

**SOUTH PLACER REGIONAL
TRANSPORTATION AUTHORITY**

Audited Financial Statements

June 30, 2015

SOUTH PLACER REGIONAL TRANSPORTATION AUTHORITY

Audited Financial Statements

June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Placer Regional Transportation Authority
Auburn, California

Report on the Financial Statements

We have audited the accompanying financial statements of the South Placer Regional Transportation Authority (the Authority), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2015 and 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 in 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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

December 16, 2015

**SOUTH PLACER REGIONAL
TRANSPORTATION AUTHORITY**

Management's Discussion and Analysis
June 30, 2015

This section of South Placer Regional Transportation Authority's (SPRTA) basic financial statements presents management's overview and analysis of the financial activities of SPRTA for the fiscal year ended June 30, 2015. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

The Placer County Transportation Planning Agency (PCTPA) adopted a Regional Transportation Funding Strategy in August 2000 which included the development of a regional transportation impact fee program. PCTPA staff worked with the jurisdictions of South Placer County, as well as the development community, environmentalists, and community groups to develop a program and mechanism to implement this impact fee.

As a result of these efforts, SPRTA was created January 23, 2002, as a Joint Powers Authority to establish a transportation planning agency to address the unique needs of the southern Placer County region. SPRTA is made up of the Cities of Rocklin, Roseville, and Lincoln, as well as Placer County. SPRTA's main purpose is the planning, design, financing, acquisition, and construction of regional transportation improvements. Under the Joint Powers Agreement that formed SPRTA, PCTPA is designated as the entity to provide administrative, accounting, and staffing support for SPRTA.

FINANCIAL HIGHLIGHTS

- Total Assets \$10,299,492
- Total Liabilities \$2,255,932
- Total Net Position \$7,737,357
- Operating Revenues \$2,441,030
- Operating Expenses \$365,609
- Net Non-Operating Revenues/Expenses (\$41,317)
- Change in Net Position \$2,034,104

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the SPRTA's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of SPRTA.

The required financial statements include the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Notes to the financial statements support these statements. All sections must be considered together to obtain a complete understanding of the financial picture of SPRTA.

Statement of Net Position

This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Position". This section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of SPRTA as a whole.

Statement of Revenues, Expenses and Changes in Net Assets

This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under the accrual basis, all increases or decreases in net assets are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently, revenues and/or expenses reported during this fiscal year may result in changes to cash flows in a future period.

**SOUTH PLACER REGIONAL
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Management's Discussion and Analysis
June 30, 2015

Statement of Cash Flows

This statement reflects inflows and outflows of cash, summarized by operating, capital, financing and investing activities. The direct method was used to prepare this information, which means that gross rather than net amounts were presented for the year's activities.

Notes to the Financial Statements

This additional information is essential to a full understanding of the data reported in the basic financial statements.

FINANCIAL ANALYSIS

Comparative Analysis of Current and Prior Year Net Assets

The following table compares the Statement of Net Assets at June 30, 2015 and June 30, 2014:

	2015	2014	Variance
Current assets	\$ 8,080,591	\$ 8,442,938	\$ (362,347)
Restricted cash	196,493	232,826	(36,333)
Note receivable, long-term	2,022,408	1,786,914	235,494
Total Assets	<u>10,299,492</u>	<u>10,462,678</u>	<u>(163,186)</u>
Current liabilities	233,524	2,689,425	(2,455,901)
Long-term liabilities	2,022,408	2,070,000	(47,592)
Total Liabilities	<u>2,255,932</u>	<u>4,759,425</u>	<u>(2,503,493)</u>
Deferred inflows of resources	<u>306,203</u>	--	<u>306,203</u>
Net position, restricted	196,493	232,826	(36,333)
Net position, unrestricted	<u>7,540,864</u>	<u>5,470,427</u>	<u>2,070,437</u>
Total Net Position	<u>\$ 7,737,357</u>	<u>\$ 5,703,253</u>	<u>\$ 2,034,104</u>

Total Assets – The total assets at June 30, 2015 decreased by \$163,186 compared to the fiscal year ending June 30, 2014. The decrease in assets is the result of lower cash reserves on hand and a reduction due to the payment received towards the balance of the note receivable.

Total Liabilities – The liabilities at June 30, 2015 decreased by \$2,503,493 compared to the fiscal year ending June 30, 2014. The decrease in liabilities is the result of the balance due to other agencies for project costs at the prior year's fiscal year end being paid out in the current fiscal year and a reduction due to the payments made on the lease revenue bonds.

Net Position – Unrestricted net position, the part of equity that can be used to finance day-to-day operations without constraints was \$7,540,864 at June 30, 2015. The \$2,070,437 increase in unrestricted net position is the result of decreased fiscal year expenditures for project costs.

**SOUTH PLACER REGIONAL
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Management's Discussion and Analysis
June 30, 2015

Comparative Analysis of Current and Prior Year Activities and Balances

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ending June 30, 2015 and June 30, 2014:

	2015	2014	Variance
Operating revenues	\$ 2,441,030	\$ 2,790,697	\$ (349,667)
Operating expenses	365,609	3,399,612	(3,034,003)
Operating Income (Loss)	2,075,421	(608,915)	2,684,336
Interest income	74,352	166,131	(91,779)
Interest expense	(115,669)	(149,120)	(33,451)
Change in Net Position	\$ 2,034,104	\$ (591,904)	\$ 2,626,008

Operating Revenues – Operating revenues for the fiscal year ending June 30, 2015 decreased by \$349,667 as result of decreased member contributions, which is attributable to decreased development in the member agencies.

Operating Expenses – Operating expenses for the fiscal year ending June 30, 2015 decreased by \$3,034,003 and is mainly attributable to decreased project expenditures.

Net Position – The Change in Net Position was \$2,034,104 at June 30, 2015. The increase in net position is the result of operating revenues exceeding operating expenditures.

CAPITAL ASSETS

SPRTA purchased the Nevada Station property in December 2003 for \$2,461,914. SPRTA simultaneously sold the property to PCTPA via a capital lease for the same amount. This resulted in a note receivable from Placer County Transportation Planning Agency in the amount of \$2,416,914. The balance of the note receivable is \$2,146,909 at June 30, 2015. The note receivable is discussed in detail in Note C of the financial statements.

DEBT ADMINISTRATION

SPRTA issued lease revenue bonds in the amount of \$2,745,000 on December 1, 2003. The proceeds were used to purchase the Nevada Station property. In July 2014, SPRTA refinanced the 2003 lease revenue bonds at lower interest rates without changing the original amortization period. SPRTA's debt and the refunding is described in further detail in Note D of the financial statements.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

Revenues for SPRTA's program are wholly dependent on the amount of new development – residential, commercial and industrial – that occurs in the Cities of Rocklin, Roseville, and Lincoln and Placer County. The current economic situation has slowed growth throughout the region, resulting in an expectation that fee revenues will decrease or remain flat in the short-term. Despite this, SPRTA remains fiscally stable. Management and the SPRTA's Board of Directors remain conservative in their financial policies and have not budgeted for revenues that are not quantified; expenditures are managed carefully and adjustments made as conditions require. SPRTA is encouraged by development throughout its boundaries and will continue to practice sound fiscal management, financial planning, investment management, budgeting and internal financial controls.

**SOUTH PLACER REGIONAL
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Management's Discussion and Analysis
June 30, 2015

CONTACTING SPRTA

This financial report was designed to provide a general overview of the SPRTA's finances and to demonstrate SPRTA's accountability for the funds it receives. Questions about this report should be directed to South Placer Regional Transportation Authority, 299 Nevada Street, Auburn, CA 95603.

SOUTH PLACER REGIONAL
TRANSPORTATION AUTHORITY

BALANCE SHEETS

Years Ended June 30, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,994,213	\$ 7,224,118
Due from other agencies	956,108	1,126,634
Interest receivable	5,769	12,186
Current portion of notes receivable	124,501	80,000
TOTAL CURRENT ASSETS	8,080,591	8,442,938
NON-CURRENT ASSETS		
Restricted cash	196,493	232,826
Notes receivable	2,022,408	1,786,914
TOTAL ASSETS	\$ 10,299,492	\$ 10,462,678
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 140	\$ 19,208
Accrued interest	5,769	12,186
Due to other agencies	103,114	2,578,031
Current portion of lease revenue bonds	124,501	80,000
TOTAL CURRENT LIABILITIES	233,524	2,689,425
LONG-TERM LIABILITIES		
Lease revenue bonds	2,022,408	2,070,000
TOTAL LIABILITIES	2,255,932	4,759,425
DEFERRED INFLOWS ON RESOURCES		
Deferred amount on refunding, net	306,203	
TOTAL DEFERRED INFLOW ON RESOURCES	306,203	
NET POSITION		
Unrestricted	7,540,864	5,470,427
Restricted for debt service	196,493	232,826
TOTAL NET POSITION	7,737,357	5,703,253
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 10,299,492	\$ 10,462,678

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

SOUTH PLACER REGIONAL
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STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Member contributions	\$ 2,441,030	\$ 2,790,697
TOTAL OPERATING REVENUES	2,441,030	2,790,697
OPERATING EXPENSES		
Administration and general	93,348	137,061
Project costs:		
Placer Parkway	265,997	565,342
SR 65 Lincoln Bypass	6,264	2,697,209
TOTAL OPERATING EXPENSES	365,609	3,399,612
NET INCOME (LOSS) FROM OPERATIONS	2,075,421	(608,915)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	74,352	166,131
Interest expense	(115,669)	(149,120)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(41,317)	17,011
CHANGE IN NET POSITION	2,034,104	(591,904)
Net position at beginning of year	5,703,253	6,295,157
NET POSITION AT END OF YEAR	\$ 7,737,357	\$ 5,703,253

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

SOUTH PLACER REGIONAL
TRANSPORTATION AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	\$ 2,611,556	\$ 2,386,362
Cash paid to suppliers	(2,859,594)	(1,042,774)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(248,038)	1,343,588
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings received	11,716	17,472
NET CASH PROVIDED BY INVESTING ACTIVITIES	11,716	17,472
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments received on notes receivable	67,500	75,000
Interest received on notes receivable	69,053	149,144
Principal repayments on revenue lease bonds	(2,238,780)	(75,000)
Proceeds from issuance of long-term debt	2,235,689	
Interest payments on revenue lease bonds	(163,378)	(149,605)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(29,916)	(461)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(266,238)	1,360,599
Cash and cash equivalents, beginning of the year	7,456,944	6,096,345
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,190,706	\$ 7,456,944
RECONCILIATION OF CASH AND INVESTMENTS TO THE BALANCE SHEET:		
Cash and investments	\$ 6,994,213	\$ 7,224,118
Restricted cash	196,493	232,826
CASH AND INVESTMENTS	\$ 7,190,706	\$ 7,456,944
RECONCILIATION OF NET INCOME (LOSS) FROM OPERATIONS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES:		
Net income (loss) from operations	\$ 2,075,421	\$ (608,915)
Adjustments to reconcile net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Due from other agencies	170,526	(404,335)
Accounts payable	(19,068)	(184,005)
Due to other agencies	(2,474,917)	2,540,843
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (248,038)	\$ 1,343,588

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

SOUTH PLACER REGIONAL TRANSPORTATION AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the South Placer Regional Transportation Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting principles are described below.

Description of Reporting Entity: The Authority is a joint powers authority created January 23, 2002, to establish a transportation planning agency that would facilitate planning, design, financing, acquisition and construction of regional transportation improvements in the jurisdictions and spheres of influence of its participating members. The Authority's board includes a representative appointed by the Cities of Rocklin, Roseville and Lincoln and the County of Placer.

Basis of Presentation: The Authority's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. Enterprise funds are 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 members 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. Unrestricted net position represents amounts available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise 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 the Authority are included on the balance sheet. Net position is segregated into net investment capital assets, and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Member contributions are recognized as revenue in the period to which the underlying development fees relate.

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 member assessments representing development fees. Operating expenses include the cost of projects and administrative expenses. 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, cash and cash equivalents are defined as demand deposit account balances and demand deposits.

Restricted Cash: Restricted cash represents amounts held by a fiscal agent as a debt service reserve.

SOUTH PLACER REGIONAL TRANSPORTATION AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables: Receivables consist mostly of amounts due from member agencies. Management believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

Notes Receivable: Buildings and improvements financed by the Authority are leased to the Placer County Transportation Planning Agency (PCTPA) for their entire estimated useful life and will become the property of PCTPA at the conclusion of the lease. The Authority records the present value of the lease and considers the leased improvements to have been sold for this amount when leased. Lease payments are generally equal to the underlying debt payments.

Bond Issuance Costs: Bond issuance costs are recognized as an expense in the period incurred.

Deferred Amount from Refunding Debt: The difference between the reacquisition price of refunded debt and the net carrying amount of the previously outstanding debt is deferred and reported as either a deferred outflow or deferred inflow on the balance sheet. These amounts are amortized over the shorter of the term of the old debt or the new debt.

Net Position: Net position are categorized as invested in capital assets, restricted and unrestricted.

Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category. The Authority has no investment in capital assets.

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, 2015 and 2014 represents amounts restricted by bond requirements.

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

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.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30:

	2015	2014
Deposits in financial institutions	\$ 6,994,213	\$ 7,224,118
Total cash and cash investments	\$ 6,994,213	\$ 7,224,118
Trust deposit account	\$ 196,493	\$ 232,826
Total restricted cash and cash equivalents	\$ 196,493	\$ 232,826

SOUTH PLACER REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The Authority does not have a formal investment policy.

The Authority's permissible investments included the following instruments:

- Securities of the U.S. Government or its agencies
- Time certificates of deposit
- Bankers' acceptances
- Commercial paper
- California Local Agency Investment Fund deposits
- Passbook savings account demand deposits
- Repurchase agreements
- Medium Term Notes, minimum Moody's rating of AA

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 California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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.

At June 30, 2015, the carrying amount of the Authority's deposits was \$6,994,213 and the balances in financial institutions were \$7,058,396. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$6,808,396 at June 30, 2015 was collateralized as required by State law (Government Code Section 53630), 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.

NOTE C – NOTE RECEIVABLE

The Authority has entered into a non-cancelable lease agreement with PCTPA as part of its issuance of debt on PCTPA's behalf for the purchase of the Nevada Station building, ending on December 1, 2028. These agreements call for the Authority to receive lease amounts that are structured to be sufficient in timing and amount to meet the Authority's related debt service payments. Interest earned on the lease payment account and other monies held by the trustee are applied to the lease payments made by PCTPA. PCTPA has the option to purchase the leased building for \$10, upon termination or expiration of the lease and after the bonds have been paid off. This lease was modified during the year ended June 30, 2015 as a result of the refunding of the underlying bonds.

SOUTH PLACER REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

NOTE C – NOTE RECEIVABLE (Continued)

Future minimum lease payments to be received as of the year-end are summarized as follows:

Year ended June 30:	
2016	\$ 191,732
2017	189,724
2018	192,255
2019	189,099
2020	190,482
2021-2025	954,866
2026-2029	<u>760,850</u>
Total lease payments	2,669,008
Less: interest	<u>(522,099)</u>
Note receivable at June 30, 2015	<u><u>\$2,146,909</u></u>

NOTE D – LONG-TERM LIABILITIES

Summary of Long-term Liabilities

The California Local Government Finance Authority authorized the issuance of \$1,165,000 of its Lease Revenue Bonds – Tax Exempt Series 2003-A and \$1,580,000 of its Lease Revenue Bonds – Taxable Series 2003-B in December 2003 to provide funds for purchase of the Nevada Station property. In July 2014, the Authority refunded these bonds with the proceeds from the issuance of its \$1,043,840 Lease Revenue Refunding Bonds – Tax Exempt Series 2014 A and \$1,191,849 of its Lease Revenue Refunding Bonds – Taxable Series 2014 B. The Finance Authority and the Authority entered into a lease wherein the Authority, in substance, acquired ownership of the facilities and is responsible for making payments in an amount sufficient to pay debt service on the revenue bonds. The Authority has subleased a portion of the property to PCTPA. The sublease payments are pledged for repayment of the bonds. The lease payments received from other tenants are pledged for repayment of the taxable bonds. The tax exempt bonds bear interest at 3.25%, and interest is payable each June 1 and December 1, ranging from \$3,015 to \$16,957. Principal is due annually beginning December 1, 2022 through 2028, ranging from \$333,000 to \$185,556. The taxable bonds bear interest at 3.2%, and interest is payable each June 1 and December 1, ranging from \$2,452 to \$17,654. Principal is due annually on December 1 through 2022, ranging from \$88,447 to \$153,222.

SOUTH PLACER REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

NOTE D – LONG-TERM LIABILITIES (Continued)

The following is a summary of long-term liability activity for the years ended June 30, 2015 and 2014:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Amounts Due Within One Year
Certificates of Participation					
Tax Exempt Series 2003-A	\$ 1,165,000		\$ (1,165,000)		
Taxable Series 2003-B	985,000		(985,000)		
	<u>2,150,000</u>	-	<u>(2,150,000)</u>	-	-
Lease Revenue Refunding Bonds					
Tax Exempt Series 2014-A		\$ 1,043,840	(333)	\$ 1,043,507	\$ 467
Taxable Series 2014-B		1,191,849	(88,447)	1,103,402	124,034
	<u>\$ 2,150,000</u>	<u>\$ 2,235,689</u>	<u>\$ (2,238,780)</u>	<u>\$ 2,146,909</u>	<u>\$ 124,501</u>

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Amounts Due Within One Year
Certificates of Participation					
Tax Exempt Series 2003-A	\$ 1,165,000			\$ 1,165,000	
Taxable Series 2003-B	1,060,000		\$ (75,000)	985,000	\$ 80,000
	<u>\$ 2,225,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 2,150,000</u>	<u>\$ 80,000</u>

Annual debt service requirements to maturity as of June 30, 2015, are as follows:

Year ended June 30:	Principal	Interest	Total
2016	\$ 124,501	\$ 67,231	\$ 191,732
2017	126,510	63,214	189,724
2018	133,196	59,059	192,255
2019	134,321	54,778	189,099
2020	140,095	50,387	190,482
2021-2025	774,730	180,136	954,866
2026-2029	713,556	47,294	760,850
	<u>\$ 2,146,909</u>	<u>\$ 522,099</u>	<u>\$ 2,669,008</u>

Refunding

In July 2014, the Authority issued the 2014 Lease Revenue Refunding Bonds Series A in the amount of \$1,043,840 and Series B in the amount of \$1,191,849 interest rates of 3.25% and 3.20% to refund \$1,945,203 of the 2003 Lease Revenue Bonds with interest rates of 3.40% to 7.75%. The Authority completed the advanced refunding to reduce its total debt service payments through 2028. The net

SOUTH PLACER REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

NOTE D – LONG-TERM LIABILITIES (Continued)

economic gain (difference between the present value of the old and new debt service payments) of the 2014 refunding bonds is \$419,447. The advance refunding resulted in differences between the reacquisition price and the net carrying amount of the outstanding debt of \$347,495 at June 30, 2015. This deferred amount on refunding, reported in the accompanying financial statements as a deferred inflow, is being charged to operations over 8.4 years using the straight-line method. The Authority defeased the bonds by placing the proceeds of new bonds in an irrevocable trust that redeemed the outstanding debt in July 2014.

NOTE E – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Authority maintains commercial insurance policies through third-parties. There have been no significant reductions in insurance coverage and coverage in the prior fiscal year. Also, there have not been any settlements in excess of the insurance coverage for the past three fiscal years.

NOTE F – RELATED PARTY TRANSACTIONS

Jurisdictions represented by the Authority's board members also appoint four of the seven board members of PCTPA. PCTPA provides the Authority staff labor and related overhead. PCTPA also provides fiscal oversight of the Authority. During the fiscal years ended June 30, 2015 and 2014, PCTPA was reimbursed \$73,065 and \$72,226 for staff time and overhead. At June 30, 2015 and 2014, PCTPA owes \$40,429 and \$38,287, respectively, for these services.

The Authority entered into a capital lease financing transaction with PCTPA in 2003 to lease the Nevada Station building. During the years ended June 30, 2015 and 2014, the Authority received principal and interest payments from PCTPA in the amount of \$151,416 and \$224,120, respectively.

At June 30, 2015 and 2014, PCTPA owed \$2,146,909 and \$1,866,914, respectively, to the Authority for the lease on the property, and \$5,769 and \$12,186, respectively, for accrued interest on the lease.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
South Placer Regional Transportation Authority
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 South Placer Regional Transportation Authority (the Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated December 16, 2015.

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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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

To the Board of Directors
South Placer Regional Transportation Authority

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Richardson & Company, LLP

December 16, 2015