BOARD BUDGET AND FINANCE COMMITTEE MEETING
WEDNESDAY, NOVEMBER 7, 2:00 P.M.
RIVERSIDE TRANSIT AGENCY BOARD ROOM
1825 THIRD STREET
RIVERSIDE, CA 92507

1. CALL TO ORDER

2. SELF-INTRODUCTIONS

3. PUBLIC COMMENTS– NON-AGENDA ITEMS — **RECEIVE COMMENTS**

Members of the public may address the Board regarding any item within the subject matter jurisdiction of the Board; however, no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to matters not listed on the agenda. Members of the public may comment on any matter listed on the agenda at the time that the Board considers that matter. Each person's presentation is limited to a maximum of three (3) minutes

4. APPROVAL OF MINUTES – OCTOBER 3, 2012 COMMITTEE MEETING (P.3) — **APPROVE**

5. QUARTERLY INVESTMENT REPORT (P.6) — **RECEIVE AND FILE**

6. CASH FLOW PROJECTIONS (P.8) — **RECEIVE AND FILE**

7. AUTHORIZATION TO AWARD A SOLE SOURCE AGREEMENT TO AUTOMATIC DATA PROCESSING, INC. (ADP) FOR THIRD PARTY PAYROLL SERVICES (P.10) — **APPROVE**

8. AUTHORIZATION TO AWARD AGREEMENT NO.12-036 TO TRANSPORTATION MANAGEMENT & DESIGN, INC. (TMD) FOR A COMPREHENSIVE OPERATIONAL ANALYSIS (P.12) — **APPROVE**

Any person with a disability who requires a modification or accommodation in order to participate in this meeting or any person with limited English proficiency (LEP) who requires language assistance to communicate with the RTA Board during the meeting should contact the RTA Clerk of the Board, telephone number (951) 565-5044, no fewer than two business days prior to this meeting to enable RTA to make reasonable arrangements to assure accessibility or language assistance for this meeting.

Agenda related writings or documents provided to the Board of Directors are available for public inspection in the office of the Clerk of the Board and at the reception desk while the meeting is in session.

9. FISCAL YEAR 2011/2012 (FY12) FINANCIAL AUDIT RESULTS (P.16) **APPROVE**

10. BOARD MEMBER COMMENTS AND REMARKS

11. OTHER BUSINESS

12. NEXT MEETING
Board Budget and Finance Committee Meeting
Wednesday, December 5, 2012
2:00 p.m.
RTA Headquarters
1825 Third Street
Riverside, CA 92507

13. ADJOURN

RTA BOARD BUDGET AND FINANCE COMMITTEE MEETING
Minutes
October 3, 2012

1. CALL TO ORDER:
Committee Chair Comerchero called the Board Budget and Finance Committee meeting to order at 2:02 p.m., on October 3, 2012 in the RTA Board Room.

2. SELF-INTRODUCTIONS:
Self-introductions of those in attendance took place.

Board Committee Members Present:
1. Committee Chair, Jeff Comerchero, City of Temecula, Councilmember
2. Committee Vice-Chair, Joanne Evans, City of Perris, Mayor Pro Tem
3. Chairman of the Board, Doug McAllister, City of Murrieta, Mayor
4. Director Barry Talbot, City of Canyon Lake, Councilmember
5. Director Frank Johnston, City of Jurupa Valley, Councilmember
6. Director Wallace Edgerton, City of Menifee, Councilmember
7. Director Andy Melendrez, City of Riverside, Councilmember
8. Director Andrew Kotyuk, City of San Jacinto, Mayor
9. Alternate Ron Roberts, County of Riverside, District III
10. Director Ashley, County of Riverside, District V

RTA Staff:
1. Larry Rubio, Chief Executive Officer
2. Tom Franklin, Chief Operating Officer
3. Craig Fajnor, Chief Financial Officer
4. Vince Rouzaud, Chief Procurement and Logistics Officer
5. Jim Kneepkens, Director of Marketing
6. Eric Ustation, Government Affairs Representative
7. Gordon Robinson, Director of Planning
8. Brad Weaver, Marketing Manager
9. Laura Murillo, Director of Human Resources
10. Natalie Gomez, Clerk of the Board
11. Virginia Werly, Contract Operations Manager
12. Natalie Zaragoza, Contracts Manager
13. Bob Bach, Director of Maintenance
14. Lorelle Moe-Luna, Senior Planner
15. Dave Carson, Systems Analyst

Other Attendees:
Ike Bootsma, City of Eastvale, Councilmember
Barry Busch, Board Assistant to Supervisor Marion Ashley
James Donnich, Agency General Counsel

3. PUBLIC COMMENTS - NON-AGENDA ITEMS:
   None.

4. APPROVAL OF MINUTES SEPTEMBER 10, 2012, COMMITTEE MEETING:
   M/S/C (EVANS/EDGERTON) approving the September 10, 2012, Committee meeting minutes. The motion carried unanimously.

5. CASH FLOW PROJECTIONS

   Mr. Fajnor presented the Cash Flow Projections.

6. ANNUAL REPORT FOR PUBLIC AGENCIES SELF-INSURED FOR WORKERS' COMPENSATION BENEFITS

   M/S/C (MELENDREZ/KOTYUK) approving and recommending this item to the full Board of Directors for their consideration as follows:

   - Receive and file.

   The motion carried unanimously.

7. AUTHORIZATION TO AMEND THE TRANSPORTATION UNIFORM MITIGATION FEE (TUMF) TRANSPORTATION IMPROVEMENT PROGRAM (TIP) AND PROGRAM OF PROJECTS (POP) FOR FISCAL YEAR 2012 (FY12) THROUGH FY16 TO RE-ALLOCATE TUMF FUNDING FROM THE RIVERSIDE TRANSIT CENTER PROJECT TO THE TWIN CITIES TRANSIT CENTER PROJECT; AND, AUTHORIZE STAFF TO WORK WITH THE RIVERSIDE COUNTY TRANSPORTATION COMMISSION (RCTC) TO AMEND THE FY13 CAPITAL BUDGET AND SHORT RANGE TRANSIT PLAN (SRTP)

   M/S/C (EDGERTON/EVANS) approving and recommending this item to the full Board of Directors for their consideration as follows:

   - Direct staff to work with WRCOG to re-allocate $2.7 million of TUMF funding from the Riverside Transit Center project to the Twin Cities Transit Center project within the TUMF TIP.
   - Authorize the amendment of the TUMF TIP.
   - Approve amendments to the FY13 Capital Budget and SRTP as discussed above and direct staff to seek final approval from RCTC.
   - Direct staff to work with RCTC and SCAG to incorporate amendments into FTIP based on approval from RCTC and SCAG.
   - Authorize staff to enter into Reimbursement Agreements with WRCOG for the TUMF projects within the amended TUMF TIP.

   The motion carried unanimously.

8. AUTHORIZATION TO ENTER INTO AGREEMENT NO. 12-024 WITH PSOMAS FOR THE TWIN CITIES TRANSIT CENTER SITE FEASIBILITY STUDY

M/S/C (EDGERTON/ROBERTS) approving and recommending this item to the full Board of Directors for their consideration as follows:

- Authorize staff to award Agreement No. 12-024 to Psomas for the Twin Cities Transit Center Site Feasibility Study in an amount not to exceed $364,599.

The motion carried unanimously.

9. BOARD MEMBER COMMENTS AND REMARKS
Alternate Roberts commented that he attended the APTA conference in Seattle, Washington on October 1 and accepted the AdWheel Grand prize award on RTA's behalf for the "Choose" Billboard campaign.

Chairman McAllister commented that he thought it would be a good idea to modify a retired RTA vehicle as a food truck to take to parades and promote goodwill.

Director Melendrez commented the Long Night of Art and Innovation would be held in Downtown Riverside the evening of October 4. The UCR Medical School was approved on October 2 and the school will be a huge benefit to the region.

10. OTHER BUSINESS
None.

11. NEXT MEETING
Board Budget and Finance Committee Meeting
Wednesday, November 7, 2012
2:00 p.m.
RTA Headquarters
1825 Third Street
Riverside, CA 92507

12. ADJOURN
The meeting adjourned at 2:30 p.m.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

November 7, 2012

TO: BOARD BUDGET AND FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Craig Fajnor, Chief Financial Officer

SUBJECT: Quarterly Investment Report

Summary: The Agency has two (2) investment vehicles for its cash balance above and beyond immediate need. The first is the Local Agency Investment Fund (LAIF) which is managed by the Treasurer of the State of California. While the balance earns interest on a daily basis, investment results are only published on a quarterly basis – fifteen (15) days after the end of each calendar quarter. The second is the Riverside County Treasurer's Pooled Investment Fund (County Pool) which is managed by the Treasurer of the County of Riverside. While the balance earns interest on a daily basis, investment results are provided on a quarterly basis as well. However, different from LAIF, County Pool results are provided as follows: approximately 35% five (5) days after the end of the quarter and the remaining 65% forty-five (45) days after the end of the quarter.

In addition, the Agency currently maintains a restricted cash reserve of at least $1,892,000 which represents the reserve requirement of 10% at the time of closing of the Certificate of Participation (COP) transaction. This COP was utilized to purchase 57 40' buses for revenue service. This reserve is held in the California Asset Management Pool (CAMP) as it is an approved investment of the COP agreement.

The attached report presents investment performance for the 1st quarter of FY13 (as of September 30, 2012).

Recommendation:

Receive and file.

RIVERSIDE TRANSIT AGENCY
Investment Report
For the Quarter Ended September 30, 2012

Investment Type	Institution	Amount of Investment at 9/30/12	Current Market Value at 9/30/12	Quarter to Date Average Rate of Interest Earned	Effective Interest Rate for the Quarter	Quarter to Date Interest Earned
Local Agency Investment Fund (LAIF)	State of California	$ 5,650,000.00	$ 5,656,890.98	0.36%	0.36%	$ 2,836.66
Riverside County Treasurer Pooled Investment Fund	County of Riverside	$ 31,000,000.00	$ 31,000,000.00	0.34%	0.34%	$ 33,134.50
California Transit Fixed Rate RTA COP 2003A Reserve Fund	California Asset Management Program-CAMP	$ 1,912,204.96	$ 1,912,204.96	0.23%	0.23%	$ 1,113.15

Note: Sufficient funds are available to meet the next 90 days' operating and 90 days' capital obligations. Additionally, the above portfolio conforms with the Agency's Investment Policy.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

November 7, 2012

TO: BOARD BUDGET AND FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Craig Fajnor, Chief Financial Officer

SUBJECT: Cash Flow Projections

Summary: The Agency develops cash flow projections for the entire fiscal year representing weekly increments. Due to the size of the report, it is difficult to portray the entire fiscal year.

The attached report represents actual cash performance through late-October 2012 with projections through December 2012 – encompassing the first half of FY13. No cash flow issues are anticipated during this reporting period.

Recommendation:

Receive and file.

Riverside Transit Agency
FY13 Cash Flow Projection

		Actual									
1	**General Account**	**10/26/2012**	**11/2/2012**	**11/9/2012**	**11/16/2012**	**11/23/2012**	**11/30/2012**	**12/7/2012**	**12/14/2012**	**12/21/2012**	**12/28/2012**
2	Est. Cash, Beg Balance (Book)	(297,076)	(77,578)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
3	**Receipts:**										
4	LTF Operating - recurring	3,143,241				3,143,241				3,143,241	
5	LTF GASB 43/45	116,667				116,667				116,667	
6	CalPERS CERBT Receipt	81,821					80,680				80,000
7	Farebox	119,422	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000
8	Total Other Farebox		34,870	11,938	29,564		248,705	41,432	26,436	32,106	281,716
9	Total Other Local	450	25,000	1,000	1,000	1,000	25,000	1,000	63,598	1,000	1,000
10	FTA Operating		426,208	849,687					758,000		
11	Capital - Local, State		15,000	13,344,315	15,000	15,000	15,000	15,000	15,000	15,000	15,000
12	Echo - FTA Capital	112,974	50,000	50,000	50,000	50,000	50,000	50,000	50,000	205,000	205,000
13	Transfer from Investment to Gen Acct.	400,000	483,500		661,436		487,615	1,852,968	33,966		424,284
14	**Disbursements:**										
15	Payroll = Net+Tax	(4)	(615,000)		(615,000)		(615,000)		(805,000)		(615,000)
16	A/P Wires	(396,174)	(172,000)	(1,840,400)	(22,000)	(250,400)	(172,000)	(1,840,400)	(22,000)	(180,800)	(272,000)
17	A/P Checks	(134,282)	(175,000)	(1,675,000)	(175,000)	(175,000)	(175,000)	125,000	125,000	125,000	125,000
18	Capital Expenditures	(24,615)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(375,000)	(375,000)	(375,000)	(375,000)
19	Transfer to GASB Trust Acct.										
20	Actual Ending Book Balance / Targeted Minimum Balance	(77,578)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

21	**LAIF Account:**										
22	Beginning balance	6,202,837	9,002,837	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
23	Quarterly Interest Income										
24	Transfers to/from Gen Acct.	2,800,000	(483,500)	10,796,540	(661,436)	2,955,507	(487,615)	(1,852,968)	(33,966)	3,212,213	(424,284)
25	Transfers to/from County Pool	-	(5,519,337)	(10,796,540)	661,436	(2,955,507)	487,615	1,852,968	33,966	(3,212,213)	424,284
26	Ending balance	9,002,837	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

27	**County Pool Account:**										
28	Beginning balance	31,025,491	31,025,491	36,544,827	47,341,368	46,700,661	49,656,168	49,168,553	47,315,585	47,281,619	50,493,832
29	Quarterly Interest Income				20,728						
30	Transfers to/from Gen Acct.	-	-	-	-	-	-	-	-	-	-
31	Transfers to/from LAIF	-	5,519,337	10,796,540	(661,436)	2,955,507	(487,615)	(1,852,968)	(33,966)	3,212,213	(424,284)
32	Ending balance	31,025,491	36,544,827	47,341,368	46,700,661	49,656,168	49,168,553	47,315,585	47,281,619	50,493,832	50,069,547

Restricted	25,620,167	25,610,167	38,929,482	38,919,482	39,026,148	39,016,148	38,706,148	38,396,148	38,357,815	38,202,815
Available for Operating	14,408,161	13,934,661	11,411,886	10,781,179	13,630,020	13,152,405	11,609,436	11,885,470	15,136,017	14,866,733

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

November 7, 2012

TO: BOARD BUDGET AND FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Vince Rouzaud, Chief Procurement & Logistics Officer

SUBJECT: Authorization to Award a Sole Source Agreement to Automatic Data Processing, Inc. (ADP) for Third Party Payroll Services

Summary: As a result of a formal competitive procurement, on October 22, 2009 the Board approved a three-year agreement with Automatic Data Processing, Inc. (ADP) to provide payroll processing services for Agency employees. The agreement with ADP will expire on December 31, 2012.

Since implementation three years ago, ADP has processed the bi-weekly payroll for the Agency's approximate 375 employees. During this period, there have been no issues with their payroll processing services and as an added benefit, the ADP system includes the following features that were not available from the Agency's previous payroll system:

- Provides all employees with an annual Total Compensation Statement
- Fully integrates and automates the mandated CALPERS reporting requirements (completed through their partner Pay Plus Solutions)
- Automates the preparation and processing of all tax filings (941s; W-2s), as well as handles payments to taxing agencies and the Agency's deferred compensation provider
- Automates the monitoring and processing of all garnishments for affected employees
- Automatically generates, tracks and displays on paystubs all Agency paid-time-off (PTO) and corresponding balances
- Offers a paperless option to employees for critical documents

For the reasons stated above, staff believes continuing to outsource payroll processing to ADP to be the best value for the Agency.

During the initial three-year term, the Agency paid approximately $40,000 per-year to ADP for payroll processing services. The actual costs varied slightly from year-to-year because costs are based on the actual number of employees (i.e., number of employees for which payroll checks are processed).

For the renewal, ADP has proposed a rate increase that will not exceed the annual Consumer Price Index (CPI) for Los Angeles, Riverside and Orange Counties. The current CPI for the above mentioned counties is 2.7 percent. Staff has determined this increase to be fair and reasonable. In addition, staff contacted other ADP customers and confirmed this increase is consistent with what they are being charged. Lastly, if the Agency were to re-procure these services from another third-party vendor, additional costs would be incurred for system implementation and integration services to interface with the Agency's enterprise system (Oracle).

Over the last three-years, staff has been very satisfied with ADP's handling of the Agency's payroll processing requirements. It is staff's recommendation to renew the Agreement with ADP to provide payroll processing services for a three-year period at a cost that will not exceed $130,000.

Fiscal Impact:

Funding has been included in the Agency's FY13 operating budget for third-party payroll processing services. Funding for future years will be requested in future year budgets.

Recommendation:

Approve and recommend this item to the full Board of Directors for their consideration as follows:

- Authorize staff to award a sole source agreement to Automatic Data Processing, Inc. (ADP) for third party payroll services in an amount that will not exceed $130,000 for a three-year period.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

November 7, 2012

TO: BOARD BUDGET AND FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Vince Rouzaud, Chief Procurement and Logistics Officer
Gordon Robinson, Director of Planning

SUBJECT: Authorization to Award Agreement No.12-036 to Transportation Management & Design, Inc. (TMD) for a Comprehensive Operational Analysis

Summary: Public transit, like any business, can be efficient and effective only if it understands the needs of its customers and how well it matches its services to meet its customer's needs. In order to develop information about the services provided, transit agencies require a special study to collect and process data. Such efforts are typically called a Comprehensive Operational Analysis (COA) and support the business planning function of transit agencies. Regular, periodic COAs permit transit agencies to not only understand the current use and performance of their system but also understand how the performance and use of the system is changing over time.

The Agency's last COA was completed in 2007 and included a market analysis of existing and future demographic patterns from 2005 to 2015. However, with the following years' economic downturn, the population and employment growth projections did not reflect this event and their impact on the transit system must be re-examined. The re-evaluation will use comprehensive surveys, under the stakeholder outreach component, U.S. Census Bureau 2010 data, projections from Southern California Association of Governments' (SCAG) *Regional Transportation Plan / Sustainable Communities Strategies for 2012-35*, and other data sources and regional planning studies.

In general, the COA will encompass five primary phases:

Service Assessment – The goal of this comprehensive assessment is to provide a detailed understanding of the Agency's network of transit services that will allow the development of a service framework and identify successes and challenges for consideration in a service plan.

<u>Market Assessment</u> – The market assessment includes conducting multiple surveys: on-board ride checks, on-board surveys, and non-user surveys, as well as an assessment of demographic, land use, trip generators and travel patterns in the region. Results of the analysis will identify unmet and future market needs, quantify the diverse set of development patterns in the region and highlight key market opportunities for the Agency.

<u>Stakeholder Outreach</u> – The outreach effort will provide a vital opportunity for the community and its leadership to collaborate on developing and reviewing the proposed service alternatives and recommendations. All 18 cities, unincorporated communities, and several other stakeholders within western Riverside County will be included in multiple outreach activities.

<u>Service Framework, Strategies and Recommendations</u> – The results of the three phases above will form the basis for developing a clear vision for transit in the Agency's service area. Through a collaborative process the findings from the analysis will be synthesized into market priorities and service network design principles that include updated service standards, refreshed bus stop design guidelines, and identification of transit alternatives including Bus Rapid Transit.

<u>Ten-Year Network and Capital Plan</u> – The Ten-Year Network and Capital Plan will take into account the findings from the four previous phases. Operational and capital recommendations will include prioritized enhancements to the Agency network that can be implemented within one to three years (short-term) and with available resources and funding, as well as mid-and long-term (four to six years and seven to ten years, respectively) that include a more generalized set of recommendations on a corridor and network level and will assume additional funding and resources. Due to the large data collection, evaluation, and stakeholder outreach efforts required for the Agency's 2,500 square mile service area, the COA is expected to take up to 18-months to complete.

Title VI will be considered at each stage of service planning and will include an analysis consistent with the recently approved Federal Transit Administration (FTA) Title VI Circular 4702.1B and Environmental Justice Circular 4703.1.

Once the proposed approach to this project was finalized, staff issued Request for Proposal (RFP) No. 12-036 on August 10, 2012. The procurement was publicly advertised in a newspaper of general circulation and a notice was posted on the Agency's website along with a copy of the RFP document. The Agency also sent notices of the contracting opportunity to the Chambers' of Commerce for those cities that are members of the Joint Powers Agreement (JPA).

On September 7, 2012, the Agency received a single proposal from Transportation Management & Design, Inc. (TMD) located in Carlsbad, California. Twenty firms obtained a copy of the procurement document from the Agency's website. When contacted as to their reasons for not submitting a proposal, current workloads coupled with an inability to pull together a project team with the requisite skills was the most frequently cited reason.

The technical proposal from TMD was evaluated by a selection committee representing the planning, operations and purchasing departments and the Riverside County Transportation Commission (RCTC), as a funding partner and project stakeholder.

Staff held discussions with TMD to negotiate various components of the scope of work to ensure that levels of effort corresponded with the needs of the project. At the conclusion of these discussions, the overall project cost was reduced from $704,991 to $701,259.

Recent events sent staff back to review the 'Ten-Year Network and Capital Plan' phase. As directed by the Board, staff revised the project scope to include an evaluation of opportunities and limitations connected with the relocation of the downtown Riverside transit terminal as well as the Agency's two operating divisions and main corporate offices. This assessment will also include the benefits and limitations tied to the establishment of permanent, Agency-owned contractor facilities for the Agency's contracted services. In addition, the consultant will be required to complete an analysis of the Agency's existing route structure, taking into consideration the relocation of the Riverside terminal and any associated route restructuring and system integration needed. The cost associated with this additional effort is $82,025.

Staff conducted a cost analysis by reviewing the various cost elements of TMD's price proposal to ensure the labor rates and the levels of effort were commensurate with the Agency's needs and with similar studies done by similarly sized transit properties. TMD labor rates were determined to be fair and reasonable based on this analysis.

After carefully reviewing all information submitted and analyzing the various components of overall firm qualifications, delivery, and technical compliance, staff recommends award to TMD.

TMD, a California-based firm, has provided transit planning services over the past 25 years. As a transit-planning firm that focuses on developing and implementing market and customer driven transit networks and services, TMD specializes in conducting COAs. They have completed over 100 transit related projects nationwide including operational analyses of routes and entire networks. Of particular interest, TMD has assisted a number of transit providers in Southern California with their COAs including the Orange County Transportation Authority, Omnitrans (San Bernardino County), SunLine

Transit Agency (eastern Riverside County), and San Diego's Metropolitan Transit System and the North County Transit District. Staff is confident that TMD's extensive technical knowledge and policy awareness of other transit networks will help the Agency create meaningful, substantive network improvements at the local and regional level.

Fiscal Impact:

This procurement is funded with a combination of FTA and local transportation funds available in the Agency's FY13 Operating and Capital Budget.

Recommendation:

Approve and recommend this item to the full Board of Directors for their consideration as follows:

- Authorize staff to award a contract to Transportation Management & Design Inc. for the preparation of a Comprehensive Operational Analysis in an amount that shall not exceed $783,284.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

November 7, 2012

TO: BOARD BUDGET & FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Craig Fajnor, Chief Financial Officer

SUBJECT: Fiscal Year 2011/2012 (FY12) Financial Audit Results

Summary: The accounting firm of Brown Armstrong performed the Agency's FY12 financial audit. Attached for review and approval are the Basic Financial Statements and Single Audit Report for the fiscal year ended June 30, 2012.

The FY12 annual audit yielded the following results:

- The Agency received an unqualified opinion, which means that the Agency's accounting and financial reporting were consistent with Generally Accepted Accounting Principles (GAAP).

- The auditors noted no reportable conditions relating to instances of disagreements with management, as well as no material errors, irregularities, or possible illegal acts.

- The auditors noted no matters involving the Agency's internal control over financial reporting and its operations that were considered significant deficiencies or material weaknesses.

- The Agency was in compliance with Public Utilities Code Section 99270.1 – Compliance with required farebox ratio. The pre-determined minimum farebox ratio for fiscal year 2011/2012 was 17.04 percent. The actual farebox ratio achieved was 27.02 percent, resulting in a favorable variance of 9.98 percent.

Recommendation:

Approve and recommend this item to the full Board of Directors for their consideration as follows:

Accept the Riverside Transit Agency's FY12 Audited Financial Statements and Single Audit Reports as submitted as final documents.

RIVERSIDE TRANSIT AGENCY
RIVERSIDE, CALIFORNIA

BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2012 AND 2011

RIVERSIDE TRANSIT AGENCY
RIVERSIDE, CALIFORNIA
JUNE 30, 2012 AND 2011

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Riverside Transit Agency
Riverside, California

We have audited the accompanying financial statements of the Riverside Transit Agency (RTA) as of and for the years ended June 30, 2012 and 2011, which collectively comprise RTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of RTA's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of RTA as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2012, on our consideration of RTA'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefit (OPEB) and pension plans on pages 3 through 9 and pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 30, 2012

As management of the Riverside Transit Agency (RTA), we offer readers of the RTA's basic financial statements this narrative overview and analysis of the financial activities of the RTA for the year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the RTA exceeded its liabilities at the close of the year ended June 30, 2012 by $29,825,995 (net assets). Of this amount, $21,270,896 consisted of Net Assets Invested in Capital Assets, Net of Related Debt; Restricted Net Assets of $1,911,088, and Unrestricted Net Assets of $6,644,011.
- Farebox revenues increased 9% over the year ended June 30, 2011 to $10,239,289, which was the result of a 9% increase in overall system-wide ridership. The system-wide ridership increase was attributable to the continued expansion of discounted programs to local colleges and universities. Dial-A-Ride (DAR) demand was greater than anticipated with ridership increasing 15% over fiscal year 2011.
- RTA received other revenue of $480,166 in the form of an Excise Tax Credit for Alternative Fuel Use. This revenue stream, by legislation, ended in December 2011.
- Operating expenses (excluding depreciation, interest, and pass-through grants) increased 8 percent to $49,025,700. The increase is mainly attributable to increased staffing as well as increases in workers' compensation and purchased transportation expenses.
- RTA's Capital Assets (after the application of accumulated depreciation) decreased $2,679.701. This decrease includes Capital Assets additions of $13,530,897, offset by retirements of $12,939,044, and an increase in accumulated depreciation of $3,271,554. Capital assets procurements are funded by a mix of federal, state, and local grants. Procurements included revenue vehicles, computer and software improvements, and rolling stock replacement parts.
- Reduced $1,820,000 of Debt Service principal on the Demand Bond refinance program that was executed in February 2003.
- The RTA received approval from the state to commence a Medi-Cal Reimbursement Program to assist in funding qualified DAR trips. This program will be coordinated with the County of Riverside.
- The RTA received an additional $14,611,903 in Prop 1B PTMISEA funding. This funding will be utilized for revenue vehicles – primarily the replacement and expansion of the heavy-duty CNG bus fleet.
- The RTA received an additional $1,490,132 in Prop 1B Security funding. This funding will be used for security and safety specific projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the RTA's basic financial statements. The RTA accounts for expenses in only one fund (Enterprise Fund); therefore, the basic financial statements do not reflect the activities of multiple funds.

RTA's basic financial statements consist of the Statement of Net Assets, Statement of Activities and Changes in Net Assets, and Statement of Cash Flows.

The Statement of Net Assets presents information on all of the RTA's assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of the RTA's financial position.

The Statement of Activities and Changes in Net Assets provides information regarding the revenues generated and received (passenger fares and grants) and the expenses incurred in which to generate those revenues. The difference between the revenues and expenses represent the Change in Net Assets for the year ended June 30, 2012.

The Statement of Cash Flows presents information on the RTA's cash receipts/payments and net changes in cash (and cash equivalents) from operating, capital/capital-related financing, non-capital financing, and investing activities and decisions during the year ended June 30, 2012.

The RTA's basic financial statements are shown on pages 10 – 13 of this report.

Accompanying the basic financial statements are Notes to the Basic Financial Statements. These notes provide supplementary information on significant accounting policies, cash and investments, governmental subsidies, inventory, capital assets, long-term debt, deferred revenues, and other significant events in other areas which resulted in the financial performance reflected in those statements.

Notes to the Basic Financial Statements are shown on pages 14 – 34 of this report.

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF NET ASSETS

As stated earlier, increases or decreases in net assets over time may serve as a useful indicator of the RTA's financial position. A summary of the Statements of Net Assets during the years ended June 30, 2012, 2011, and 2010, are shown below. The focus is on Net Assets (Note 1):

	June 30, 2012	June 30, 2011	June 30, 2010
Capital Assets, Net	$ 25,100,896	$ 27,780,597	$ 31,223,830
All Other Assets	43,034,645	30,307,223	34,620,346
Total Assets	68,135,541	58,087,820	65,844,176
Current Liabilities	36,359,546	24,301,484	29,739,719
Long-Term Liabilities	1,950,000	3,830,000	5,650,000
Total Liabilities	38,309,546	28,131,484	35,389,719
Net Assets	$ 29,825,995	$ 29,956,336	$ 30,454,457
Net Assets (Note 1):			
Investment in Capital Assets	$ 21,270,896	$ 22,130,597	$ 23,818,830
Restricted	1,911,088	1,907,694	1,903,698
Unrestricted	6,644,011	5,918,045	4,731,929
Total Net Assets	$ 29,825,995	$ 29,956,336	$ 30,454,457

In the year ended June 30, 2012, 71% of RTA's Net Assets reflected its investment in Capital Assets (e.g., buses, support vehicles, passenger facilities/structures, and peripheral equipment for operations, maintenance, and administrative support). RTA uses these capital assets to provide transportation service to the surrounding communities, as well as maintain the necessary service infrastructure. All of RTA's capital assets were procured with a mix of federal, state, and local funds. The capitalization threshold for rolling stock (bus equipment, parts, materials) for the year ended June 30, 2012 was $1,102. A threshold was also established for all other items that cost $400 or more and have a useful life of more than one year. Any item purchased that did not meet the aforementioned criteria was period expensed.

RTA's net assets decreased $130,341 (less than one percent) in the year ended June 30, 2012. This is mainly attributed to decreased capital asset purchases.

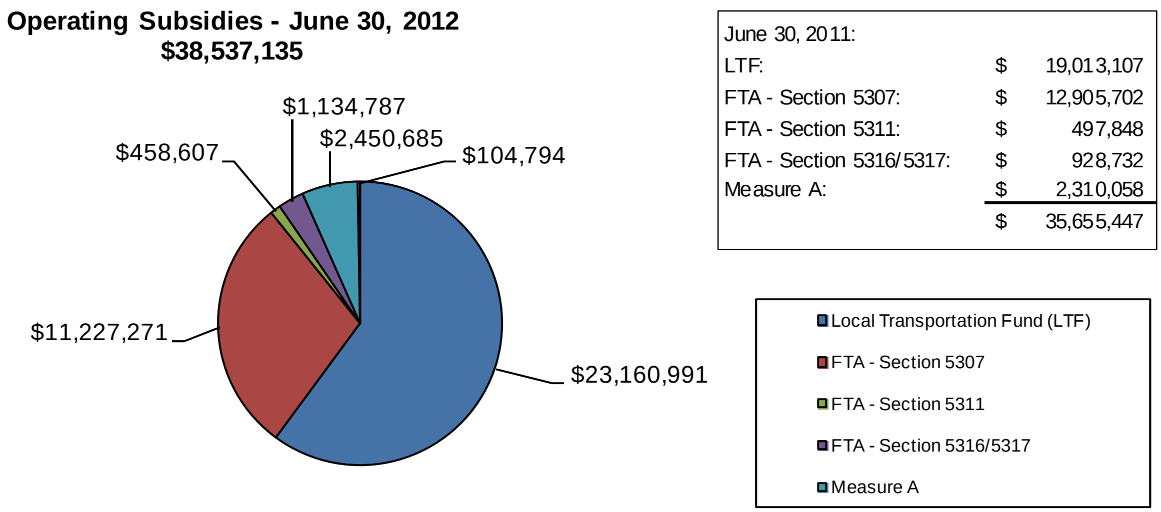
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

The Statement of Activities and Changes in Net Assets provides information regarding RTA's revenues and expenditures. The table below reflects a summary of RTA's Statements of Activities and Changes in Net Assets during the years ended June 30, 2012, 2011, and 2010.

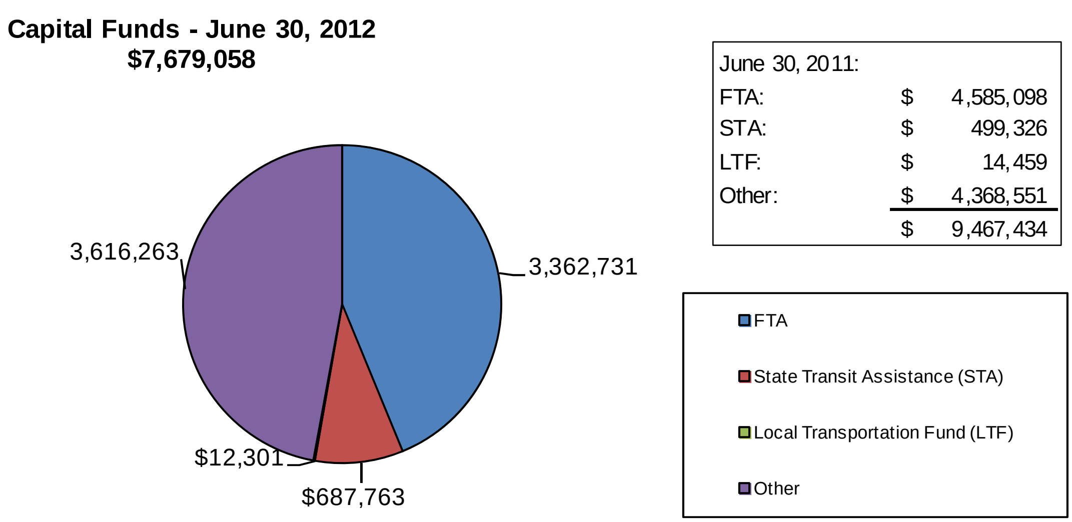
	June 30, 2012	June 30, 2011	June 30, 2010
Revenues			
Passenger Fares	$ 10,239,289	$ 9,410,428	$ 9,286,455
Operating Subsidies	38,537,135	35,655,447	37,617,446
Capital Funds	7,679,058	9,467,434	13,282,704
Interest Income and Other Revenue	598,933	1,001,991	1,472,619
Total Revenues	57,054,415	55,535,300	61,659,224
Expenses			
Salaries and Benefits	23,373,987	21,325,459	23,267,418
Purchased Transportation	18,356,126	17,259,593	17,076,662
Materials and Supplies	3,854,879	3,835,516	6,957,928
Services	2,039,804	1,883,478	1,757,221
Casualty and Liability	155,193	395,544	1,154,730
Utilities/Taxes/Interest/Misc. Other	1,738,756	1,703,692	1,477,423
Subtotal Expenses Before Depreciation/Amortization	49,518,745	46,403,282	51,691,382
Depreciation/Amortization	7,666,011	9,630,139	17,356,763
Total Expenses Including Depreciation/Amortization	57,184,756	56,033,421	69,048,145
Change in Net Assets	(130,341)	(498,121)	(7,388,921)
Net Assets			
Beginning of Year	29,956,336	30,454,457	37,843,378
End of Year	$ 29,825,995	$ 29,956,336	$ 30,454,457

Revenues. Passenger Fares represented 18 percent of the fiscal year 2012 revenue. Passenger Fares for Directly Operated/Contracted Fixed Route, Contracted Dial-A-Ride, and ADA increased $828,861 from the year ended June 30, 2011. This increase (9%) is attributed to a 9% increase in overall system-wide ridership compared to the year ended June 30, 2011. RTA's CommuterLink service segment experienced a 17% increase in ridership due to high gasoline prices and the successful marketing of this premium service. The Dial-A-Ride service segment experienced a ridership increase of 15% due to the elasticity of demand from the policy changes enacted in January 2010. Operating Subsidies (67 percent of total year ended June 30, 2012 revenue) increased by $2,881,688 and was primarily attributed to the increase in Local Transportation Funds (LTF) funds. Capital Funds (14 percent of total revenue) decreased by $1,788,376 due to lack of significant capital acquisitions compared to fiscal year 2011. Interest Income and Other Revenue represented the remaining 1 percent of the total year ended June 30, 2012 revenue. The majority of Other Revenue is attributed to CNG sales revenue and reimbursements from the California Employers' Retirement Benefit Trust (CERBT).

The combined amount of Operating Subsidies and Capital Funds reflect $46,216,193 (81 percent of total revenue). These funds come from a variety of specific funding sources. Each funding source is guided by government regulations regarding type and use of funds. A breakdown of specific Operating and Capital Subsidy/Grant dollar amounts by funding source for the year ended June 30, 2012 is shown below, accompanied by the year ended June 30, 2011 amounts for comparison purposes.



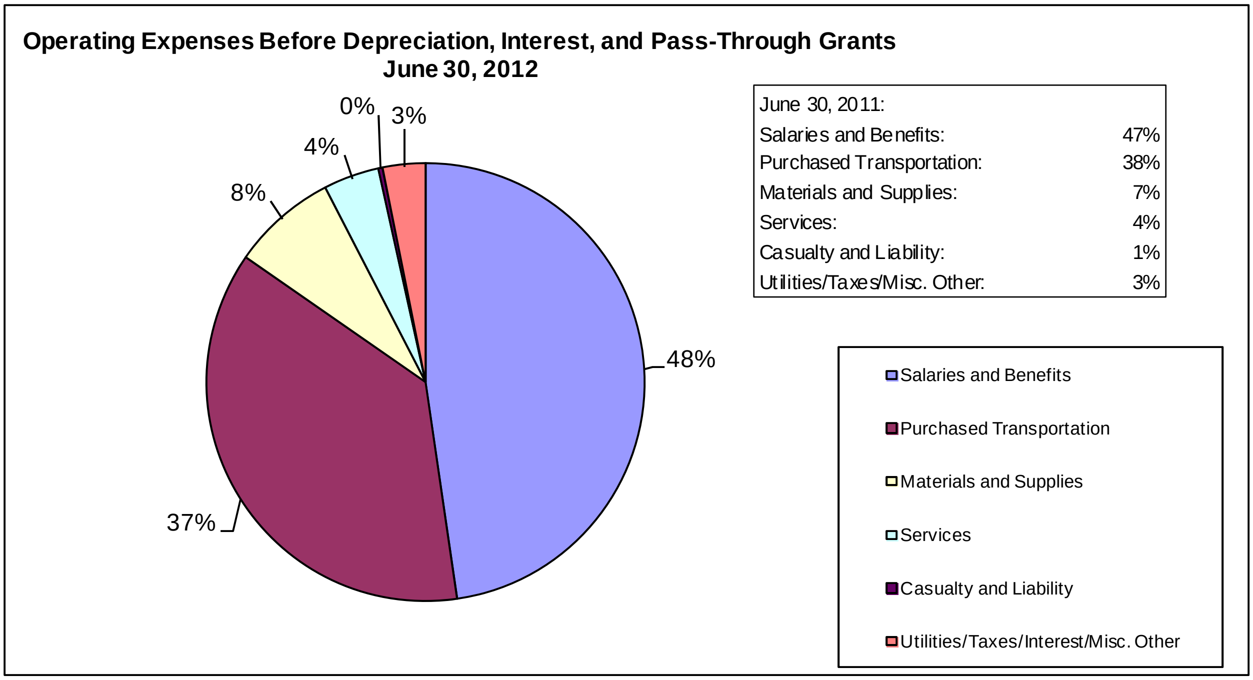
June 30, 2011:		
LTF:	$	19,013,107
FTA - Section 5307:	$	12,905,702
FTA - Section 5311:	$	497,848
FTA - Section 5316/5317:	$	928,732
Measure A:	$	2,310,058
	$	35,655,447



June 30, 2011:		
FTA:	$	4,585,098
STA:	$	499,326
LTF:	$	14,459
Other:	$	4,368,551
	$	9,467,434

Expenses. Adopted RTA policies, procedures, and business processes are used as management tools to control expenses and attain goals and objectives. These controllable Operating Expenses consist of cost elements that exclude depreciation, interest, and pass-through activity. For purposes of this analysis, Operating Expenses before Depreciation, Interest, and Pass-Through Grants will be discussed.

- Operating expenses totaled $49,025,700 for the year ended June 30, 2012, increasing from $45,603,600 for the year ended June 30, 2011 (an 8% increase). This increase is primarily attributed to growth in salaries (staffing increases), benefits (medical and workers' compensation) and purchased transportation (contracted service rates). A breakdown of Operating Expenses (as a percentage of net operating expenses) is shown on the next page, accompanied by the year ended June 30, 2011 percentages for comparison purposes.



Depreciation and amortization expense decreased $1,964,128 for the year ended June 30, 2012.

BUDGETARY HIGHLIGHTS

Annual Operating/Capital budgets and plans are used as a management tool to monitor Revenue and Expenses and evaluate operating performance at any given time period. The RTA's Board of Directors approves these items prior to implementation. The fiscal year 2012 budget total of $88,106,256 included $54,140,203 for Operating Expenses and $33,966,053 for Capital Projects. RTA finished the year ended June 30, 2012 with operating expenses net of depreciation, interest, and pass-through grant expenses $5,114,503 under budget.

CAPITAL ASSETS

RTA's investment in Capital Assets (net of accumulated depreciation) as of June 30, 2012 amounted to $25,100,896. This investment in capital assets includes land, buildings, fleet, communication/farebox systems, machinery/equipment, and passenger facilities. All assets have been purchased with federal, state, or local grants awarded to the RTA. Overall, there was a decrease of 10 percent in the RTA's investment in capital assets.

Significant Capital Asset activity during the year ended June 30, 2012 included the following:

- Purchase of 14 revenue vehicles
- Improvement of bus shelters and bus stop amenities
- Maintenance replacement parts
- Computer and software improvements
- Retirement of 44 revenue vehicles

To gain an understanding of capital asset additions and retirements at a historical cost relationship, an analysis of capital asset activity before accumulated depreciation is shown in the schedule below:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Land	$ 2,546,389	$ 987,708	$ -	$ 3,534,097
Buildings	12,655,086	8,342,971	-	20,998,057
Vehicles	54,331,496	2,105,517	(3,858,100)	52,578,913
Equipment	28,069,784	1,838,975	(510,818)	29,397,941
Construction in Progress	8,895,057	255,726	(8,570,126)	580,657
Total Capital Assets	106,497,812	13,530,897	(12,939,044)	107,089,665
~~Less Accumulated~~ Depreciation	(78,717,215)	(7,639,132)	4,367,578	(81,988,769)
Total Assets, Net of Depreciation	$ 27,780,597	$ 5,891,765	$ (8,571,466)	$ 25,100,896

Total capital asset additions totaled $13,530,897. The retirement of the 44 revenue vehicles and other assets reflected a decrease of $12,939,044. Coupled with the application of net accumulated depreciation of $3,271,554, capital assets decreased $2,679,701. Additional detail on RTA's Capital Asset activity for the year is shown in Note 5 of the Notes to the Basic Financial Statements on pages 23 – 24 this report.

DEBT ADMINISTRATION

In February 2003, the RTA executed an agreement with the California Transit Finance Corporation (CTFC) in order to provide funds for the defeasance and redemption of a portion of the outstanding principal amount of the California Transit Variable Rate Demand Bonds, Series 1997 for 57 forty-foot transit buses and related equipment. This was executed in an effort to reduce RTA risk and take advantage of low market interest rates. The outstanding principal amount is $3,830,000. Principal and interest installments have been paid per the contractual payment schedule. The final installment of principal and interest will be paid in fiscal year 2014, and the entire remaining obligation is fully-funded.

Additional information on this transaction, as well as related financial schedules can be found in Note 6 of the Notes to the Basic Financial Statements, page 25 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

These significant factors were considered as budget assumptions when preparing RTA's budget for fiscal year 2013:

- Demand for transit services will grow at a moderate rate over the next several years due to fuel prices, economic conditions, and increased traffic congestion.
- Bus service plans must be even more sensitive to funding constraints and revenue projections due to the economy – which is forecasted to remain constrained for the next few years.
- While expansion and enhancements to existing service levels are top priority in order to grow ridership and maintain or increase productivity, revenue hours increased four percent in the year ended June 30, 2012, and are budgeted to increase approximately seven percent in fiscal year 2013. In light of the forecasts for moderately improving economic conditions and a prolonged recovery, additional service changes are being considered within anticipated funding levels.
- Sensitivity to and monitoring of fuel prices and other consumables needed to provide service.
- Sensitivity to employee wages, health care benefits, workers' compensation, and pension benefits.
- Utilization of professional consultants that will enhance future operations in the area of route planning and scheduling as well as productivity improvement are only utilized if critical and essential to basic operations.
- Continuation of a Travel Training Program seeking to transfer users of demand response service to fixed route service.

- Commence and complete a Comprehensive Operational Analysis (COA) including a fresh look at BRT implementation
- Compliance with Governmental Accounting Standards Board (GASB) Statement No. 43 and Statement No. 45 with respect to the RTA's OPEB (retiree medical plan). RTA completed an actuarial assessment of its OPEB funding progress as of June 30, 2011. The report indicated that the RTA's previous pre-funding effort has significantly mitigated the unfunded actuarial accrued liability. However, health care cost trend rates and suspended pre-funding continue to be an area of concern.
- Significant capital appropriations have been programmed through the fiscal year 2012 budget cycle for the procurement of revenue vehicle replacements. Contract award for the purchase of 97 heavy-duty CNG buses is anticipated in the fall of 2012, with deliveries commencing in late 2013.

The approved budget for fiscal year 2013 totals $77,284,721, a 12 percent decrease over the year ended June 30, 2012 budget. The large decrease is attributed to reduced capital appropriations for the procurement of CNG buses. Operating expenses, net of depreciation and interest expenses, are budgeted at $58,073,468 and capital expenditures are budgeted at $19,211,253.

RTA relies on Operating and Capital Subsidies for 81 percent of its total revenue. These subsidies come from a variety of specific funding sources. Each funding source is guided by government regulations regarding type and use of funds. A component of RTA Operating Funds is local operating assistance, which is comprised of Local Transportation Funds (LTF) and State Transportation Assistance (STA) funds. Transportation Development Act (TDA) and Public Utilities Code (PUC) provisions govern the use of these funds.

One such provision is conformance to a predetermined Farebox Recovery Ratio (Fare Revenue/Operating Expenses) set by the Riverside County Transportation Commission (RCTC) and CalTrans. The fiscal year 2013 predetermined target ratio is 17.49 percent. RTA's Board of Directors approved the fiscal year 2013 budget, which indicates a projected farebox recovery ratio of 24.54 percent, resulting in a projected favorable variance of 7.05 percent. RTA anticipates being in conformance with the Farebox Recovery Ratio provision.

Additional information on TDA conformance is found in Note 12 of the Notes to the Basic Financial Statements, page 34 of this report.

The Board of Directors adopted the fiscal year 2013 operating budget considering an overall system-wide ridership that is effectively flat as compared to fiscal year 2012 – which was a record-breaking year. Projected revenues are sufficient to support the service given funding projections developed for the period.

Because of cost volatility for fuel and other operating expenses such as workers' compensation, as well as any potential changes in projected farebox revenues, staff may revisit service levels to verify that the proposed service can be sustained in the future. Further, if additional capital expenditures are necessary for strategic purposes, staff will develop a mid-year budget revision to present to the Board of Directors for consideration.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the RTA's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Riverside Transit Agency, P.O. Box 59968, Riverside, California 92517.

BASIC FINANCIAL STATEMENTS

RIVERSIDE TRANSIT AGENCY
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash, cash equivalents, and investments (Note 2)	$ 34,478,946	$ 22,360,670
Accounts receivable	895,773	860,494
Due from other governmental agencies (Note 3)	2,852,178	2,968,884
Interest receivable	25,338	25,926
Inventories (Note 4)	617,480	734,164
Prepaid expenses	496,434	366,982
Other postemployment benefits (Note 10)	1,739,489	1,037,611
Total Current Assets	41,105,638	28,354,731
NONCURRENT ASSETS:		
Restricted assets for debt service:		
Cash and investments held by fiscal agent (Note 2)	1,911,088	1,907,694
Capital assets, net (Note 5)	25,100,896	27,780,597
Financing costs and other assets, net	17,919	44,798
Total Noncurrent Assets	27,029,903	29,733,089
Total Assets	$ 68,135,541	$ 58,087,820
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 4,742,933	$ 6,088,710
Accrued payroll and related taxes	91,675	-
Interest payable	38,300	55,363
Compensated absences	972,149	867,696
Claims payable (Note 8)	2,343,924	1,691,081
Current portion of certificates of participation (Note 6)	1,880,000	1,820,000
Deferred revenue:		
Operating	24,126	67,660
Operating assistance (Note 7)	3,556,561	4,004,399
Capital assistance (Note 7)	22,594,878	9,228,885
Other accrued liabilities	115,000	477,690
Total Current Liabilities	36,359,546	24,301,484
LONG-TERM DEBT:		
Certificates of participation, net of current portion (Note 6)	1,950,000	3,830,000
Total Long-Term Debt	1,950,000	3,830,000
Total Liabilities	38,309,546	28,131,484
NET ASSETS		
NET ASSETS:		
Invested in capital assets, net of related debt	21,270,896	22,130,597
Restricted for debt service	1,911,088	1,907,694
Unrestricted	6,644,011	5,918,045
Total Net Assets	$ 29,825,995	$ 29,956,336

See accompanying notes to the basic financial statements.

RIVERSIDE TRANSIT AGENCY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Passenger fares	$ 10,239,289	$ 9,410,428
OPERATING EXPENSES:		
Salaries	14,482,245	13,889,866
Employee benefits	8,891,742	7,435,593
Purchased transportation	18,356,126	17,259,593
Other materials and supplies	2,548,132	2,668,215
Services	2,039,804	1,883,478
Fuel and lubricants	1,306,747	1,167,301
Casualty and liability costs	155,193	395,544
Miscellaneous expenses	845,117	754,201
Utilities	678,762	663,569
Taxes	44,062	47,909
Depreciation and amortization:		
Depreciation - property and equipment	7,639,132	9,603,260
Amortization - financing costs and capital support	26,879	26,879
Total depreciation and amortization	7,666,011	9,630,139
Total Operating Expenses	57,013,941	55,795,408
OPERATING LOSS	(46,774,652)	(46,384,980)
NONOPERATING REVENUES (EXPENSES):		
Operating funds:		
Local Transportation Fund	23,160,991	19,013,107
Federal Transit Administration - Section 5307	11,227,271	12,905,702
Federal Transit Administration - Section 5311	458,607	497,848
Federal Transit Administration - Section 5316/5317	1,134,787	928,732
Measure A	2,450,685	2,310,058
Other Operating Funds	104,794	-
Total operating funds	38,537,135	35,655,447
Capital funds:		
Federal Transit Administration grants	3,362,731	4,585,098
State Transit Assistance funds	687,763	499,326
Local Transportation Fund	12,301	14,459
Other	3,616,263	4,368,551
Total capital funds	7,679,058	9,467,434
Interest income	73,327	73,744
Interest expense	(170,815)	(238,013)
Gain on sale of operator property	15,993	17,585
Other	509,613	910,662
Nonoperating Revenues, Net	46,644,311	45,886,859
Change in Net Assets	(130,341)	(498,121)
NET ASSETS:		
Beginning of year	29,956,336	30,454,457
End of year	$ 29,825,995	$ 29,956,336

See accompanying notes to the basic financial statements.

RIVERSIDE TRANSIT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from passengers	$ 10,224,868	$ 9,364,365
Cash payments to suppliers for operations	(26,845,801)	(27,897,264)
Cash payments for general and administrative expenses	(24,076,271)	(22,943,161)
Net Cash Used in Operating Activities	(40,697,204)	(41,476,060)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating subsidies received	37,729,305	38,304,877
Other noncapital financing	510,963	910,662
Net Cash Provided by Noncapital Financing Activities	38,240,268	39,215,539
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital funds received	21,457,259	10,283,940
Payment of long-term debt	(1,820,000)	(1,755,000)
Payments on the acquisition of capital assets	(4,960,770)	(6,167,893)
Proceeds on sale on property and equipment	15,993	17,585
Interest payments	(187,878)	(253,369)
Net Cash Provided by Capital and Related Financing Activities	14,504,604	2,125,263
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	74,002	80,686
Net Increase (Decrease) in Cash, Cash Equivalents, and Investments	12,121,670	(54,572)
CASH, CASH EQUIVALENTS, AND INVESTMENTS:		
Beginning balance	24,268,364	24,322,936
Ending balance	$ 36,390,034	$ 24,268,364
FINANCIAL STATEMENT PRESENTATION:		
Cash, cash equivalents, and investments	$ 34,478,946	$ 22,360,670
Restricted cash and investments held by fiscal agent	1,911,088	1,907,694
Total Cash, Cash Equivalents, and Investments	$ 36,390,034	$ 24,268,364

See accompanying notes to the basic financial statements.

RIVERSIDE TRANSIT AGENCY
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (46,774,652)	$ (46,384,980)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	7,666,011	9,630,139
Changes in operating assets and liabilities:		
Decrease in accounts receivable	-	115
Decrease in inventories	116,684	196,883
Increase in prepaid expenses	(129,452)	(112,311)
Increase in assets related to other postemployment benefits	(701,878)	(39,247)
Decrease in current operating assets	6,951,365	9,675,579
Decrease in accounts payable and accrued expenses	(1,345,777)	(3,424,788)
Increase (decrease) in accrued payroll and related taxes	120,788	(724,917)
Increase in compensated absences	104,453	17,422
Increase in claims payable	652,843	236,062
Decrease in deferred revenue	(43,534)	(46,178)
Decrease in other payables	(362,690)	(824,260)
Decrease in current operating liabilities	(873,917)	(4,766,659)
Net Cash Used by Operating Activities	$ (40,697,204)	$ (41,476,060)

See accompanying notes to the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Riverside Transit Agency (RTA) are in conformity with accounting principles generally accepted in the United States of America applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the significant accounting policies:

A. Financial Reporting Entity

The RTA was established in March 1977 as a Joint Powers Agency (JPA) under authority of Title I, Division 7, Chapter 5, as amended by the Government Code of the State of California. By joint exercise of their common power, the County of Riverside and the nine cities of Western Riverside County created the RTA to serve as a separate public transportation agency. As of June 30, 2012, RTA serves as a public transportation agency to the County of Riverside and seventeen cities of Western Riverside. Members of the JPA reserve the right to provide transportation services within their respective jurisdictions, while the RTA serves as a unifying umbrella agency, coordinating transportation services throughout Western Riverside County. The RTA owns, maintains, and operates (directly or through contracts with other operators) the public transit system of Western Riverside County.

The RTA is a special purpose governmental unit with no component units and is eligible for funding under Section 99200 et. seq. of the California Public Utilities Code.

B. Basic Financial Statements

The basic financial statements (i.e., the Statement of Net Assets, the Statement of Activities and Changes in Net Assets, and the Statement of Cash Flows) report information on all of the enterprise activities of the RTA. These basic financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments* and related standards; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The standards provide for significant changes in terminology; recognition of contributions in the Statement of Activities and Changes in Net Assets; inclusion of a Management's Discussion and Analysis as supplementary information; and other changes.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Activities and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to some limitations.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The RTA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing transportation services. The principal operating revenues of the RTA are charges to passengers for transportation services (passenger fares). Operating expenses include the cost of providing service, including general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Activities and Changes in Net Assets.

When both restricted and unrestricted resources are available for use, it is the RTA's policy to use restricted resources for the purposes intended, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

The RTA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Investments

All investments are stated at fair value, except for money market investments that have a remaining maturity of less than one year when purchased are stated at amortized cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and Agency obligations. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income, including changes in fair value, is included in nonoperating revenues.

F. Restricted Assets

Restricted assets represent allocations of cash and certain assets to redeem debt.

G. Inventories

Inventory of parts is stated at the lower of cost (moving average) or market.

H. Capital Assets

Capital assets are stated at cost, net of accumulated depreciation, except for the portions acquired by contribution, which are recorded at fair value at the time received. The RTA did not receive any donated capital assets during the years ended June 30, 2012 and 2011. The capitalization threshold for any equipment, tires, tubes, and materials of rolling stock was $1,102 in the years ended June 30, 2012 and 2011. All other items costing $400 or more and having an estimated life of more than one year have also been capitalized. The Federal Transit Administration (FTA) excludes the bus tire lease from this requirement as it is depreciated over a twelve-month period. Depreciation is based on the estimated useful lives of the assets, which range from 1 to 30 years, using the straight-line method or the units-of-consumption method.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The estimated useful lives of capital assets are as follows:

Buildings and improvements	25 – 30 years
Transit coaches (30' to 40' vehicles)	Units-of-Consumption
Transit coaches (less than 30' vehicles)	Units-of-Consumption
Paratransit vans and support vehicles	Units-of-Consumption
Furniture and equipment	3 – 5 years
Bus tires	1 year

I. Bond Premiums, Discounts, and Issuance Costs

Premiums, discounts, and costs of issuance on debt issues are amortized over the respective lives of the debt using the straight-line method.

J. Claims and Judgments

An estimated loss has been recorded, net of insurance coverage and inclusive of an estimate for incurred but unreported claims, when it is probable that a claim liability has been incurred and the amount of the loss can be reasonably estimated.

K. Compensated Absences

Administrative Employees:
Full-time administrative employees, except for the Chief Executive Officer (CEO), accrue up to 240 hours of vacation and 40 hours of floating holidays annually, while part-time administrative employees accrue up to 120 hours of vacation only per year. Vacation and floating holidays must be taken the year in which they are earned and will not be carried over from year to year or paid-out unless approved by the CEO. A full-time employee shall earn 96 hours of sick leave per year but may not accumulate a sick leave balance of more than 1,040 hours. All eligible administrative employees may elect to take a sick leave balance pay-out on the first paycheck in July and the first paycheck in December.

Union Employees:
Union employees accrue up to 240 hours of vacation, 64 hours of floating holidays, and 96 hours of sick leave annually. Sick leave pay-outs to union employees are issued in the same manner as noted above, with the exception that union employees must retain 48 hours in bank time, provided they meet the requirements stipulated in Article 37 of the Memorandum of Understanding. Additionally, union employees may accrue sick leave time up to a maximum of 1,040 hours.

L. Net Assets

In the Statement of Net Assets, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

O. Government Grants and Subsidies

Subsidies and grants for operating assistance, the acquisition of equipment, or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of the RTA's complying with appropriate grant requirements.

For presentation purposes, operating assistance subsidies are included in nonoperating revenues in the year in which the grant is applicable and the related reimbursable expenditure is incurred.

As required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, capital contributions beginning in the year ended June 30, 2001, are reported as nonoperating revenues in the statement of activities and changes in net assets. Assets acquired with restricted capital grant funds are included in capital assets. Beginning the year ended June 30, 1999, federal operating revenues were replaced by allowing capitalization and subsequent reimbursements of percentage of eligible maintenance operating expenses as defined by the FTA. These proceeds are recorded as nonoperating revenues.

Grants received in excess of allowable expenditures are recorded as deferred revenues.

P. Budget

The RTA's fiscal policies establish the framework for the management and control of the RTA's resources to ensure that the RTA remains fiscally sound. The RTA's goals and policies, which are approved by the Board of Directors, determine where and how the RTA resources should be dedicated. For this reason, the RTA's goals, objectives, short and long-range planning, and performance analyses are incorporated into the budget development process.

It is the policy of the RTA that the Board of Directors approves an annual budget prior to the beginning of each year. The budget is developed generally using the accrual basis of accounting. All annual operating appropriations lapse at the fiscal year-end.

Q. Future Governmental Accounting Standards Board Statements

GASB Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements* addresses accounting and financial reporting issues related to public–private and public–public partnerships. The statement is effective for periods beginning after December 15, 2011. GASB Statement No. 60 will not have an effect on the RTA.

GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. As of the date of these financial statements, the RTA has not made an assessment of any changes that will occur upon this statement's implementation.

GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements – Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. However, as the statement codifies what is in current practice, there is no net effect on the RTA's accounting or financial reporting upon the statement's implementation.

Q. Future Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* modifies current financial reporting of those elements. The statement is effective for periods beginning after December 15, 2011. The RTA does not expect the implementation of this statement to have a material effect on the financial statements.

GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions* amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. Because the RTA does not currently enter into hedge agreements with swap providers for the purpose of managing risk beyond investment return, GASB Statement No. 64 does not apply at this time.

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The RTA has not determined the effects of the implementation of this statement on its financial statements.

GASB Statement No. 66 – *Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62* is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The RTA does not expect the implementation of this statement to have a material effect on the financial statements.

GASB Statement No. 67 – *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25* improves financial reporting by state and local governmental pension plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. The RTA does not expect the implementation of this statement to have a material effect on the financial statements.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* improves accounting and financial reporting by state and local governments for pensions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The RTA has not determined the effects of the implementation of this statement on its financial statements.

R. Subsequent Events

Subsequent events have been evaluated through October 30, 2012, the date these financial statements were available to be issued.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments as of June 30, 2012 and 2011 are classified in the accompanying financial statements as follows:

	2012	2011
Statement of Net Assets:		
Cash, cash equivalents, and investments	$ 34,478,946	$ 22,360,670
Cash and investments held by fiscal agent (restricted)	1,911,088	1,907,694
Total Cash, Cash Equivalents, and Investments	$ 36,390,034	$ 24,268,364

Cash, cash equivalents, and investments as of June 30, 2012 and 2011 consist of the following:

	2012	2011
Cash on Hand	$ 1,500	$ 1,500
Deposits with Financial Institutions	237,672	253,942
Investments	36,150,862	24,012,922
Total Cash, Cash Equivalents, and Investments	$ 36,390,034	$ 24,268,364

Investments Authorized by the California Government Code and the RTA's Investment Policy

The table below identifies the **investment types** that are authorized for the RTA by the California Government Code (or the RTA's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the RTA's investment policy, where more restrictive) that address **interest rate risk, credit risk,** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the RTA, rather than the general provisions of the California Government Code or the RTA's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of *Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	2 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Riverside County Treasurer's Pooled Investment Fund (RCTPIF)	N/A	None	None
California Arbitrage Management Pool (CAMP)	N/A	**	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

** Funds deposited in this category are limited to the remaining Certificates of Participation (COP) proceeds and interest earned to pay the debt service on the 57 replacement buses purchased in 2001/2002.

NOTE 2 – <u>CASH, CASH EQUIVALENTS, AND INVESTMENTS</u> (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the RTA's investment policy. The table below identifies the **investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk, credit risk,** and **concentration of credit risk**.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
Investment Contracts	30 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	30 days	40%	30%
Commercial Paper	270 days	25%	10%
Unsecured Certificates of Deposit	30 days	30%	None
Repurchase Agreements	1 year	None	None
Medium-Term Notes	5 years	30%	None
Money Market Funds	N/A	20%	10%

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the RTA's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the RTA's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County Investment Pool	$ 33,089,774	$ 33,089,774	$ -	$ -	$ -
State Investment Pool	1,150,000	1,150,000	-	-	-
Held by bond trustee:					
Money market funds	19,088	19,088	-	-	-
Investment contracts	1,892,000	-	1,892,000	-	-
Total	$ 36,150,862	$ 34,258,862	$ 1,892,000	$ -	$ -

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Disclosures Relating to 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the RTA's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type		Minimum Legal Rating	Rating as of Year-End AAA	Rating as of Year-End Not Rated
County Investment Pool	$ 33,089,774	N/A	$ 33,089,774	$ -
State Investment Pool	1,150,000	N/A	-	1,150,000
Held by bond trustee:				
Money market funds	19,088	A	19,088	-
Investment contracts	1,892,000	N/A	-	1,892,000
Total	$ 36,150,862		$ 33,108,862	$ 3,042,000

Concentration of Credit Risk

The investment policy of the RTA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of **total RTA investments** are as follows:

Issuer	Investment Type	Reported Amount
FHLMC	Federal agency securities	$ 1,892,000

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the RTA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investment, 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 RTA deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State and County Pools

The RTA is a voluntary participant in the California State Treasurer's Local Agency Investment Fund (LAIF) and the Riverside County Treasurer's Pooled Investment Fund (RCTPIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Oversight of the RCTPIF is conducted by the County Treasury Oversight Committee. The fair value of RTA's investments in these pools is reported in the accompanying financial statements at amounts based upon the RTA's pro-rata share of the fair value of the entire LAIF and RCTPIF portfolios, respectively.

NOTE 3 – DUE FROM OTHER GOVERNMENTAL AGENCIES

Amounts due from other governmental agencies consisted of the following at June 30, 2012 and 2011:

	2012	2011
Federal (FTA):		
Operating	$ 2,521,569	$ 2,410,771
Capital	69,541	442,552
State (STA):		
Capital	82,012	47,401
Local:		
Operating:		
Metrolink	58,969	52,235
OCTA - Orange County Transportation Authority	16,212	15,925
Riverside County Transportation Commission	9,594	-
County of Riverside	45,870	-
State of California	21,812	-
Superior Court of California	26,599	-
Total	$ 2,852,178	$ 2,968,884

Federal

Under provisions of the Federal Transit Administration (FTA), funds are available to the RTA for maintenance costs; transportation planning; operations; and the acquisition, construction, improvement, and maintenance of transit facilities, transit vehicles, and equipment.

State

Under provisions of a 1979 amendment to the Transportation Development Act of 1971 (TDA), State of California's appropriations through the State Transit Assistance Fund (STA) are available for capital projects of a public transportation system. To qualify for operating funds, a transit operator must meet one of the efficiency standards under TDA Section 00314.6.

Local

The State of California Local Transportation Fund (LTF) monies under the TDA, as amended, are available for transit operations and development. The Riverside County Transportation Commission (RCTC) administers these funds on behalf of the County of Riverside. Funds are apportioned to eligible transit operators based on the percentage of the County of Riverside's population that lies within each operator's service area. The RTA also receives various other operating revenues through service agreements with local agencies. These agencies include, but are not limited to, Metrolink, OCTA, and the County of Riverside.

NOTE 4 – INVENTORIES

Inventories consisted of the following as of June 30, 2012 and 2011:

	2012	2011
Parts	$ 591,335	$ 714,720
Fuel	11,577	3,664
Oil	14,568	15,780
Total	$ 617,480	$ 734,164

NOTE 5 – CAPITAL ASSETS

Capital assets of the RTA for the years ended June 30, 2012 and 2011 consisted of the following:

June 30, 2012

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital Assets, Not Being Depreciated:				
Land	$ 2,546,389	$ 987,708	$ -	$ 3,534,097
Construction in progress	8,895,057	255,726	(8,570,126)	580,657
Total Capital Assets, Not Being Depreciated	11,441,446	1,243,434	(8,570,126)	4,114,754
Capital Assets, Being Depreciated:				
Buildings	12,655,086	8,342,971	-	20,998,057
Vehicles:				
Bus	40,625,779		(2,183,834)	38,441,945
Van and minibuses	12,575,578	2,070,110	(1,674,265)	12,971,423
Support vehicles	1,130,139	35,407	-	1,165,546
Equipment:				
Bus accessories and electronics	2,563,629	252,604	(231,527)	2,584,706
Bus stop amenities	3,128,615	77,990	-	3,206,605
Communication equipment	2,019,652	17,683	-	2,037,335
Computers	9,501,063	281,691	(113,626)	9,669,128
Furniture and office equipment	1,330,897	29,909	(161,642)	1,199,164
Capitalized parts/assembly	4,885,487	1,054,311	(4,024)	5,935,774
Support services equipment	4,640,441	124,787	-	4,765,228
Total Capital Assets, Being Depreciated	95,056,366	12,287,463	(4,368,918)	102,974,911
Less Accumulated Depreciation	(78,717,215)	(7,639,132)	4,367,578	(81,988,769)
Total Capital Assets, Being Depreciated, Net	16,339,151	4,648,331	(1,340)	20,986,142
Total Capital Assets, Net	$ 27,780,597	$ 5,891,765	$ (8,571,466)	$ 25,100,896

Depreciation expense for the year ended June 30, 2012 was $7,639,132.

NOTE 5 – CAPITAL ASSETS (Continued)

June 30, 2011

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Capital Assets, Not Being Depreciated:				
Land	$ 2,546,389	$ -	$ -	$ 2,546,389
Construction in progress	5,698,919	3,400,417	(204,279)	8,895,057
Total Capital Assets, Not Being Depreciated	8,245,308	3,400,417	(204,279)	11,441,446
Capital Assets, Being Depreciated:				
Buildings	12,655,086	-	-	12,655,086
Vehicles:				
Bus	40,625,779	-	-	40,625,779
Van and minibuses	12,886,919	-	(311,341)	12,575,578
Support vehicles	1,154,305	319,048	(343,214)	1,130,139
Equipment:				
Bus accessories and electronics	2,586,426	231,527	(254,324)	2,563,629
Bus stop amenities	3,126,811	73,098	(71,294)	3,128,615
Communication equipment	1,286,485	733,167	-	2,019,652
Computers	9,240,020	261,043	-	9,501,063
Furniture and office equipment	1,195,312	135,585	-	1,330,897
Capitalized parts/assembly	3,853,488	1,039,864	(7,865)	4,885,487
Support services equipment	4,462,018	178,423	-	4,640,441
Total Capital Assets, Being Depreciated	93,072,649	2,971,755	(988,038)	95,056,366
Less Accumulated Depreciation	(70,094,127)	(9,603,260)	980,172	(78,717,215)
Total Capital Assets, Being Depreciated, Net	22,978,522	(6,631,505)	(7,866)	16,339,151
Total Capital Assets, Net	$ 31,223,830	$ (3,231,088)	$ (212,145)	$ 27,780,597

Depreciation expense for the year ended June 30, 2011 was $9,603,260.

Changes in capital assets by funding source for the years ended June 30, 2012 and 2011 are as follows:

	Federal Funds	State Funds	LTF Funds	Measure A	Financed Assets	Operator and Other	Donated Capital	Total
June 30, 2010	$ 61,043,602	$ 19,638,280	$ 11,321,489	$ 1,092,093	$ 685,908	$ 7,482,095	$ 54,490	$ 101,317,957
Additions	1,715,265	1,122,995	12,729	-	-	120,766	-	2,971,755
Reclassification	769,459	154,996	75	-	(685,908)	(238,622)	-	-
Work in progress	1,069,767	682,686	1,430	-	-	1,442,255	-	3,196,138
Deletions	(729,133)	(136,913)	(107,156)	(14,836)	-	-	-	(988,038)
June 30, 2011	63,868,960	21,462,044	11,228,567	1,077,257	-	8,806,494	54,490	106,497,812
Additions	4,655,535	3,783,822	89,140	4,061	-	4,742,613	-	13,275,171
Reclassification								-
Work in progress	(2,898,668)	(746,646)	(76,839)	-	-	(4,592,247)	-	(8,314,400)
Deletions	(3,235,487)	(797,367)	(312,185)	(16,592)	-	(7,287)	-	(4,368,918)
June 30, 2012	$ 62,390,340	$ 23,701,853	$ 10,928,683	$ 1,064,726	$ -	$ 8,949,573	$ 54,490	$ 107,089,665

NOTE 6 – LONG-TERM DEBT

The following is a schedule of changes in long-term debt for the year ended June 30, 2012:

Description	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Classification Current	Classification Long-Term
Certificates of Participation	$ 5,650,000		$ 1,820,000	$ 3,830,000	$ 1,880,000	$ 1,950,000
Total	$ 5,650,000	$ -	$ 1,820,000	$ 3,830,000	$ 1,880,000	$ 1,950,000

The following is a schedule of changes in long-term debt for the year ended June 30, 2011:

Description	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Classification Current	Classification Long-Term
Certificates of Participation	$ 7,405,000	$ -	$ 1,755,000	$ 5,650,000	$ 1,820,000	$ 3,830,000
Total	$ 7,405,000	$ -	$ 1,755,000	$ 5,650,000	$ 1,820,000	$ 3,830,000

Refunding Certificates of Participation

In February 2003, the RTA executed an agreement with the California Transit Finance Corporation (CTFC) in order to provide funds for the defeasance and redemption of a portion of the outstanding principal amount of the California Transit Variable Rate Demand Bonds, Series 1997 (California Transit Variable Rate Finance Program) ("Prior Bonds") and to pay certain costs associated with the sale and delivery of the Refunding Certificates. In February 2003, CTFC disbursed $18,920,000 to the RTA under a capital lease agreement to provide refunding of a prior bond issuance to the RTA for its purchase of 57 forty-foot transit buses and related equipment. The RTA's sole liability under the lease agreement is to the CTFC and is not obligated to the owners of the demand bonds in the event of default by the CTFC. Under the terms of the capital lease agreement, the RTA's lease payments have been pledged by the CTFC for the repayment of the demand bonds. Federal, state and local capital funds, in addition to revenues received from the operation of the RTA, have been pledged as support for the RTA's net lease payments to the CTFC.

The lease agreement requires annual principal and interest payments beginning October 2003 through October 2013. The RTA's minimum principal and approximate interest payments under the program for each of the next three years are summarized as follows:

Year ending June 30,	Principal	Interest	Total
2013	$ 1,880,000	$ 115,600	$ 1,995,600
2014	1,950,000	39,000	1,989,000
Total	3,830,000	$ 154,600	$ 3,984,600
Less: current portion	(1,880,000)		
Long-term debt	$ 1,950,000		

NOTE 7 – DEFERRED REVENUES

The deferred revenues below represent excess operating assistance and capital assistance. Changes in deferred revenues for the year ended June 30, 2012 for operating assistance are as follows:

	FTA	TDA/LTF	Measure A	Total
Operating Assistance:				
Excess Operating Funds at July 1, 2010	$ -	$ 3,543,448	$ 94,533	$ 3,637,981
Allocations received	14,402,869	19,408,234	2,281,349	36,092,452
Funds available	14,402,869	22,951,682	2,375,882	39,730,433
Less: eligible costs	(14,402,869)	(19,013,107)	(2,310,058)	(35,726,034)
Excess Operating Funds at July 1, 2011	-	3,938,575	65,824	4,004,399
Allocations received	12,820,665	22,708,723	2,455,115	37,984,503
Funds available	12,820,665	26,647,298	2,520,939	41,988,902
Less: eligible costs	(12,820,665)	(23,160,991)	(2,450,685)	(38,432,341)
Excess Operating Funds at June 30, 2012	$ -	$ 3,486,307	$ 70,254	$ 3,556,561

Changes in deferred revenues for the years ended June 30, 2012 and 2011 for capital assistance are as follows:

	Federal	STA	LTF	Prop 1B	Other	Total
Capital Assistance:						
Excess Capital Funds at July 1, 2010	$ -	$ 325,790	$ 228,302	$ 9,683,862	$ 78,569	$ 10,316,523
Allocations received	4,585,097	581,887	-	335,374	2,877,438	8,379,796
Total available	4,585,097	907,677	228,302	10,019,236	2,956,007	18,696,319
Less: capital purchases	(2,785,032)	(305,227)	(14,159)	(1,500,455)	(1,563,020)	(6,167,893)
Less: other	(1,800,065)	(194,099)	(300)	-	(1,305,077)	(3,299,541)
Excess Capital Funds at July 1, 2011	-	408,351	213,843	8,518,781	87,910	9,228,885
Allocations received	3,362,731	662,864	7,389	16,148,049	864,017	21,045,050
Total available	3,362,731	1,071,215	221,232	24,666,830	951,927	30,273,935
Less: capital purchases	(1,756,867)	(372,810)	(12,301)	(2,664,365)	(154,427)	(4,960,770)
Less: other	(1,605,864)	(314,953)	-	-	(797,470)	(2,718,287)
Excess Capital Funds at June 30, 2012	$ -	$ 383,452	$ 208,931	$ 22,002,465	$ 30	$ 22,594,878

NOTE 7 – DEFERRED REVENUES (Continued)

Capital assistance deferred revenues by category for June 30, 2012 are as follows:

Category	Amount
Revenue Vehicles	$ 20,143,372
Building, Facilities	2,013,401
Maintenance Equipment	277,711
Communication and Information Systems	156,456
Non-Revenue Vehicles	3,883
General and Administrative	55
Total Deferred Revenue by Category at June 30, 2012	$ 22,594,878

Public Transportation Modernization, Improvement, and Service Enhancement Act (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 (Prop 1B). Of the $19.925 billion of state general obligation bonds authorized, $4 billion was set aside by the state, as instructed by statute, as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation, or replacement.

During the year ended June 30, 2012, the RTA received $14,611,903 in Prop 1B PTMISEA funds, earned interest of $43,035 on deposits of unspent PTMISEA funds, and disbursed $2,088,732 of PTMISEA funds.

Schedule of PTMISEA Bond 1B Funds
For the Year Ended June 30, 2012

Description	**Amount**
Balance - beginning of the year	$ 7,587,803
Receipts:	
PTMISEA receipts	14,611,903
Interest accrued 7/1/2011 through 6/30/2012	43,035
Expenses:	
PTMISEA expenditures	2,088,732
Balance - end of year	$ 20,154,009

NOTE 7 – DEFERRED REVENUES (Continued)

Transit System Safety, Security, and Disaster Response Account:

Of the $19.925 billion of state general obligation bonds authorized, $1 billion was set aside by the state, as instructed by statute, as the Transit System Safety, Security, and Disaster Response Account (TSSSDRA), with $600 million specifically allocated for the California Transit Security Grant Program, California Transit Assistance Fund (CTSGP-CTAF). These funds are available to the California Emergency Management Agency (Cal EMA) and to transit operators in California for capital projects that provide increased protection against a security and safety threat, and for capital expenditures to increase the capacity of transit operators.

During the year ended June 30, 2012, the RTA received $1,490,132 in Prop 1B CTSGP-CTAF funds, earned interest of $2,979 on deposits of unspent CTSGP-CTAF funds, and disbursed $575,633 of the CTSGP-CTAF funds.

Schedule of CTSGP-CTAF Bond 1B Funds
For the Year Ended June 30, 2012

Description		Amount
Balance - beginning of the year	$	930,978
Receipts:		
CTSGP-CTAF receipts		1,490,132
Interest accrued 7/1/2011 through 6/30/2012		2,979
Expenses:		
CTSGP-CTAF expenditures		575,633
Balance - end of year	$	1,848,456

NOTE 8 – LIABILITY INSURANCE

The RTA is a participant in the California Transit Insurance Pool (CalTIP) formed under a joint powers agreement for the purpose of providing general and automobile liability insurance for the member agencies. The RTA's self-insured retention is $25,000 per claim and total coverage limit is $20,000,000.

The RTA is self-insured for workers' compensation claims. Liabilities under this program are accrued and charged to expense when the claims are reasonably determinable and when the existence of the RTA's liability is probable. Liabilities include an amount for claims that have been incurred but not reported. For the year ended June 30, 2012, the RTA's self-insured retention is $750,000, per accident/per employee and total coverage is at the state statutory level.

NOTE 8 – LIABILITY INSURANCE (Continued)

Settled claims have not exceeded insurance coverage in any of the past three years ended June 30. The RTA's liability for claims where it has retained the risk of loss (based on an annual actuarial study) is as follows:

	Workers' Compensation	Vehicle Liability	Total
Estimated Liabilities at July 1, 2010	$ 1,220,573	$ 234,446	$ 1,455,019
Reserves:			
New claims	444,794	289,159	733,953
Routine adjustments to existing claims	757,601	(128,657)	628,944
Payments	(1,042,977)	(83,858)	(1,126,835)
Estimated Liabilities at July 1, 2011	1,379,991	311,090	1,691,081
Reserves:			
New claims	324,449	128,471	452,920
Routine adjustments to existing claims	1,243,221	(158,449)	1,084,772
Payments	(777,466)	(107,383)	(884,849)
Estimated Liabilities at June 30, 2012	$ 2,170,195	$ 173,729	$ 2,343,924

NOTE 9 – PENSION PLAN

Plan Description – The RTA contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and RTA ordinance. Copies of CalPERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy – Active plan members are required by state statute to contribute 7% of their annual covered salary (employee share). The RTA makes the contributions required of RTA administrative employees hired prior to July 1, 2011 on their behalf and for their account. The RTA was required to contribute at an actuarially determined rate of 8.873% and 8.022% for the years ended June 30, 2012 and 2011, respectively (employer's share).

Annual Pension Cost – For the years ended June 30, 2012 and 2011 the RTA's annual pension cost of $1,396,606 and $1,082,300, respectively, for CalPERS was equal to the RTA's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method.

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	$ 2,310,575	100%	$ -
6/30/2010	1,564,306	100%	-
6/30/2011	1,082,300	100%	-
6/30/2012	1,396,606	100%	-

NOTE 9 – PENSION PLAN (Continued)

Actuarial Methods and Assumptions – The following information is as of the most recent actuarial valuation, in which the assumptions used are promulgated by CalPERS:

	Retirement Program
Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and Type of Employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Funded Status and the Funding Progress – The following is funded status information for the plan as of June 30, 2011, the most recent actuarial valuation date:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
6/30/2011	$ 55,057,875	$ 59,053,891	$ 3,996,016	93.2%	$ 15,022,364	26.6%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits described above, the RTA provides postretirement health care benefits to all employees meeting certain selected criteria. Employees on the payroll as of June 22, 2006, who retire from the RTA with 5 years of CalPERS service will receive the same medical contribution (up to 100% HMO employee coverage plus dependent contribution) as active employees. Employees hired after June 22, 2006 will, upon retirement and 10 years of active service with the RTA and 5 years CalPERS service credit, receive up to 100% of HMO employee coverage, but not any dependent contribution. See details below.

The GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits*. The basic premise of the statements is that OPEB are earned by employees and should be recognized by the employer as the employee provides services. GASB Statement No. 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. The RTA implemented the provisions of GASB Statement No. 45 in the year beginning July 1, 2008, on a one-year retroactive basis.

Prior to the implementation of GASB Statement No. 45, the RTA financed OPEB on a pay-as-you-go basis with expenditures recorded in the Statement of Activities and Changes in Net Assets. Expenses for postretirement health care benefits were recognized as medical premiums as paid.

Plan Description: RTA participates in the California Employers' Retiree Benefit Trust (CERBT), a trust established by Chapter 331 of the 1988 Statutes and initially funded in 2007. The purpose of the trust is to receive contributions from participating employers and establish separate employer prefunding accounts to pay for postemployment health care benefits. The CERBT is an agent multiple-employer plan as defined in GASB Statement No. 43 and is administered by CalPERS. The RTA plan currently has 130 retirees receiving benefits and a total of 317 active participants. Of the 317 active participants, 113 currently are eligible to receive benefits.

Following is a description of the current retiree benefit plan:

	Union Employees hired on or before 6/22/06
Benefit Types Provided	Medical only
Duration of Benefits	Lifetime
Required Service	5 years CalPERS service credit
Minimum Age	50
Dependent Coverage	One or more, limited to contribution maximum of $390
RTA Contribution %	Up to 100%
RTA Cap	Highest Kaiser or Blue Cross HMO premium in Riverside or San Bernardino County

	Union Employees hired after 6/22/06
Benefit Types Provided	Medical only
Duration of Benefits	Lifetime
Required Service	10 years service with RTA and 5 years CalPERS service credit
Minimum Age	50
Dependent Coverage	No
RTA Contribution %	Up to 100%
RTA Cap	Highest Kaiser or Blue Cross HMO single premium in Riverside or San Bernardino County

	Administrative Employees hired on or before 6/22/06
Benefit Types Provided	Medical only
Duration of Benefits	Lifetime
Required Service	5 years CalPERS service credit
Minimum Age	50
Dependent Coverage	One or more, limited to contribution maximum of $360
RTA Contribution %	Up to 100%
RTA Cap	Lowest Kaiser or Blue Cross HMO premium in Riverside County

	Administrative Employees hired after 6/22/06
Benefit Types Provided	Medical only
Duration of Benefits	Lifetime
Required Service	10 years service with RTA and 5 years CalPERS service credit
Minimum Age	50
Dependent Coverage	No
RTA Contribution %	Up to 100%
RTA Cap	Lowest Kaiser or Blue Cross single HMO premium in Riverside County

Annual OPEB Cost and Net OPEB Obligation*:* For the year ended June 30, 2012, the RTA's annual OPEB cost for the plan was $1,041,870. The RTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012, were as follows:

	2012	2011
Annual required contribution	$ 1,041,870	$ 644,669
Contributions made	(1,743,748)	(683,916)
Change in net OPEB obligation	(701,878)	(39,247)
Net OPEB obligation (asset), beginning of year	(1,037,611)	(998,364)
Net OPEB obligation (asset), end of year	$ (1,739,489)	$ (1,037,611)

Trend Information:

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/2010	$ 644,669	$ (1,839,438)	285%	$ (998,364)
6/30/2011	644,669	(683,916)	106%	(1,037,611)
6/30/2012	1,041,870	(1,743,748)	167%	(1,739,489)

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2012, based on an actuarial valuation performed as of June 30, 2011, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
November 1, 2007	$ -	$ 16,647,000	$ 16,647,000	0.0%	$ 13,817,083	120.5%
September 1, 2009	14,825,679	17,166,876	2,341,197	86.4%	15,215,027	15.4%
September 28, 2011	19,122,536	26,070,091	6,947,555	73.4%	14,513,880	47.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the RTA are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions: Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the RTA's actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated.

In the actuarial valuation for the plan as of June 30, 2011, the entry age normal cost method was used. The allocation of OPEB cost is based on years of service. RTA used the level percentage of payroll method to allocate OPEB cost over years of service. Entry age is based on the average age at hire for eligible employees. The attribution period is determined as the difference between the average retirement age and the average age at hire. The present value of future benefits and present value of future normal costs are determined on an employee by employee basis and then aggregated. To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is based on an assumed long-term return on plan assets and 100% funding through the CalPERS CERBT program, and an annual health care cost trend rate of 6% and 4% including a 3% inflation assumption. The actuarial value of assets were determined using actuarial value (as provided by CalPERS), plus the balance of contributions payable. The UAAL will be amortized as a level percentage of projected payroll assuming a 3% increase per year and no increases in staff or merit increases. The remaining amortization period is 30 years.

Funding Policy: The contribution requirements of plan members and the RTA are established and may be amended by the RTA Board of Directors. These contributions are neither mandated nor guaranteed. The RTA has retained the right to unilaterally modify its payment for retiree health care benefits.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

A. Lawsuits

The RTA is a defendant in various litigation. Although the outcome of this litigation is not presently determinable, it is the opinion of the RTA's legal counsel and the RTA's management that the resolution of these matters will not have a material adverse effect on the financial condition of the RTA.

B. Federal and State Grant Programs

The RTA participates in federal and state grant programs. These programs are audited by the RTA's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable state requirements. No cost disallowance is expected as a result of these audits; however, these programs are subject to further examination by the grantors. Awards which may be disallowed, if any, by the granting agencies cannot be determined at this time. The RTA expects such amounts, if any, to be immaterial.

C. Commitments

As of June 30, 2012 and 2011, in the opinion of RTA management, there were no outstanding matters that would have a significant effect on the financial position of the RTA.

NOTE 12 – TRANSPORTATION DEVELOPMENT ACT CONFORMANCE MATTERS

The RTA is subject to the provision of the Public Utilities Code (PUC) Section 99270.1 and must maintain a minimum fare ratio of 17.04% and 17.09% in 2012 and 2011, respectively, of operating revenues over operating expenses. After allocation of indirect costs to each type of service and taking into consideration of certain cost exemption provisions of the TDA, the RTA's fare ratio for the years ended June 30, 2012 and 2011 was 27.02% and 27.52%, respectively, as calculated below, which indicates that the RTA in the years ended June 30, 2012 and 2011 was in compliance with the provisions of PUC Section 99270.

	2012	2011
Operating Revenues:	$ 10,239,289	$ 9,410,428
Add:		
Measure A - operating grant	2,450,685	2,310,058
CNG Revenue	220,625	250,102
Lease/Other revenue - other nonoperating revenue	2,500	60,000
Shelter advertising - other nonoperating revenue	17,468	16,410
Gain on sale of assets	15,993	17,585
Investment income	73,327	73,744
CalPERS CERBT	213,802	363,231
Other Operating Revenue	13,171	3,166
Less:		
Fare revenues for exempt routes	-	(61,423)
Net operating revenues	$ 13,246,860	$ 12,443,301
Operating Expenses:	$ 57,013,941	$ 55,795,408
Less:		
Depreciation and amortization expense	(7,666,011)	(9,630,139)
Other grant fund expenses	(321,669)	(560,455)
Operating expenses for exempt routes	-	(395,565)
Net operating expenses	$ 49,026,261	$ 45,209,249
Fare Ratio	27.02%	27.52%

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE TRANSIT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE OF FUNDING PROGRESS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
6/30/2009	$ 47,651,978	$ 51,329,048	$ 3,677,070	92.8%	$ 15,815,277	23.3%
6/30/2010	51,290,452	55,048,083	3,757,631	93.2%	15,111,698	24.9%
6/30/2011	55,057,875	59,053,891	3,996,016	93.2%	15,022,364	26.6%

* Based on the latest actuarial valuation.

RIVERSIDE TRANSIT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
September 1, 2009	$ 14,825,679	$ 17,166,876	$ 2,341,197	86.4%	$ 15,215,027	15.4%
September 28, 2011	$ 19,122,536	$ 26,070,091	$ 6,947,555	73.4%	$ 14,513,880	47.9%

* Based on the latest actuarial valuation.

OTHER REPORT

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE TRANSPORTATION COMMISSION

To the Board of Directors
of the Riverside Transit Agency
Riverside, California

We have audited the financial statements of the Riverside Transit Agency (RTA) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 30, 2012. 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.

As part of obtaining reasonable assurance about whether the RTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by the RTA were made in accordance with the allocation instructions and resolutions of the RTA and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 6666 and 6667 that are applicable to the RTA. In connection with our audit, nothing came to our attention that caused us to believe the RTA failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Transportation Commission. 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.

Also as part of our audit, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements.

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

During the fiscal year ended June 30, 2012, the Agency earned interest of $43,035 on deposits of PTMISEA funds. As of June 30, 2012, PTMISEA funds received and expended were verified in the course of our audit as follows:

Schedule of PTMISEA Bond 1B Funds
For the Year Ended June 30, 2012

Description		Amount
Balance - beginning of the year	$	7,587,803
Receipts:		
PTMISEA receipts		14,611,903
Interest accrued 7/1/2011 through 6/30/2012		43,035
Expenses:		
PTMISEA expenditures		2,088,732
Balance - end of year	$	20,154,009

This report is intended solely for the information and use of management, the California Department of Transportation, and the State Controller's Office and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 30, 2012

RIVERSIDE TRANSIT AGENCY

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

RIVERSIDE TRANSIT AGENCY
SINGLE AUDIT REPORT

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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 THE BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Riverside Transit Agency
Riverside, California

We have audited the basic financial statements of the Riverside Transit Agency (RTA) as of and for the years ended June 30, 2012, and have issued our report thereon dated October 30, 2012. 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.

<u>Internal Control Over Financial Reporting</u>
Management of the RTA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the RTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the RTA's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

<u>Compliance and Other Matters</u>
As part of obtaining reasonable assurance about whether the RTA'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.*

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 30, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Riverside Transit Agency
Riverside, California

Compliance

We have audited the Riverside Transit Agency's (RTA) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the RTA's major federal programs for the year ended June 30, 2012. The RTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the RTA's management. Our responsibility is to express an opinion on the RTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the RTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the RTA's compliance with those requirements.

In our opinion, the RTA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the RTA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the RTA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the RTA's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the RTA as of and for the year ended June 30, 2012, and have issued our report thereon dated October 30, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise RTA's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of management, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 30, 2012

FINANCIAL STATEMENTS

RIVERSIDE TRANSIT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor / Program Title		CFDA Number	Pass-Through Entity Identifying Number	Program or Award Amount	Cumulative Federal Expenditures Incurred Through June 30, 2012	Federal Expenditures Incurred for the Year Ended June 30, 2012
U.S. Department of Transportation/ Federal Transit Administration						
Capital Investment Grants:						
03-0703	*	20.500		$ 3,495,329	$ 1,214,388	$ -
03-0752	*	20.500		1,335,471	-	-
03-0763	*	20.500		291,262	-	-
03-0781	*	20.500		340,123	1,600	-
04-0036	*	20.500		1,332,679	603,115	8,047
04-0082	*	20.500		195,499	88,510	-
04-0121	*	20.500		895,000	348,489	5,488
04-0154	*	20.500		2,684,328	951,091	142,817
04-0215	*	20.500		2,065,000	7,996	7,996
Formula Grants - Capital:						
90-Y337	*	20.507		4,386,553	4,355,678	53,046
90-Y403	*	20.507		2,334,490	2,318,689	17,496
90-Y523	*	20.507		4,454,445	4,104,933	6,125
90-Y614	*	20.507		6,976,842	6,726,390	64,171
90-Y580	*	20.507		221,928	-	-
90-Y691	*	20.507		2,315,962	1,934,852	530,160
96-X043 ARRA	*	20.507		1,343,989	1,254,817	39,868
90-Y781	*	20.507		5,587,730	3,665,908	1,749,324
90-Y866	*	20.507		2,372,052	708,643	610,444
90-Y954	*	20.507		4,848,628	95,263	95,263
Total capital grants				47,477,310	28,380,362	3,330,245
Operating Grants:						
90-Y866 (Reg Sec. 5307)	*	20.507		12,974,974	12,974,974	1,672,366
90-Y954 (Reg Sec. 5307)	*	20.507		10,946,891	9,554,905	9,554,905
37-X096 (Sec. 5316 JARC)	*	20.516		531,106	531,106	-
37-X106 (Sec. 5316 JARC)	*	20.516		272,828	272,828	255,775
37-X109 (Sec. 5316 JARC)	*	20.516		1,044,200	710,764	267,854
37-X158 (Sec. 5316 JARC)	*	20.516		1,518,187	258,823	258,823
57-X024 (Sec. 5317 New Freedom)	*	20.521		132,582	132,582	-
57-X037 (Sec. 5317 New Freedom)	*	20.521		591,869	496,404	21,991
57-X068 (Sec. 5317 New Freedom)	*	20.521		694,113	275,647	275,647
Total operating grants				28,706,750	25,208,033	12,307,361
Total Federal Transit Administration				76,184,060	53,588,395	15,637,606
Passed-Through the State of California:						
Department of Transportation/ Federal Transit Administration -						
Operating: FY 2012 Regular Sec. 5311	*	20.509	642185	426,208	426,208	426,208
Operating: FY 2012 ARRA Sec. 5311	*	20.509	649880	679,278	315,267	32,399
Operating: FY 2012 JARC Sec. 5316	*	20.516	640669	224,656	87,183	87,183
Total Federal Awards				$ 77,514,202	$ 54,417,053	$ 16,183,396

* Major Program

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NOTE 1 – REPORTING ENTITY

The Riverside Transit Agency (RTA) was established in March 1977 as a Joint Powers Agency (JPA) under authority of Title I, Division 7, Chapter 5, as amended by the Government Code of the State of California. By joint exercise of their common power, the County of Riverside and the nine cities of Western Riverside County created the RTA to serve as a separate public transportation agency. As of June 30, 2012, RTA serves as a public transportation agency to the County of Riverside and seventeen cities of Western Riverside. Members of the JPA reserve the right to provide transportation services within their respective jurisdictions, while the RTA serves as a unifying umbrella agency, coordinating transportation services throughout Western Riverside County. The RTA owns, maintains, and operates (directly or through contracts with other operators) the public transit system of Western Riverside County.

The RTA is a special purpose government with no component units and is eligible for funding under Section 99200 et. seq. of the California Public Utilities Code.

NOTE 2 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all Federal award programs of the RTA. All federal awards received directly from Federal agencies as well as Federal awards passed through from other government agencies are included on the Schedule.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting, which is described in Note 1 to the RTA’s financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the RTA. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the RTA.

NOTE 4 – RELATIONSHIP TO FINANCIAL STATEMENTS

Federal award monies are reported in the RTA’s financial statements as revenues from Federal operating and capital assistance grants.

NOTE 5 – SUMMARY OF GRANTS

The RTA receives various Federal grant awards from the Department of Transportation - Federal Transit Administration. The following is a summary of the grant programs.

Federal Transit - Capital Investment Grants (CFDA #20.500)

Funds are provided to assist in financing the acquisition, construction, reconstruction, and improvement of facilities, rolling stock and equipment for use in mass public transportation service, and in coordinating service with highway and other transportation in such areas.

Federal Transit - Formula Grants (CFDA #20.507)

Funds are provided to assist in financing the acquisition, construction, cost-effective leasing, maintenance, planning, and improvement of facilities and equipment for use in mass transportation service, and for urbanized areas with populations under 200,000, to assist with the payment of operating expenses to improve or to continue mass transportation service.

Federal Transit - Section 5311 Operating Grant (CFDA #20.509)

Funds are provided to improve, initiate, or continue public transportation service in non-urbanized areas by providing financial assistance for operating and administrative expenses and for the acquisition, construction, and improvement of facilities and equipment. Also, funds are available to provide technical assistance for rural transportation providers.

Federal Transit - Section 5316 Job Access Reverse Commute (JARC) (CFDA #20.516)

Funds are provided to improve access to employment and employment related activities for low-income individuals and welfare recipients and transport residents of urbanized areas and non-urbanized areas to suburban employment opportunities regardless of income.

Federal Transit - Section 5317 New Freedom (CFDA #20.521)

Funds are provided for new public transportation services to overcome existing barriers facing Americans with disabilities seeking integration into the workforce and full participation into society while expanding the transportation mobility options available to persons with disabilities beyond the requirements of the Americans with Disabilities Act of 1990.

FINDINGS AND QUESTIONED COSTS SECTION

RIVERSIDE TRANSIT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	____ Yes	X No
Reportable conditions identified that are not considered to be material weaknesses?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major federal programs:		
Material weakness identified?	____ Yes	X No
Reportable conditions identified that are not considered to be material weaknesses?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	____ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Clusters
20.500	Federal Transit Administration - Capital Investment Grants
20.507	Federal Transit Administration - Formula Grants
20.509	Federal Transit Administration - Section 5311
20.516	Transit Services Program Cluster - JARC
20.521	Transit Services Program Cluster - New Freedom

Dollar threshold used to distinguish Type A and B programs:	$485,502	
Auditee qualified as low risk auditee?	X Yes	____ No

II. Findings Relating to Financial Statements Required Under GAGAS

None.

III. Federal Award Findings and Questioned Costs

None.

IV. State Award Findings and Questioned Costs

None.

V. A Summary of Prior Audit (all June 30, 2011) Findings and Current Year Status Follows

None.