan's provisions and benefits in effect as of June 30, 2015, are summarized as follows:

	Tier 1	Tier 2	Tier 3
	Miscellaneous		
	Hired on or before March 12, 2011	Hired on or after March 13, 2011	Hired on or after Jan. 1, 2013
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years
Benefit payments	monthly for life	monthly for life	montly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.43% - 2.42%	1.0% - 2.58%

The Placer Public Employee Organization's represented employees, pay 100% of their employee pension contribution of 7% or 8%.

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

As of June 30, 2015, the Transit Fund reported a net pension liability of $2,655,077 for its proportionate share of the County's Miscellaneous Plan's net pension liability. The Transit Fund's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The Transit Fund's proportionate share of the County's Miscellaneous Plan's net pension liability as of June 30, 2014 was 0.849%. As of June 30, 2013, the Transit Fund's proportionate share % was .842%, an increase of .07%.

For the year ended June 30, 2015, the Transit Fund recognized pension expense of $211,724. At June 30, 2015, the Transit Fund reported deferred outflows and deferred inflows or resources related to pension for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Pension Contributions paid by Transit subsequent to measurement date	$ 272,834	$ -
Net difference between projected and actual earnings on pension plan investments	-	420,691
Total	$ 272,834	$ 420,691

Note 6: **Employees' Pension Plan** (continued)

The amount of $272,834 reported as deferred outflows of resources related to pensions, resulting from the Transit Fund's contributions to the County's Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Years ending June 30,	Amount
2016	$ (105,173)
2017	(105,173)
2018	(105,173)
2019	(105,172)
Total	$ (420,691)

Actuarial Assumptions, Discount Rate, and Pension Plan Fiduciary Net Position

Detailed information about the County's collective net pension liability is available in the County's separately issued CAFR. The county's CAFR may be obtained by contacting the Placer County Auditor-Controller's Office at 2970 Richardson Drive, Auburn, CA 95603.

Detailed information about the pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

Note 7: **Other Post Employee Benefits Plan**

Plan Description

The County provides postretirement healthcare benefits to its retirees under its Retiree Healthcare Plan in accordance with various labor agreements. The County contributes to the California Employers' Retiree Benefit Trust (CERBT), an agent multiple employer plan administered by CalPERS. CalPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 Q Street, P.O. Box 942701, Sacramento, California 94229.

Eligibility

In accordance with California Government Code, all employees electing a CalPERS retirement date within 120 days of retiring from the County are eligible to receive healthcare benefits for life. The County provides postretirement medical and dental benefits to employees who retire after the age of 50 and with five years of service and ten years of CalPERS service if hired after January 1, 2005. Eligible retirees can continue participation in the medical and dental plans, with the TART contributing up to a cap, which varies by bargaining unit.

Note 7: **Other Post Employee Benefits Plan** (continued)

Annual OPEB Cost and Net OPEB Asset

The Transit Fund's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) to not exceed thirty years. The Transit Fund's contribution to the plan for fiscal year ended June 30, 2015 was $94,664. The Transit Fund's net OPEB Asset as of June 30, 2015 was $670,066.

See the County of Placer's Comprehensive Annual Financial Report (CAFR) for additional details.

Note 8: **Risk Management**

The County's Transit Enterprise Fund is self-insured for public liability and property damage up to $250,000 per occurrence. Claims in excess of $250,000 are insured through the California Transit Systems Joint Powers Insurance Authority (CalTIP), a joint powers agency risk sharing pool, established in 1987 to provide an independently managed self-insurance program for member transit operators.

The purpose of CalTIP is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense. Claims in excess of the pool limit are covered by excess insurance purchased by CalTIP up to $25,000,000 per occurrence.

The County's Transit Enterprise Fund has not settled any claims exceeding the risk-pool limit of $250,000 per occurrence for any of the past three fiscal years. The Transit Enterprise Fund has the following forms of coverage through CalTIP: bodily injury liability, property damage liability; public official's error and omissions liability; personal injury liability and collision and comprehensive coverage.

Note 9: **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. Qualifying expenditures must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

As of June 30, 2015, PTMISEA funds received and expended are as follows:

Beginning balance, July 1, 2014	$ 1,760,603
Activity for fiscal year ended June 30, 2015:	
Revenue	988,200
Interest earned on unspent proceeds	18,897
Unexpended proceeds (restricted net position) at June 30, 2015	$ 2,767,700

Note 10: **TSSSDRA**

The Transit System Safety, Security & Disaster Response Account (TSSSDRA) allocation; once bond proceeds are made available, and upon appropriation by the Legislature; and subject to such conditions and criteria as the Legislature may provide by statute, and by the California Emergency Management Agency (Cal EMA) are for capital projects that increase protection against a security and safety threat, and develop a disaster response transportation system that can move people, goods, emergency personnel and equipment in the aftermath of a disaster.

As of June 30, 2015, TSSSDRA funds received and expended are as follows:

Beginning balance, July 1, 2014	$ 122,592
Activity for fiscal year ended June 30, 2015:	
Interest earned	1,231
Unexpended proceeds (restricted net position), June 30, 2015	$ 123,823

Note 11: **Local Transportation Fund Eligibility**

The Local Transportation Fund (LTF) allocates monies to the transit system to support operations. The Transit Fund is only eligible to receive allocations sufficient to cover operating expenses, less certain adjustments as described below. Allocations in excess of this amount are recorded as restricted net assets.

At June 30, 2015, eligibility in the Transit Fund was determined as follows:

LTF Allocations	$ 2,560,700
LTF Allocation available for operating expenditures	2,560,700
Maximum Eligibility:	
Operating Expense	6,207,957
Adjustments:	
Depreciation	(697,244)
Fare box revenues	(757,345)
Federal operating grants	(877,420)
Contributions from other agencies	(1,007,449)
State Transit Assistance	(531,288)
Interest revenue	(26,102)
Other revenue	(192,146)
Maximum Eligibility	2,118,963
Current year LTF allocation in excess of eligibility	441,737
Beginning balance, July 1, 2014	826,473
Net expense over maximum eligilbiity (restricted net assets)	$ 1,268,210

Note 12: **Restatement of Net Position**

During the fiscal year ended June 30, 2015, the County implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* As a result, the County restated the net position as of July 1, 2014 to reflect the prior period adjustment related to the implementation of the net pension liability. Additionally, as of July 1, 2014, the County allocated a portion of the net OPEB asset to each fund, as a change in accounting policies. Last, the County reclassified State Transit Assistance revenue that should have been recorded in the current fiscal year. As a result, due from other governments on the Statement of Net Position and State Transit Assistance nonoperating revenue on the Statement of Revenues, Expenses and Changes in Net Position were both reduced by $59,249 from what was originally reported in the prior year. These restatements are summarized as follows:

Net position, July 1, 2014, as previously stated	$ 9,502,137
Net pension liability	(3,088,630)
Deferred outflow	248,710
State transit assistance revenue	(59,249)
OPEB adjustment	607,304
Net position, July 1, 2014, as restated	$ 7,210,272

Note 13: **Subsequent Events and Commitments**

Subsequent to the fiscal year ended June 30, 2015, the Transit Fund purchased 6 new Gillig buses on January 28, 2016 for approximately $3.1 million. The Transit Fund is also in the process of purchasing 4 new buses for the dial-a-ride service. Some of the accessory equipment for the buses will be purchased and installed after delivery of the buses. The total commitment for all buses and accessory equipment is approximately $3.5 million.

Note 14: **Reclassifications**

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on changes in net position, net position, or cash flows as previously reported.

OTHER REPORTS

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

To the Board of Supervisors
County of Placer
Auburn, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Funds of the County of Placer (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the auditing 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Supervisors
County of Placer

Compliance and Other Matters (including PTMISEA)

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated and received by the County were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6666 and 6667 of the California Code of Regulations. We also tested the receipt of bond funds, as presented in Notes 9 to the financial statements, in accordance with the PTMISEA 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 the PTMISEA Guidelines.

Purpose of this Report

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

Richardson & Company, LLP

March 10, 2016