SOUTH PLACER REGIONAL TRANSPORTATION AUTHORITY

Audited Financial Statements

June 30, 2019

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Audited Financial Statements

June 30, 2019 and 2018

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550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 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, 2019

SOUTH PLACER REGIONAL TRANSPORTATION AUTHORITY

Management's Discussion and Analysis
June 30, 2019

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, 2019. 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 $17,358,276
- Total Liabilities $2,109,646
- Total Net Position $15,107,595
- Operating Revenues $3,448,651
- Operating Expenses $2,800,804
- Change in Net Position $736,227

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.

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, 2019, June 30, 2018 and June 30, 2017:

	2019	2018	2018 to 2019 Variance	2017	2017 to 2018 Variance
Current assets	$ 15,673,000	$ 14,714,031	$ 958,969	$ 11,917,262	$ 2,796,769
Restricted cash	196,990	196,600	390	196,542	58
Note receivable, long-term	1,488,286	1,628,381	(140,095)	1,762,702	(134,321)
Total Assets	17,358,276	16,539,012	819,264	13,876,506	2,662,506
Current liabilities	621,360	356,936	264,424	308,845	48,091
Long-term liabilities	1,488,286	1,628,381	(140,095)	1,762,702	(134,321)
Total Liabilities	2,109,646	1,985,317	124,329	2,071,547	(86,230)
Deferred inflows of resources	141,035	182,327	(41,292)	223,619	(41,292)
Net position, restricted	196,990	196,600	390	196,542	58
Net position, unrestricted	14,910,605	14,174,768	735,837	11,384,798	2,789,970
Total Net Position	$ 15,107,595	$ 14,371,368	$ 736,227	$ 11,581,340	$ 2,790,028

Total Assets – The total assets at June 30, 2019 increased by $819,264 compared to the fiscal year ending June 30, 2018. The increase in assets is the result of higher cash reserves on hand and a decrease in the member contributions receivable at June 30, 2019, and a reduction due to the payment received towards the balance of the note receivable.

Total Liabilities – The liabilities at June 30, 2019 increased by $124,329 compared to the fiscal year ending June 30, 2018. The increase in liabilities is mainly the result of an increase in the balance of payments due to projects at fiscal year end offset by 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 $14,910,605 at June 30, 2019 and $14,174,768 at June 30, 2018. The $735,837 and $2,789,970 increase in 2019 and 2018, respectively, in unrestricted net position is mainly the result of increased revenues from member contributions offset by project expenditures.

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, 2019, June 30, 2018 and June 30, 2017:

	2019	2018	2018 to 2019 Variance	2017	2017 to 2018 Variance
Operating revenues	$ 3,448,651	$ 5,162,310	$ (1,713,659)	$ 4,135,199	$ 1,027,111
Operating expenses	2,800,804	2,453,624	347,180	2,456,236	(2,612)
Operating Income	647,847	2,708,686	(2,060,839)	1,678,963	1,029,723
Interest income	101,508	98,868	2,640	97,419	1,449
Interest expense	(13,128)	(17,526)	4,398	(21,584)	4,058
Change in Net Position	$ 736,227	$ 2,790,028	$ (2,053,801)	$ 1,754,798	$ 1,035,230

Operating Revenues – Operating revenues for the fiscal year ending June 30, 2019 decreased by $1,713,659 as result of decreased member contributions, which is attributable to decreased development in the member agencies. Operating revenues for the fiscal year ending June 30, 2018 increased by $1,027,111 as result of increased member contributions, which is attributable to increased development in the member agencies.

Operating Expenses – Operating expenses for the fiscal year ending June 30, 2019 increased by $347,180 and is attributable to a small variance in project expenditures. Operating expenses for the fiscal year ending June 30, 2018 decreased by $2,612 and is attributable to a variance in project expenditures.

Net Position – The Change in Net Position was $736,227 at June 30, 2019 and $2,790,028 at June 30, 2018. The increase in net position is the result of member contributions exceeding project 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 $1,628,381 at June 30, 2019 and $1,762,702 at June 30, 2018. 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 remains positive throughout the region, resulting in an expectation that fee revenues will slowly increase in the short-term. 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.

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

June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 14,475,118	$ 13,806,410
Due from other agencies	1,043,401	758,556
Interest receivable	4,386	4,744
Current portion of notes receivable	140,095	134,321
Deposit	10,000	10,000
TOTAL CURRENT ASSETS	15,673,000	14,714,031
NON-CURRENT ASSETS		
Restricted cash	196,990	196,600
Notes receivable	1,488,286	1,628,381
TOTAL ASSETS	$ 17,358,276	$ 16,539,012
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 1,603	$ 20
Accrued interest	4,386	4,744
Due to other agencies	475,276	217,851
Current portion of lease revenue bonds	140,095	134,321
TOTAL CURRENT LIABILITIES	621,360	356,936
LONG-TERM LIABILITIES		
Lease revenue bonds	1,488,286	1,628,381
TOTAL LIABILITIES	2,109,646	1,985,317
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding, net	141,035	182,327
TOTAL DEFERRED INFLOWS OF RESOURCES	141,035	182,327
NET POSITION		
Unrestricted	14,910,605	14,174,768
Restricted for debt service	196,990	196,600
TOTAL NET POSITION	15,107,595	14,371,368
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 17,358,276	$ 16,539,012

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

SOUTH PLACER REGIONAL
TRANSPORTATION AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Member contributions	$ 3,448,651	$ 5,162,310
TOTAL OPERATING REVENUES	3,448,651	5,162,310
OPERATING EXPENSES		
Administration and general	164,422	96,965
Project costs:		
Sierra College Blvd.	569,604	1,000,000
Placer Parkway	7,585	132,255
SR 65 Lincoln Bypass	-	56,564
Auburn Folsom Rd Widening	1,789,554	1,077,497
SR 65 Whitney Ranch	269,639	90,343
TOTAL OPERATING EXPENSES	2,800,804	2,453,624
NET INCOME FROM OPERATIONS	647,847	2,708,686
NON-OPERATING REVENUES (EXPENSES)		
Interest income	101,508	98,868
Interest expense	(13,128)	(17,526)
TOTAL NON-OPERATING REVENUES (EXPENSES)	88,380	81,342
CHANGE IN NET POSITION	736,227	2,790,028
Net position at beginning of year	14,371,368	11,581,340
NET POSITION AT END OF YEAR	$ 15,107,595	$ 14,371,368

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

SOUTH PLACER REGIONAL
TRANSPORTATION AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	$ 3,163,806	$ 6,253,238
Cash paid to suppliers	(2,541,796)	(2,406,303)
NET CASH PROVIDED BY OPERATING ACTIVITIES	622,010	3,846,935
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings received	46,730	39,809
NET CASH PROVIDED BY INVESTING ACTIVITIES	46,730	39,809
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments received on notes receivable	134,321	133,196
Interest received on notes receivable	55,136	59,414
Principal repayments on revenue lease bonds	(134,321)	(133,196)
Interest payments on revenue lease bonds	(54,778)	(59,173)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	358	241
NET INCREASE IN CASH AND CASH EQUIVALENTS	669,098	3,886,985
Cash and cash equivalents, beginning of the year	14,003,010	10,126,025
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,672,108	$ 14,013,010
RECONCILIATION OF CASH AND INVESTMENTS TO THE BALANCE SHEET:		
Cash and investments	$ 14,485,118	$ 13,806,410
Restricted cash	196,990	196,600
CASH AND INVESTMENTS	$ 14,682,108	$ 14,003,010
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income from operations	$ 647,847	$ 2,708,686
Adjustments to reconcile net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Due from other agencies	(284,845)	1,090,928
Accounts payable	1,583	(928)
Due to other agencies	257,425	48,249
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 622,010	$ 3,846,935

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

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, 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 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 investments with maturities of three months or less.

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

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, 2019 and 2018 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.

New Pronouncements: In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* This Statement required the Authority to disclose terms specified in debt agreements related to significant events of default with finance-related consequences and significant subjective acceleration clauses. The requirements of this Statement were implemented for the year ended June 30, 2019.

NOTE B – CASH AND CASH EQUIVALENTS

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

	2019	2018
Deposits in financial institutions	$ 14,475,118	$ 13,806,410
Total cash and cash investments	$ 14,475,118	$ 13,806,410
Money market mutual fund	$ 196,990	$ 196,600
Total restricted cash and cash equivalents	$ 196,990	$ 196,600

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, 2019, the carrying amount of the Authority's deposits was $14,475,118 and the balances in financial institutions were $14,475,808. Of the balance in financial institutions, $250,000 was covered by federal depository insurance and $14,225,808 at June 30, 2019 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 B – CASH AND CASH EQUIVALENTS (Continued)

Fair Value Measurement: The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority's investment in the money market mutual fund are considered Level 2 because the value is calculated using amortized cost of the securities held in the fund, not market value.

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.

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

Year ended June 30:	
2020	$ 190,482
2021	191,099
2022	190,951
2023	190,038
2024	193,842
2025-2029	949,785
Total lease payments	1,906,197
Less: interest	(277,816)
Note receivable at June 30, 2018	1,628,381
Current portion	(140,095)
Noncurrent portion	$ 1,488,286

NOTE D – LONG-TERM LIABILITIES

Summary of Long-term Liabilities

In July 2014, the Authority refunded 2003 Lease Revenue Bonds with the proceeds from the issuance of $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 bonds were issued by the California Local Government Finance Authority for the purchase of the Nevada Station property. The Finance Authority and the Authority entered into a lease wherein the Authority, in substance, acquired ownership of the

NOTE D – LONG-TERM LIABILITIES (Continued)

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 $16,925. Principal is due annually beginning December 1, 2022 through 2029, ranging from $525 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 $9,389. Principal is due annually on December 1 through 2022, ranging from $139,570 to $153,222. Should the Authority fail to make payments under the Lease Revenue Bonds, or fail to meet any of the terms, covenants or conditions contained in the lease agreement, the California Local Government Finance Authority, the bond issuer, may take possession of the building and cancel the lease agreement.

The following is a summary of long-term liability activity for the years ended June 30, 2019 and 2018:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Amounts Due Within One Year
Lease Revenue Refunding Bonds					
Tax Exempt Series 2014-A	$ 1,042,067		$ (503)	$ 1,041,564	$ 525
Taxable Series 2014-B	720,635		(133,818)	586,817	139,570
	$ 1,762,702	$ -	$ (134,321)	$ 1,628,381	$ 140,095

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Amounts Due Within One Year
Lease Revenue Refunding Bonds					
Tax Exempt Series 2014-A	1,042,566		$ (499)	$ 1,042,067	$ 503
Taxable Series 2014-B	853,332		(132,697)	720,635	133,818
	$ 1,895,898	$ -	$ (133,196)	$ 1,762,702	$ 134,321

Annual debt service requirements to maturity as of June 30, 2019, are as follows:

	Principal	Interest	Total
Year ended June 30:			
2020	$ 140,095	$ 50,387	$ 190,482
2021	145,278	45,821	191,099
2022	149,852	41,099	190,951
2023	153,798	36,240	190,038
2024	162,707	31,135	193,842
2025-2029	876,651	73,134	949,785
	$ 1,628,381	$ 277,816	$ 1,906,197

NOTE D – LONG-TERM LIABILITIES (Continued)

Refunding

In July 2014, the Authority issued the 2014 Lease Revenue Refunding Bonds Series to refund the 2003 Lease Revenue Bonds. The Authority completed the advanced refunding to reduce its total debt service payments through 2028. The advance refunding resulted in differences between the reacquisition price and the net carrying amount of the outstanding debt of $347,495, which is reported in the accompanying financial statements as a deferred inflow and is being charged to operations over 8.4 years using the straight-line method.

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, 2019 and 2018, PCTPA charged the Authority $1,224,210 and $243,652 for staff time and overhead. At June 30, 2019 and 2018, the Authority owes $373,484 and $208,593, respectively, for these services. In addition, the Authority owes PCTPA $101,792 and $9,258 for contractor retentions at June 30, 2019 and 2018, respectively.

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, 2019 and 2018, the Authority received principal and interest payments from PCTPA in the amount of $189,099 and $192,255, respectively.

At June 30, 2019 and 2018, PCTPA owed $1,628,381 and $1,762,702, respectively, to the Authority for the lease on the property, and $4,386 and $4,744, respectively, for accrued interest on the lease.

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

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, 2019, 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, 2019.

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 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, 2019