BOARD BUDGET AND FINANCE COMMITTEE MEETING
WEDNESDAY, NOVEMBER 5, 2014, 2:00 P.M.
RIVERSIDE TRANSIT AGENCY BOARD ROOM
1825 THIRD STREET
RIVERSIDE, CA 92507

ITEM		RECOMMENDATION
1.	**CALL TO ORDER**	
2.	**SELF-INTRODUCTIONS**	
3.	**PUBLIC COMMENTS – NON-AGENDA ITEMS** **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.**	**RECEIVE COMMENTS**
4.	**APPROVAL OF MINUTES – OCTOBER 1, 2014 COMMITTEE MEETING (P.3)**	**APPROVE**
5.	**CASH FLOW PROJECTIONS (P.5)**	**RECEIVE AND FILE**
6.	**QUARTERLY INVESTMENT REPORT (P.7)**	**RECEIVE AND FILE**
7.	**AUTHORIZATION TO AWARD AGREEMENT NO. 14-008 TO PRUDENTIAL OVERALL SUPPLY FOR COACH OPERATOR/OPERATIONS SUPERVISOR UNIFORMS (P.9)**	**APPROVE**
8.	**FISCAL YEAR 2013/2014 (FY14) FINANCIAL AUDIT RESULTS (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.

ITEM **RECOMMENDATION**

9. **BOARD MEMBER COMMENTS AND REMARKS**

10. **OTHER BUSINESS**

11. **NEXT MEETING**
BOARD BUDGET AND FINANCE COMMITTEE MEETING
WEDNESDAY, DECEMBER 3, 2014
2:00 P.M.
RTA HEADQUARTERS
1825 THIRD STREET
RIVERSIDE, CA 92507

12. **ADJOURN**

RTA BOARD BUDGET AND FINANCE COMMITTEE MEETING
Minutes
October 1, 2014

1. CALL TO ORDER

Committee Chair Frank Johnston called the Board Budget and Finance Committee meeting to order at 2:00 p.m., on October 1, 2014, in the RTA Board Room.

2. SELF-INTRODUCTIONS

Self-introductions were dispensed with. The Clerk of the Board recorded attendance.

Committee Members Attending

1. Director Brenda Knight, City of Beaumont, Mayor
2. Director Berwin Hanna, City of Norco, Mayor
3. Alternate Barry Busch, County of Riverside, District V, Board Assistant
4. Director Frank Johnston, City of Jurupa Valley, Mayor

Committee Members Absent

1. Director Linda Krupa, City of Hemet, Councilmember
2. First Vice-Chairman Andrew Kotyuk, City of San Jacinto, Councilmember
3. Chairman of the Board, Jeff Comerchero, City of Temecula, Mayor Pro Tem
4. Director Randon Lane, City of Murrieta, Councilmember
5. Director Jeff Stone, County of Riverside, District III, Supervisor

RTA Staff

1. Larry Rubio, Chief Executive Officer
2. Tammi Ford, Clerk of the Board
3. Tom Franklin, Chief Operating Officer
4. Craig Fajnor, Chief Financial Officer
5. Vince Rouzaud, Chief Procurement and Logistics Officer
6. Virginia Werly, Director of Contract Operations
7. Jim Kneepkens, Director of Marketing
8. Natalie Zaragoza, Contracts Manager
9. Laura Camacho, Chief Administrative Services Officer
10. Brad Weaver, Marketing Manager
11. Bob Bach, Director of Maintenance
12. Rick Kaczerowski, Director of Information Technologies
13. Joan Hepworth, Deputy Clerk of the Board
14. Cecilia Perez, Risk Manager
15. JuandeDios Landeros, Job Corps Intern

Other Attendees:

1. Donna Johnston, County of Riverside District II, Alternate-at-Large

3. PUBLIC COMMENTS – NON-AGENDA ITEMS

None.

4. APPROVAL OF MINUTES – JULY 2, 2014 COMMITTEE MEETING

A vote was not made as a quorum was not present.

5. CASH FLOW PROJECTIONS

Mr. Fajnor presented the cash flow projections.

6. AUTHORIZATION TO AWARD AGREEMENT NO. 14-024 TO PACIFIC CLAIMS MANAGEMENT FOR WORKERS' COMPENSATION CLAIMS ADMINISTRATION SERVICES; AUTHORIZATION TO AWARD AGREEMENT NO. 14-025 TO PACIFIC CLAIMS MANAGEMENT FOR MANAGED CARE SERVICES

A vote was not made as a quorum was not present.

7. BOARD MEMBER COMMENTS AND REMARKS

None.

8. OTHER BUSINESS

None.

9. NEXT MEETING

Board Budget and Finance Committee Meeting
Wednesday, November 5, 2014
2:00 p.m.
RTA Headquarters
1825 Third Street
Riverside, CA 92507

10. MEETING ADJOURNMENT

The meeting was adjourned at 2:11 p.m.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

November 5, 2014

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 2014 with projections through December 2014. This reporting period covers the first half of FY15.

There are no cash flow issues anticipated during this reporting period.

Recommendation:

Receive and file.

Riverside Transit Agency
FY15 Cash Flow Projection

#		Actual										
1	**General Account**	**10/24/2014**	**10/31/2014**	**11/7/2014**	**11/14/2014**	**11/21/2014**	**11/28/2014**	**12/5/2014**	**12/12/2014**	**12/19/2014**	**12/26/2014**	**1/2/2015**
2	Est. Cash, Beg Balance (Book)	(32,089)	55,893	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
3	**Receipts:**											
4	LTF Operating - recurring	4,200,000					4,200,000			4,200,000		
5	LTF GASB 43/45	133,333					133,333			133,333		
6	RIN's Credit				6,603				6,000			
7	LCFS		31,755									
8	Farebox	105,546	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
9	Total Other Farebox	306,507	31,217	13,454	23,677	222,911	86,157	73,835		324,423	74,226	13,336
10	Total Other Local	2,175	23,000	1,000	1,000	1,000	20,000	65,041	76,572	101,893	112,738	20,000
11	FTA Operating		4,623	406,000					408,000			
12	Capital - Local, State	52,499	40,217	20,000	20,000	20,000	114,779	20,000	20,000	20,000	20,000	20,000
13	Echo - FTA Capital	53,007	221,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
14	Transfer from Investment to Gen Acct.		1,060,078	1,715,547	711,720			1,997,124	377,428		556,036	567,664
15	**Disbursements:**											
16	Payroll = Net+Tax	(984)	(700,000)		(700,000)		(700,000)		(825,000)		(700,000)	
17	A/P Wires	(120,935)	(612,783)	(2,111,000)	(18,000)	(168,500)	(443,000)	(2,111,000)	(18,000)	(195,375)	(18,000)	(576,000)
18	A/P Checks	(149,933)	(165,000)	(165,000)	(165,000)	(165,000)	(165,000)	(165,000)	(165,000)	(165,000)	(165,000)	(165,000)
19	Capital Expenditures	(443,234)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)
20	Transfer to Investment from Gen A	(4,050,000)				(30,411)	(3,366,269)			(4,539,274)		
21	Transfer to GASB Trust Acct.											
22	Actual Ending Book Balance / Targeted Minimum Balance	55,893	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
23	**LAIF Account:**											
24	Beginning balance	11,806,493	15,856,493	14,796,415	13,080,868	12,369,148	12,399,558	15,765,827	13,768,703	13,391,275	17,930,549	17,374,513
25	Quarterly Interest Income											
26	Transfers to/from Gen Acct.	4,050,000	(1,060,078)	(1,715,547)	(711,720)	30,411	3,366,269	(1,997,124)	(377,428)	4,539,274	(556,036)	(567,664)
27	Transfers to/from County Pool	-	-	-	-	-	-	-	-	-	-	-
28	Ending balance	15,856,493	14,796,415	13,080,868	12,369,148	12,399,558	15,765,827	13,768,703	13,391,275	17,930,549	17,374,513	16,806,849
29	**County Pool Account:**											
30	Beginning balance	12,436,048	12,436,048	12,436,048	12,436,048	12,436,048	12,443,961	12,443,961	12,443,961	12,443,961	12,443,961	12,443,961
31	Quarterly Interest Income					7,913						
32	Transfers to/from Gen Acct.	-	-	-	-	-	-	-	-	-	-	-
33	Transfers to/from LAIF	-	-	-	-	-	-	-	-	-	-	-
34	Ending balance	12,436,048	12,436,048	12,436,048	12,436,048	12,443,961	12,443,961	12,443,961	12,443,961	12,443,961	12,443,961	12,443,961
	Restricted	12,969,383	12,969,383	12,969,383	12,969,383	12,977,296	13,110,629	13,110,629	13,110,629	13,243,962	13,243,962	13,243,962
	Available for Operating	15,379,051	14,313,080	12,597,533	11,885,813	11,916,223	15,149,159	13,152,035	12,774,607	17,180,548	16,624,512	16,056,848

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

November 5, 2014

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 30% five (5) days after the end of the quarter and the remaining 70% forty-five (45) days after the end of the quarter.

The attached report presents investment performance for the 1st quarter of FY15 (as of September 30, 2014).

Recommendation:

Receive and file.

RIVERSIDE TRANSIT AGENCY
Investment Report
For the Quarter Ended September 30, 2014

Investment Type	Institution	Amount of Investment at 6/30/14	Current Market Value at 6/30/14	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	$15,250,000.00	$15,254,555.94	0.25%	0.25%	$6,493.06
Riverside County Treasurer Pooled Investment Fund	County of Riverside	$12,454,380.22	$12,454,380.22	0.30%	0.30%	$9,527.65

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 5, 2014

TO: BOARD BUDGET AND FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Vince Rouzaud, Chief Procurement and Logistics Officer

SUBJECT: Authorization to Award Agreement No. 14-008 to Prudential Overall Supply for Coach Operator/Operations Supervisor Uniforms

Summary: The Agency is required to provide uniforms for its coach operators per provisions in its Memorandum of Understanding with the Amalgamated Transit Union, Local 1277. For the past five years coach operator uniforms have been provided under contract with Galls, LLC.

Historically, the Agency has provided uniforms for coach operators only. In an effort to provide a more consistent look for operations employees who are out in public, a new uniform requirement was added for operations supervisors. When on and off the property, operations supervisors will be easily identifiable and will stand out as Agency representatives.

Prior to initiating this procurement, staff formed a committee that included coach operators, administrative operations staff and marketing to evaluate and select a uniform style with new colors that would complement the branding of the Agency's new 40-foot bus fleet. After making the initial selections, the committee presented the uniform samples to a second group of coach operators. Without exception, the opinions received from this second group were all favorable. The committee also evaluated product quality and availability as the garments would have to be durable and the selected supplier would be required to maintain an adequate inventory to meet the Agency's needs.

On August 11, 2014, the Agency issued Request for Proposal (RFP) No. 14-008. The RFP 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. In addition, the Agency sent notices of the contracting opportunity to the Chambers of Commerce of those cities that are members of the Joint Powers Agreement. On September 12, 2014, the Agency received proposals from the following four firms and one no-bid response from Aramark Uniform Services:

Firm Name	Location
G&K Services	Minnetonka, Minnesota
Galls, LLC	Lexington, Kentucky
P&P Uniforms, Inc.	Riverside, California
Prudential Overall Supply	Irvine, California

An evaluation committee representing staff from the operations, marketing and purchasing departments evaluated the proposals according to the criteria listed in the RFP. Firms were rated in three general areas; qualifications and related experience, staffing and project organization, and an understanding of the Agency’s requirements.

As a result of the technical review, the two highest technically ranked firms, P&P Uniforms Inc. and Prudential Overall Supply, were invited for in-person interviews. The interview process gives staff the opportunity to ask questions that clarify and augment the written proposals. In addition, staff can interact with key personnel to assess their customer service skills and attention to detail. The evaluation committee was equally impressed with both firms’ customer service commitments, and, in their ability to provide the required uniform sizes and miscellaneous garments.

At the conclusion of the interview process, staff requested Best and Final Offers (BAFO’s). BAFO’s were received on October 9, 2014. Staff conducted a price analysis and prepared the following annualized five-year pricing based on estimated annual usage:

Firm Name	Three-Year Base Term	Two One-Year Options	Five-Year Total
P&P Uniforms	$270,240.25	$194,503.53	$464,743.78
Prudential Overall Supply	$155,767.70	$106,292.38	$262,060.08

Based on the overall evaluation process (technical review, price analysis in-person interviews, reference checks) it was the evaluation committee’s determination that Prudential Overall Supply was the most technically responsive and responsible vendor and provided the best value to the Agency. Therefore, staff is recommending approval of a three-year contract with two one-year options to Prudential Overall Supply for coach operator and operations supervisor uniforms.

While Prudential Overall Supply’s main corporate offices are located in Irvine, CA, the Agency’s contract will be administered through their local office located at 6997 Jurupa Avenue, Riverside, CA.

Fiscal Impact:

Funding for operations uniforms has been included in the Agency's FY15 operating budget. Funding for future year requirements will be included in future fiscal year budgets.

Recommendation:

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

- Authorize staff to award Agreement No. 14-008 to Prudential Overall Supply for operations uniforms for a three-year base period with two one-year options in an amount that will not exceed $262,060.08.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

November 5, 2014

TO: BOARD BUDGET & FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Craig Fajnor, Chief Financial Officer

SUBJECT: Fiscal Year 2013/2014 (FY14) Financial Audit Results

Summary: The accounting firm of Brown Armstrong performed the Agency's FY14 independent financial audit. Attached for review and approval are the Basic Financial Statements and Single Audit Report for the fiscal year ended June 30, 2014.

The FY14 annual audit yielded the following results:

- The Agency received an unmodified – or clean – opinion on our Basic Financial Statements, which means that the Agency's accounting and financial reporting were consistent with Generally Accepted Accounting Principles (GAAP).

- The Agency received an unmodified – or clean – opinion on our Internal Control over Financial Reporting and Compliance, which means that the Agency's financial processes, policies, and procedures follow good and sound protection against fraud and data manipulation.

- The Agency received an unmodified – or clean – opinion on our Compliance and Internal Control related to OMB Circular A-133 (Single Audit), which means that the Agency follows required and prudent processes in expending and accounting for Federal funds.

- 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 also compiled, reviewed and noted no exceptions in auditing compliance with TDA statutes, NTD agreed upon procedures, State Controller's Report, and Federal Audit Clearinghouse Data Collection processes.

- 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 2013/2014 was 17.55 percent. The actual farebox ratio achieved was 26.55 percent, resulting in a favorable variance of 9.00 percent.

Recommendation:

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

Accept the Riverside Transit Agency's FY14 Audited Financial Statements and Single Audit Reports as final.

RIVERSIDE TRANSIT AGENCY
RIVERSIDE, CALIFORNIA

BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2014 AND 2013

RIVERSIDE TRANSIT AGENCY
RIVERSIDE, CALIFORNIA
JUNE 30, 2014 AND 2013

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the Riverside Transit Agency (RTA) as of and for the years ended June 30, 2014 and 2013, and the related notes to the basic financial statements, which collectively comprise the RTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the RTA as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 3-9 and 34-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014, on our consideration of the 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* in considering the RTA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 29, 2014

RIVERSIDE TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

As management of the Riverside Transit Agency (RTA or the Agency), 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, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the RTA exceeded its liabilities at the close of the year ended June 30, 2014 by $81,100,911 (net position). Of this amount, $74,329,226 consisted of Net Investment in Capital Assets.
- Farebox revenues increased 2% over the year ended June 30, 2013 to $10,872,928 which was the result of a 4% increase in overall system-wide ridership. The system-wide ridership increase was attributable to the growing popularity of discounted programs to local colleges and universities. Dial-A-Ride (DAR) demand was less than anticipated with ridership increasing 4% over fiscal year 2013. The limited DAR demand growth is attributable to the success of the Travel Training Program which completed its third year of operation.
- The Agency transitioned its DAR contractor in FY14. Veolia became the new contractor for DAR service effective February 1, 2014.
- The RTA received other revenue of $509,244 in the form of a Federal Excise Tax (FET) Credit for Alternative Fuel Use (CNG). This revenue stream, by legislation, ended as of December 31, 2013.
- The Agency modified the procurement methodology of its natural gas commodity requirements for ultimate conversion to compressed natural gas (CNG) for fueling its CNG-powered vehicles. This modification lowered the Agency's cost of CNG (compared to procuring it from our previous supplier). In addition, the new procurement methodology cleared the way for the Agency to gain two new revenue sources: Low Carbon Fuel Standards (LCFS) credits through the State of California and Renewable Identification Number (RIN) credits through the Federal government. In FY14, the Agency earned $219,573 in LCFS credits and $76,406 in RIN credit revenue.
- Operating expenses (excluding depreciation, interest, and pass-through grants) increased 5% to $55,836,551. The increase is mainly attributable to increased staffing as well as increases in workers' compensation and purchased transportation expenses.
- The RTA's Capital Assets (after the application of accumulated depreciation) increased $46,849,875. This increase includes Capital Assets additions of $56,304,120 and a decrease in accumulated depreciation of $13,459,112 offset by retirements of $22,913,357. Capital Asset procurements are funded by a mix of federal, state, and local grants. Asset additions were attributed to procurements of 97 heavy-duty 40 foot CNG buses, other revenue vehicles, computer and software improvements, and rolling stock replacement parts.
- The final principal and interest payments on the Agency's Certificates of Participation (COP) were paid in early fiscal year 2014. The COP obligation was executed in February of 2003 and is now fully extinguished.
- The RTA received an additional $911,880 in Prop 1B Security funding. This funding will be used for security and safety specific capital projects.
- The RTA continued efforts on a Comprehensive Operational Analysis (COA). The COA is taking a fresh look at the Agency's service offering and will provide recommendations on adjustments that should be considered for the next 5 to 10 years. The COA also includes an effort to identify a new site for the Riverside Transit Center. The COA is expected to be completed in fiscal year 2015.

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.

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

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

The Statement of Activities and Changes in Net Position 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 Position for the years ended June 30, 2014 and 2013.

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 years ended June 30, 2014 and 2013.

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 information on significant accounting policies, cash and investments, governmental subsidies, inventory, capital assets, long-term debt, unearned 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 – 33 of this report.

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF NET POSITION

As stated earlier, increases or decreases in net position over time may serve as a useful indicator of the RTA's financial position. A summary of the Statements of Net Position during the years ended June 30, 2014, 2013, and 2012, are shown below. The focus is on Net Position (Note 1):

	June 30, 2014	June 30, 2013	June 30, 2012
Capital Assets, Net	$ 74,329,226	$ 27,479,351	$ 25,100,896
All Other Assets	33,564,179	58,280,818	43,034,645
Total Assets	107,893,405	85,760,169	68,135,541
Current Liabilities	26,792,494	51,713,513	36,359,546
Long-Term Liabilities	-	-	1,950,000
Total Liabilities	26,792,494	51,713,513	38,309,546
Net Position	$ 81,100,911	$ 34,046,656	$ 29,825,995
Net Position (Note 1):			
Net Investment in Capital Assets	$ 74,329,226	$ 25,529,351	$ 21,270,896
Restricted	-	1,914,124	1,911,088
Unrestricted	6,771,685	6,603,181	6,644,011
Total Net Position	$ 81,100,911	$ 34,046,656	$ 29,825,995

In the year ended June 30, 2014, 92% of the RTA's Net Position reflected its investment in Capital Assets (e.g., revenue vehicles, non-revenue support vehicles, passenger facilities/structures, and peripheral equipment for operations, maintenance, and administrative support). The RTA uses these capital assets to provide transportation service to the surrounding communities, as well as maintain the necessary service infrastructure. All of the 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, 2014 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.

The RTA's net position increased $47,054,255, or 138%, in the year ended June 30, 2014. This is mainly attributed to the purchase of 97 heavy duty 40 foot buses.

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

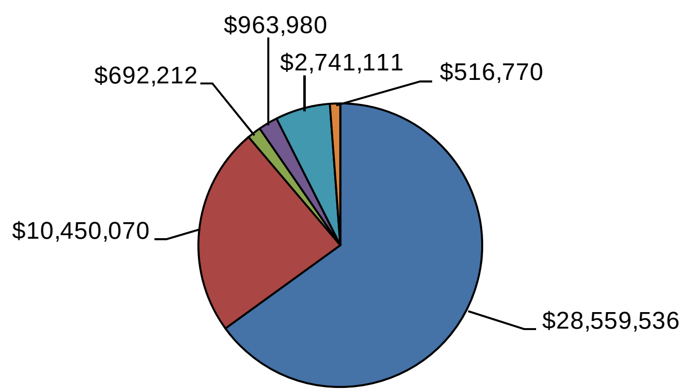
The Statement of Activities and Changes in Net Position provides information regarding the RTA's revenues and expenditures. The table below reflects a summary of the RTA's Statements of Activities and Changes in Net Position during the years ended June 30, 2014, 2013, and 2012.

	June 30, 2014	June 30, 2013	June 30, 2012
Revenues			
Passenger Fares	$ 10,872,928	$ 10,626,489	$ 10,239,289
Operating Subsidies	43,923,679	40,832,455	38,537,135
Capital Funds	56,259,829	9,741,860	7,679,058
Interest Income and Other Revenue	1,233,656	2,255,320	598,933
Total Revenues	112,290,092	63,456,124	57,054,415
Expenses			
Salaries and Benefits	27,167,698	26,050,463	23,373,987
Purchased Transportation	20,424,687	18,871,043	18,356,126
Materials and Supplies	3,007,060	3,717,269	3,854,879
Services	2,890,968	2,687,897	2,039,804
Casualty and Liability	831,494	866,105	155,193
Utilities/Taxes/Interest/Misc. Other	1,727,857	1,600,360	1,738,756
Subtotal Expenses Before Depreciation/Amortization	56,049,764	53,793,137	49,518,745
Depreciation/Amortization	9,186,073	5,442,326	7,666,011
Total Expenses Including Depreciation/Amortization	65,235,837	59,235,463	57,184,756
Change in Net Position	47,054,255	4,220,661	(130,341)
Net Position			
Beginning of Year	34,046,656	29,825,995	29,956,336
End of Year	$ 81,100,911	$ 34,046,656	$ 29,825,995

Revenues. Passenger Fares represented 10% of the fiscal year 2014 revenue. Passenger Fares for Directly Operated/Contracted Fixed Route, Contracted DAR, and Americans with Disabilities Act (ADA) passengers increased $246,439, or 2%, from the year ended June 30, 2013. This increase is attributed to a 4% increase in overall system-wide ridership compared to the year ended June 30, 2013. Operating Subsidies (39% of total year ended June 30, 2014 revenue) increased by $3,091,224 and was primarily attributed to the increase in Local Transportation Funds (LTF). Capital Funds (50% of total revenue) increased by $46,517,969 due to the purchase of 97 heavy-duty 40 foot CNG buses in fiscal year 2014. Interest Income and Other Revenue represented the remaining 1% of the total year ended June 30, 2014 revenue. The majority of Other Revenue is attributed to the previously mentioned FET, LCFS, and RIN credits as well as reimbursements from the California Employers' Retirement Benefit Trust (CERBT) and CNG revenue.

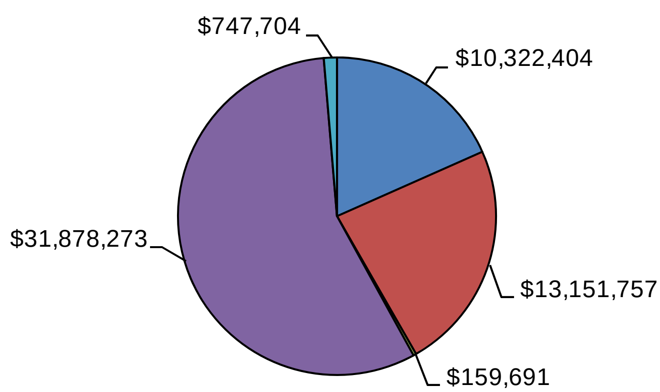
The combined amount of Operating Subsidies and Capital Funds reflect $100,183,508 (89% of total revenue). These funds come from a variety of specific funding sources. Each funding source is guided by government regulations regarding type and use of funds. A breakdown of specific Operating and Capital Subsidy/Grant dollar amounts by funding source for the year ended June 30, 2014 is shown below, accompanied by the year ended June 30, 2013 amounts for comparison purposes.

Operating Subsidies - June 30, 2014
$43,923,679



June 30, 2013:		
LTF:	$	24,768,700
FTA - Section 5307/5309:		11,139,429
FTA - Section 5311:		676,909
FTA - Section 5316/5317:		1,231,724
Measure A:		2,602,179
Other		413,514
	$	40,832,455

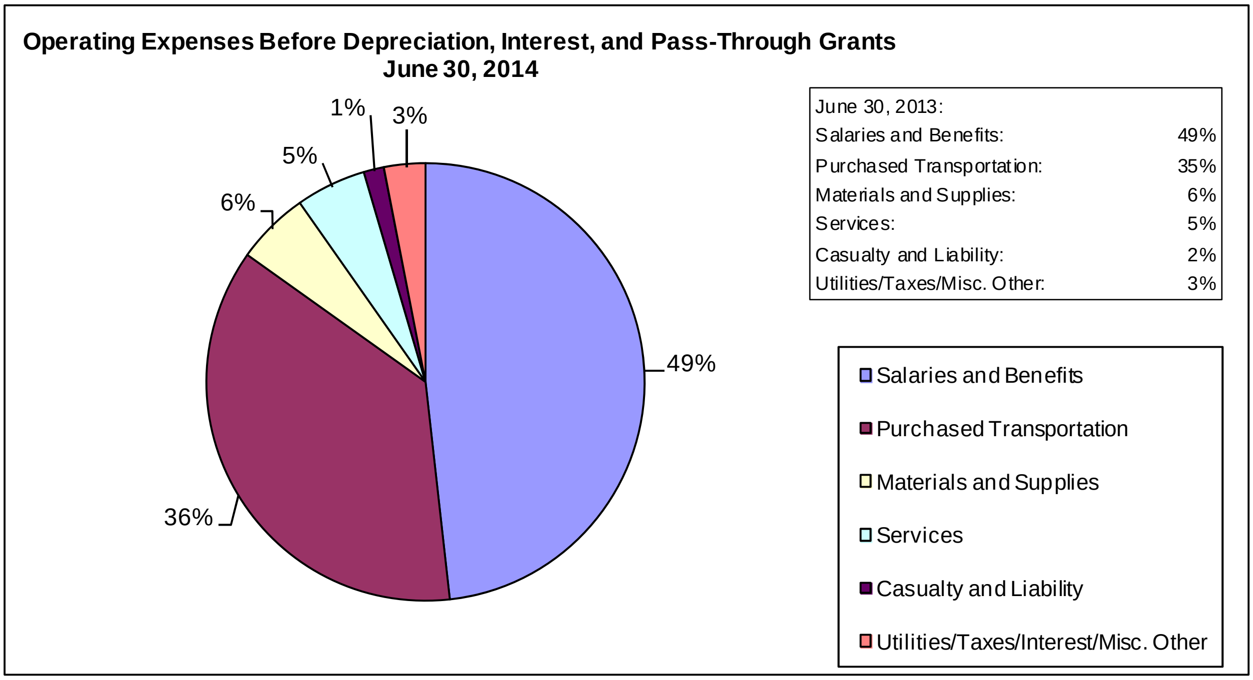
Capital Funds - June 30, 2014
$56,259,829



June 30, 2013:		
FTA:	$	6,730,234
STA:		1,256,640
LTF:		810,857
Prop 1B:		844,136
Other:		99,993
	$	9,741,860

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 $55,836,551 for the year ended June 30, 2014, increasing from $53,357,657 for the year ended June 30, 2013 (5% increase). This increase is primarily attributed to growth in salaries (staffing increases coupled with compensation adjustments), benefits (medical and workers' compensation), the COA (fiscal year 2014 activity), 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, 2013 percentages for comparison purposes.



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 Board of Directors approves these items prior to implementation. The fiscal year 2014 budget total of $79,570,330 included $61,910,406 for Operating Expenses and $17,659,924 for Capital Projects. The RTA finished the year ended June 30, 2014 with operating expenses net of depreciation, interest, and pass-through grant expenses $6,073,855 under budget.

CAPITAL ASSETS

The RTA's investment in Capital Assets (net of accumulated depreciation) as of June 30, 2014 amounted to $74,329,226. 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 an increase of 170% in the RTA's investment in capital assets.

Significant Capital Asset activity during the year ended June 30, 2014 included the following:

- Purchase of 97 heavy duty 40 foot CNG buses
- Purchase of 11 Aero Elite revenue vehicles
- Improvements to RTA facilities
- Maintenance replacement parts
- Computer and software improvements
- Retirement of 58 buses

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, 2013	Additions	Retirements	Balance June 30, 2014
Land	$ 3,534,097	$ -	$ -	$ 3,534,097
Buildings	21,824,773	278,370	(28,054)	22,075,089
Vehicles	53,996,225	52,937,087	(21,966,138)	84,967,174
Equipment	30,886,637	2,038,330	(663,787)	32,261,180
Construction in Progress	964,015	1,050,333	(255,378)	1,758,970
Total Capital Assets	111,205,747	56,304,120	(22,913,357)	144,596,510
Less Accumulated Depreciation	(83,726,396)	(9,186,073)	22,645,185	(70,267,284)
Total Assets, Net of Depreciation	$ 27,479,351	$ 47,118,047	$ (268,172)	$ 74,329,226

Total Capital Asset additions totaled $56,304,120. The retirement of the 58 buses and other assets reflected a decrease of $22,913,357. The net of the previous two figures, coupled with the application of a net accumulated depreciation decrease of $13,459,112, increased Capital Assets by $46,849,875. Additional detail on the RTA's Capital Asset activity for the year is shown in Note 5 of the Notes to the Basic Financial Statements on pages 22 – 23 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. The agreement was executed in an effort to reduce the RTA's risk and take advantage of low market interest rates. The final installment of principal and interest was paid in early fiscal year 2014.

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 24 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

These significant factors were considered as budget assumptions when preparing the RTA's budget for fiscal year 2015:

- Expectation that demand for transit services will grow at a moderate rate over the next several years due to fuel prices, economic conditions, and traffic congestion.
- Bus service plans must continue to be sensitive to funding constraints and revenue projections due to economic uncertainty and legislative issues such as the lack of a multi-year funding authorization.
- While expansion and enhancements to existing service levels are top priority in order to grow ridership and maintain or increase productivity, revenue hours increased 4% in the year ended June 30, 2014, and are budgeted to increase approximately 5% in fiscal year 2015.
- 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.
- Completion of the COA including a fresh look at Bus Rapid Transit (BRT) implementation and identification of a new site for the Riverside Transit Center.
- Continued compliance with Governmental Accounting Standards Board (GASB) Statement No. 43 and Statement No. 45 with respect to the Agency's Other Postemployment Benefit (OPEB) retiree medical plan. The RTA completed its bi-annual actuarial assessment of its OPEB funding progress as of June 30, 2013. The report indicated that the RTA's previous pre-funding efforts and limited use of trust assets have significantly mitigated the growth of the unfunded actuarial accrued liability. However, health care cost trend rates continue to be an area of concern.
- Significant capital appropriations have been programmed through the fiscal year 2015 budget cycle for the procurement of replacement and expansion revenue vehicles. In particular, 11 additional heavy-duty CNG buses will be delivered in fiscal year 2015.

The approved budget for fiscal year 2015 totals $101,329,148, a 27% increase over the year ended June 30, 2014 budget. The large increase is attributed to increased capital appropriations for the procurement of expansion CNG buses and replacement revenue vehicles. Operating expenses, net of depreciation and interest expenses, are budgeted at $66,972,981. This reflects an increase of 8% over the fiscal year 2014 operating budget. Capital appropriations are budgeted at $34,356,167.

The RTA relies on Operating and Capital Subsidies for 89% 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 the RTA Operating Funds is local operating assistance, which is comprised of Local Transportation Funds (LTF). 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 2015 predetermined target ratio is 17.44%. RTA's Board of Directors approved the fiscal year 2015 budget, which indicates a projected farebox recovery ratio of 21.51%, resulting in a projected favorable variance of 4.07%. The 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 33 of this report.

The Board of Directors adopted the fiscal year 2015 operating budget considering an overall system-wide ridership increase of 3% as compared to fiscal year 2014 – which was a record-breaking ridership year. Projected revenues are sufficient to support the moderate service growth.

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 POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash, cash equivalents, and investments (Note 2)	$ 24,081,310	$ 42,344,102
Accounts receivable	1,155,511	1,067,637
Due from other governmental agencies (Note 3)	2,459,513	8,601,390
Interest receivable	16,053	33,465
Inventories (Note 4)	591,153	478,697
Prepaid expenses	520,105	379,364
Other postemployment benefits (Note 10)	4,740,534	3,462,039
Total Current Assets	33,564,179	56,366,694
NONCURRENT ASSETS:		
Restricted assets for debt service:		
Cash and investments held by fiscal agent (Note 2)	-	1,914,124
Capital assets, net (Note 5)	74,329,226	27,479,351
Financing costs and other assets, net	-	-
Total Noncurrent Assets	74,329,226	29,393,475
Total Assets	$ 107,893,405	$ 85,760,169
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 6,775,452	$ 5,157,086
Accrued payroll and related taxes	628,013	521,101
Interest payable	-	19,500
Compensated absences	1,193,276	1,075,857
Claims payable (Note 8)	2,705,794	2,307,130
Current portion of certificates of participation (Note 6)	-	1,950,000
Unearned revenue:		
Operating	10,209	21,654
Operating assistance (Note 7)	5,488,945	4,614,365
Capital assistance (Note 7)	9,960,805	35,991,820
Other accrued liabilities	30,000	55,000
Total Current Liabilities	26,792,494	51,713,513
Total Liabilities	26,792,494	51,713,513
NET POSITION		
NET POSITION:		
Net investment in capital assets	74,329,226	25,529,351
Restricted for debt service	-	1,914,124
Unrestricted	6,771,685	6,603,181
Total Net Position	$ 81,100,911	$ 34,046,656

See accompanying notes to the basic financial statements.

RIVERSIDE TRANSIT AGENCY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES:		
Passenger fares	$ 10,872,928	$ 10,626,489
OPERATING EXPENSES:		
Salaries	16,140,389	15,332,242
Employee benefits	11,027,309	10,718,221
Purchased transportation	20,424,687	18,871,043
Other materials and supplies	1,404,425	2,282,282
Services	2,890,968	2,687,897
Fuel and lubricants	1,602,635	1,434,987
Casualty and liability costs	831,494	866,105
Miscellaneous expenses	925,168	753,768
Utilities	743,021	701,929
Taxes	39,639	47,269
Depreciation and amortization:		
Depreciation - property and equipment	9,186,073	5,424,407
Amortization - financing costs and capital support	-	17,919
Total depreciation and amortization	9,186,073	5,442,326
Total Operating Expenses	65,215,808	59,138,069
OPERATING LOSS	(54,342,880)	(48,511,580)
NONOPERATING REVENUES (EXPENSES):		
Operating funds:		
Local Transportation Fund	28,559,536	24,768,700
Federal Transit Administration - Section 5307	10,225,452	11,024,111
Federal Transit Administration - Section 5309	224,618	115,318
Federal Transit Administration - Section 5311	692,212	676,909
Federal Transit Administration - Section 5316/5317	963,980	1,231,724
Measure A	2,741,111	2,602,179
Other Operating Funds	516,770	413,514
Total operating funds	43,923,679	40,832,455
Capital funds:		
Federal Transit Administration grants	10,322,404	6,730,234
State Transit Assistance funds	13,151,757	1,256,640
Local Transportation Fund	159,691	810,857
Prop 1B	31,878,273	844,136
Other	747,704	99,993
Total capital funds	56,259,829	9,741,860
Interest income	40,019	51,735
Interest expense	(20,029)	(97,394)
Gain (Loss) on sale of operator property	1,059	(6,495)
Other	1,192,578	2,210,080
Nonoperating Revenues, Net	101,397,135	52,732,241
Change in Net Position	47,054,255	4,220,661
NET POSITION:		
Beginning of year	34,046,656	29,825,995
End of year	$ 81,100,911	$ 34,046,656

See accompanying notes to the basic financial statements.

RIVERSIDE TRANSIT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from passengers	$ 10,884,813	$ 10,575,622
Cash payments to suppliers for operations	(25,907,714)	(25,037,325)
Cash payments for general and administrative expenses	(29,437,352)	(29,274,622)
Net Cash Used by Operating Activities	(44,460,253)	(43,736,325)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating subsidies received	50,758,536	36,261,717
Other noncapital financing	1,219,057	2,125,758
Net Cash Provided by Noncapital Financing Activities	51,977,593	38,387,475
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital funds received	30,272,731	22,978,985
Payment of long-term debt	(1,950,000)	(1,880,000)
Payments on the acquisition of capital assets	(56,048,742)	(7,818,929)
Proceeds on sale of property and equipment	13,853	9,572
Interest payments	(39,529)	(116,194)
Net Cash Provided (Used) by Capital and Related Financing Activities	(27,751,687)	13,173,434
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	57,431	43,608
Net Increase (Decrease) in Cash, Cash Equivalents, and Investments	(20,176,916)	7,868,192
CASH, CASH EQUIVALENTS, AND INVESTMENTS:		
Beginning balance	44,258,226	36,390,034
Ending balance	$ 24,081,310	$ 44,258,226
FINANCIAL STATEMENT PRESENTATION:		
Cash, cash equivalents, and investments	$ 24,081,310	$ 42,344,102
Restricted cash and investments held by fiscal agent	-	1,914,124
Total Cash, Cash Equivalents, and Investments	$ 24,081,310	$ 44,258,226

See accompanying notes to the basic financial statements.

RIVERSIDE TRANSIT AGENCY
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (54,342,880)	$ (48,511,580)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	9,186,073	5,442,326
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable	23,330	(48,395)
(Increase) Decrease in inventories	(112,456)	138,783
(Increase) Decrease in prepaid expenses	(140,741)	117,070
(Increase) Decrease in assets related to other postemployment benefits	(1,278,495)	(1,722,550)
(Increase) Decrease in current operating assets	(1,508,362)	(1,515,092)
Increase (Decrease) in accounts payable and accrued expenses	1,618,366	796,799
Increase (Decrease) in accrued payroll and related taxes	106,912	46,780
Increase (Decrease) in compensated absences	117,419	103,708
Increase (Decrease) in claims payable	398,664	(36,794)
Increase (Decrease) in unearned revenue	(11,445)	(2,472)
Increase (Decrease) in other payables	(25,000)	(60,000)
Increase (Decrease) in current operating liabilities	2,204,916	848,021
Net Cash Used by Operating Activities	$ (44,460,253)	$ (43,736,325)

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, 2014, the RTA serves as a public transportation agency to the County of Riverside and eighteen 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 Position, the Statement of Activities and Changes in Net Position, 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 Position; 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 Position. The Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

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 Position.

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 which are stated at amortized cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, bankers' 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, 2014 and 2013. The capitalization threshold for any equipment, tires, tubes, and materials of rolling stock was $1,102 in the years ended June 30, 2014 and 2013. 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

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

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 is 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

<u>Administrative Employees:</u>
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.

<u>Union Employees:</u>
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 Position

In the Statement of Net Position, net position is classified in the following categories:

<u>Net Investment in Capital Assets</u> – 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.

<u>Restricted Net Position</u> – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

<u>Unrestricted Net Position</u> – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

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.

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 Position. 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 unearned 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. New Accounting Pronouncements – Implemented

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. The statement 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. There was no effect on the RTA's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 66 – *Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62*. The statement is improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. There was no effect on the RTA's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 67 – *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25*. The statement improves financial reporting by state and local governmental pension plans. There was no effect on the RTA's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement enhances comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. There was no effect on the RTA's accounting or financial reporting as a result of implementing this standard.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Future Governmental Accounting Standards Board Statements

GASB Statement No. 68 – *Accounting and financial Reporting for Pensions—an Amendment of GASB Statement No. 27* will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The RTA is assessing, but has not yet determined the effects of the implementation of this statement on its financial statements.

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations* provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2013. The RTA is assessing, but has not yet determined the effects of the implementation of this statement on its financial statements.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual basis financial statements of employers and nonemployer contributing entities. This Statement The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68 and therefore are effective for financial periods beginning after June 15, 2014. The RTA is assessing, but has not yet determined the effects of the implementation of this statement on its financial statements.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments as of June 30, 2014 and 2013 are classified in the accompanying financial statements as follows:

	2014	2013
Statement of Net Position:		
Cash, cash equivalents, and investments	$ 24,081,310	$ 42,344,102
Cash and investments held by fiscal agent (restricted)	-	1,914,124
Total Cash, Cash Equivalents, and Investments	$ 24,081,310	$ 44,258,226

Cash, cash equivalents, and investments as of June 30, 2014 and 2013 consist of the following:

	2014	2013
Cash on Hand	$ 1,500	$ 1,500
Deposits with Financial Institutions	124,127	73,259
Investments	23,955,683	44,183,467
Total Cash, Cash Equivalents, and Investments	$ 24,081,310	$ 44,258,226

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

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.

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
Bankers' 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.

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

Disclosures Relating to Interest Rate Risk (Continued)

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	$ 13,505,683	$ 13,505,683	$ -	$ -	$ -
State Investment Pool	10,450,000	10,450,000	-	-	-
Total	$ 23,955,683	$ 23,955,683	$ -	$ -	$ -

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.

			Rating as of Year-End	
Investment Type		Minimum Legal Rating	AAA	Not Rated
County Investment Pool	$ 13,505,683	N/A	$ 13,505,683	$ -
State Investment Pool	10,450,000	N/A	-	10,450,000
Total	$ 23,955,683		$ 13,505,683	$ 10,450,000

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.

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.

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

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 Riverside County Treasury Oversight Committee. The fair value of the 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, 2014 and 2013:

	2014	2013
Federal (FTA):		
Operating	$ 2,000,964	$ 7,977,144
Capital	75,488	174,716
State (STA):		
Capital	33,891	42,773
Local:		
Capital		
Riverside County Transportation Commission	4,536	77,368
Operating:		
Metrolink	22,575	12,551
OCTA - Orange County Transportation Authority	19,897	17,032
Riverside County Transportation Commission	24,694	18,904
Western Riverside Council of Governments	-	15,164
County of Riverside	264,169	143,242
State of California	-	11,310
Internal Revenue Service	-	84,587
Superior Court of California	13,299	26,599
Total	$ 2,459,513	$ 8,601,390

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 (STA) Fund 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, 2014 and 2013:

	2014	2013
Parts	$ 565,979	$ 449,876
Fuel	14,695	13,129
Oil	10,479	15,692
Total	$ 591,153	$ 478,697

NOTE 5 – CAPITAL ASSETS

Capital assets of the RTA for the years ended June 30, 2014 and 2013 consisted of the following:

June 30, 2014

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Capital Assets, Not Being Depreciated:				
Land	$ 3,534,097	$ -	$ -	$ 3,534,097
Construction in progress	964,015	1,050,333	(255,378)	1,758,970
Total Capital Assets, Not Being Depreciated	4,498,112	1,050,333	(255,378)	5,293,067
Capital Assets, Being Depreciated:				
Buildings	21,824,773	278,370	(28,054)	22,075,089
Vehicles:				
Buses	35,896,690	51,261,918	(20,176,108)	66,982,500
Van and minibuses	16,781,767	1,634,450	(1,769,028)	16,647,189
Support vehicles	1,317,769	40,719	(21,002)	1,337,486
Equipment:				
Bus accessories and electronics	2,595,605	284,700	(266,084)	2,614,221
Bus stop amenities	3,326,571	520,250	(101,020)	3,745,801
Communication equipment	2,037,335	11,915	-	2,049,250
Computers	9,708,438	10,404	(253,806)	9,465,036
Furniture and office equipment	1,157,091	10,759	(33,031)	1,134,819
Capitalized parts/assembly	6,968,333	953,145	-	7,921,478
Support services equipment	5,093,263	247,157	(9,846)	5,330,574
Total Capital Assets, Being Depreciated	106,707,635	55,253,787	(22,657,979)	139,303,443
Less Accumulated Depreciation	(83,726,396)	(9,186,073)	22,645,185	(70,267,284)
Total Capital Assets, Being Depreciated, Net	22,981,239	46,067,714	(12,794)	69,036,159
Total Capital Assets, Net	$ 27,479,351	$ 47,118,047	$ (268,172)	$ 74,329,226

Depreciation expense for the year ended June 30, 2014 was $9,186,073.

NOTE 5 – CAPITAL ASSETS (Continued)

June 30, 2013

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Capital Assets, Not Being Depreciated:				
Land	$ 3,534,097	$ -	$ -	$ 3,534,097
Construction in progress	580,657	502,518	(119,160)	964,015
Total Capital Assets, Not Being Depreciated	4,114,754	502,518	(119,160)	4,498,112
Capital Assets, Being Depreciated:				
Buildings	20,998,057	826,716	-	21,824,773
Vehicles:				
Buses	38,441,945	-	(2,545,255)	35,896,690
Van and minibuses	12,971,423	4,073,231	(262,887)	16,781,767
Support vehicles	1,165,546	353,339	(201,116)	1,317,769
Equipment:				
Bus accessories and electronics	2,584,706	263,503	(252,604)	2,595,605
Bus stop amenities	3,206,605	119,966	-	3,326,571
Communication equipment	2,037,335	-	-	2,037,335
Computers	9,669,128	161,314	(122,004)	9,708,438
Furniture and office equipment	1,199,164	217,933	(260,006)	1,157,091
Capitalized parts/assembly	5,935,774	1,032,559	-	6,968,333
Support services equipment	4,765,228	387,009	(58,974)	5,093,263
Total Capital Assets, Being Depreciated	102,974,911	7,435,570	(3,702,846)	106,707,635
Less Accumulated Depreciation	(81,988,769)	(5,424,407)	3,686,780	(83,726,396)
Total Capital Assets, Being Depreciated, Net	20,986,142	2,011,163	(16,066)	22,981,239
Total Capital Assets, Net	$ 25,100,896	$ 2,513,681	$ (135,226)	$ 27,479,351

Depreciation expense for the year ended June 30, 2013 was $5,424,407.

Changes in capital assets by funding source for the years ended June 30, 2014 and 2013 are as follows:

	Federal Funds	State Funds	LTF Funds	Measure A	Prop 1B	Other	Total
June 30, 2012	$ 62,390,340	$ 18,233,777	$ 10,928,683	$ 1,064,726	$ 5,468,076	$ 9,004,063	$ 107,089,665
Additions	5,006,105	859,584	771,235	20	674,748	123,878	7,435,570
Reclassification	(81,601)	135,319	-	2	-	(53,720)	-
Work in progress	134,263	3,703	35,074	689	169,389	40,240	383,358
Deletions	(1,450,547)	(1,933,240)	(272,472)	(19,744)	-	(26,843)	(3,702,846)
June 30, 2013	65,998,560	17,299,143	11,462,520	1,045,693	6,312,213	9,087,618	111,205,747
Additions	9,904,299	13,080,969	118,034	-	31,796,237	354,248	55,253,787
Reclassification	-	(72,713)	-	-	72,713	-	-
Work in progress	341,112	51,644	41,657	4,536	82,036	273,970	794,955
Deletions	(15,744,904)	(4,641,513)	(1,479,078)	(642,821)	-	(149,663)	(22,657,979)
June 30, 2014	$ 60,499,067	$ 25,717,530	$ 10,143,133	$ 407,408	$ 38,263,199	$ 9,566,173	$ 144,596,510

NOTE 6 – LONG-TERM DEBT

The following is a schedule of changes in long-term debt for the year ended June 30, 2014:

Description	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Classification Current	Classification Long-Term
Certificates of Participation	$ 1,950,000	$ -	$ 1,950,000	$ -	$ -	$ -
Total	$ 1,950,000	$ -	$ 1,950,000	$ -	$ -	$ -

The following is a schedule of changes in long-term debt for the year ended June 30, 2013:

Description	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Classification Current	Classification Long-Term
Certificates of Participation	$ 3,830,000	$ -	$ 1,880,000	$ 1,950,000	$ 1,950,000	$ -
Total	$ 3,830,000	$ -	$ 1,880,000	$ 1,950,000	$ 1,950,000	$ -

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 was to the CTFC and was not obligated to the owners of the demand bonds in the event of default by the CTFC. The RTA made the final principal and interest payments under the terms of the capital lease agreement in fiscal year 2014.

NOTE 7 – UNEARNED REVENUES

The unearned revenues below represent excess operating assistance and capital assistance. Changes in unearned revenues for the years ended June 30, 2014 and 2013 for operating assistance are as follows:

	FTA	TDA/LTF	Measure A	Total
Operating Assistance:				
Excess Operating Funds at July 1, 2012	$ -	$ 3,486,307	$ 70,254	$ 3,556,561
Allocations received	12,932,741	32,981,874	2,575,825	48,490,440
Funds available	12,932,741	36,468,181	2,646,079	52,047,001
Less: eligible costs	(12,932,741)	(31,897,716)	(2,602,179)	(47,432,636)
Excess Operating Funds at July 1, 2013	-	4,570,465	43,900	4,614,365
Allocations received	11,883,854	29,429,535	2,745,692	44,059,081
Funds available	11,883,854	34,000,000	2,789,592	48,673,446
Less: eligible costs	(11,883,854)	(28,559,536)	(2,741,111)	(43,184,501)
Excess Operating Funds at June 30, 2014	$ -	$ 5,440,464	$ 48,481	$ 5,488,945

NOTE 7 – UNEARNED REVENUES (Continued)

Changes in unearned revenues for the years ended June 30, 2014 and 2013 for capital assistance are as follows:

	Federal	STA	LTF	Prop 1B	Other	Total
Capital Assistance:						
Excess Capital Funds						
at July 1, 2012	$ -	$ 383,452	$ 208,931	$ 22,002,465	$ 30	$ 22,594,878
Allocations received	6,730,233	1,201,646	774,419	14,332,532	99,972	23,138,802
Total available	6,730,233	1,585,098	983,350	36,334,997	100,002	45,733,680
Less: capital purchases	(5,140,368)	(859,019)	(810,577)	(844,136)	(164,829)	(7,818,929)
Less: other	(1,589,865)	(397,622)	(280)	-	64,836	(1,922,931)
Excess Capital Funds						
at July 1, 2013	-	328,457	172,493	35,490,861	9	35,991,820
Allocations received	10,322,403	13,020,598	5,147,989	990,119	747,704	30,228,813
Total available	10,322,403	13,349,055	5,320,482	36,480,980	747,713	66,220,633
Less: capital purchases	(10,245,411)	(13,132,563)	(159,691)	(31,878,273)	(632,804)	(56,048,742)
Less: other	(76,992)	(19,194)	-	-	(114,900)	(211,086)
Excess Capital Funds						
at June 30, 2014	$ -	$ 197,298	$ 5,160,791	$ 4,602,707	$ 9	$ 9,960,805

Capital assistance unearned revenues by category for June 30, 2014 are as follows:

Category	Amount
Revenue Vehicles	$ 6,294,249
Building, Facilities	3,394,335
Maintenance Equipment	29,189
Communication and Information Systems	242,649
Non-Revenue Vehicles	383
Total Unearned Revenue by Category at June 30, 2014	$ 9,960,805

Public Transportation Modernization, Improvement, and Service Enhancement Account (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 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.

NOTE 7 – UNEARNED REVENUES (Continued)

During the year ended June 30, 2014, the RTA earned interest of $70,570 on deposits of unspent PTMISEA funds, and disbursed $31,670,562 of PTMISEA funds.

Schedule of PTMISEA Prop 1B Funds
For the Year Ended June 30, 2014

Description		Amount
Balance - beginning of the year	$	32,918,172
Receipts:		
PTMISEA receipts		-
Interest accrued 7/1/2013 through 6/30/2014		70,570
Expenses:		
PTMISEA expenditures		31,670,562
Balance - end of year	$	1,318,180

Transit System Safety, Security, and Disaster Response Account:

Of the $19.925 billion of state general obligation bonds authorized by Prop 1B, $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 (CalEMA) 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, 2014, the RTA received $911,880 in Prop 1B CTSGP-CTAF funds, earned interest of $7,669 on deposits of unspent CTSGP-CTAF funds, and disbursed $207,711 of the CTSGP-CTAF funds.

Schedule of CTSGP-CTAF Prop 1B Funds
For the Year Ended June 30, 2014

Description		Amount
Balance - beginning of the year	$	2,572,689
Receipts:		
CTSGP-CTAF receipts		911,880
Interest accrued 7/1/2013 through 6/30/2014		7,669
Expenses:		
CTSGP-CTAF expenditures		207,711
Balance - end of year	$	3,284,527

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 $25,000,000.

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, 2014, the RTA's self-insured retention is $750,000, per accident/per employee and total coverage is at the state statutory level.

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, 2012	$ 2,170,195	$ 173,729	$ 2,343,924
Reserves:			
New claims	269,649	442,176	711,825
Routine adjustments to existing claims	489,260	(154,563)	334,697
Payments	(959,576)	(123,740)	(1,083,316)
Estimated Liabilities at July 1, 2013	1,969,528	337,602	2,307,130
Reserves:			
New claims	336,476	424,036	760,512
Routine adjustments to existing claims	1,027,374	(353,124)	674,250
Payments	(907,183)	(128,915)	(1,036,098)
Estimated Liabilities at June 30, 2014	$ 2,426,195	$ 279,599	$ 2,705,794

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 its 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). Prior to January 2013, the RTA had two tiers of administrative employees amongst those eligible for a CalPERS pension. The two tiers were distinguished by date of hire, with July 1, 2011 being the date of demarcation. The Agency paid the employee contribution required of pension eligible administrative employees hired prior to July 1, 2011. For those pension eligible administrative employees hired on or after July 1, 2011, the employee paid the employee contribution.

In September 2012, Governor Brown signed the Public Employees' Pension Reform Act (PEPRA) into law. The law became effective January 1, 2013, and had an implementation date of no later than January 1, 2018. The law made several key changes to pension programs for any pension eligible employee hired after January 1, 2013. Amongst the provisions was a change in the contribution level percentages between the employer and the employee, irrespective of a particular program's current percentages.

NOTE 9 – PENSION PLAN (Continued)

In January of 2013, in preparation for early and complete conformance with PEPRA, the RTA consolidated the two tiers of pension eligible administrative employees into one tier. Beginning January 6, 2013, all pension eligible administrative employees contribute their employee share of 7%. The RTA was required to contribute at an actuarial determined rate of 8.827% and 8.714% for the years ended June 30, 2014 and 2013, respectively, for the employer's share of the CalPERS pension contribution.

Annual Pension Cost – For the years ended June 30, 2014 and 2013, the RTA's annual pension cost of $1,477,243 and $1,567,675, respectively, for CalPERS was equal to the RTA's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method.

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ 1,082,300	100%	$ -
6/30/2012	$ 1,396,606	100%	$ -
6/30/2013	$ 1,567,675	100%	$ -
6/30/2014	$ 1,477,243	100%	$ -

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, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
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%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year period with Direct Rate Smoothing with a 5-year ramp up/ramp down. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Funded Status and the Funding Progress – The following is funded status information for the plan as of June 30, 2013, 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]
6/30/2013	$ 56,179,326	$ 67,909,687	$ 11,730,361	82.7%	$ 16,578,106	70.8%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the basic 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 other postemployment benefits (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.

Plan Description: The 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 121 retirees receiving benefits and a total of 369 active participants. Of the 369 active participants, 114 currently are eligible to receive benefits.

NOTE 10 – <u>POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS</u> (Continued)

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	Limited to one*
RTA Contribution %	Up to 100% as of January 1, 2013. Effective September 1, 2013, up to 100% minus $5 minimum monthly premium.
RTA Cap	Lowest CalPERS HMO premium in Riverside County

* Effective January 1, 2013, maximum of $400 per month provided for dependent coverage. The $400 increased to $410 September 1, 2013 and will increase to $420 effective September 1, 2014.

	Union Employees hired after 6/22/06
Benefit Types Provided	Medical only
Duration of Benefits	Lifetime
Required Service	10 years service with RTA
Minimum Age	50
Dependent Coverage	No
RTA Contribution %	Up to 100% as of January 1, 2013. Effective September 1, 2013, up to 100% minus $5 minimum monthly premium.
RTA Cap	Lowest CalPERS HMO premium in Riverside 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	Limited to one**
RTA Contribution %	Up to 100% minus $5 minimum monthly premium
RTA Cap	Lowest CalPERS HMO premium in Riverside County

** Maximum of $420 per monthly provided for dependent coverage.

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and Net OPEB Obligation*:* For the years ended June 30, 2014 and 2013, the RTA's annual OPEB cost for the plan was $1,043,573 and $1,134,864, respectively. The RTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2014 and 2013 were as follows:

	2014	2013
Annual required contribution	$ 1,043,573	$ 1,134,864
Contributions made	(2,322,068)	(2,857,414)
Change in net OPEB obligation (asset)	(1,278,495)	(1,722,550)
Net OPEB obligation (asset), beginning of year	(3,462,039)	(1,739,489)
Net OPEB obligation (asset), end of year	$ (4,740,534)	$ (3,462,039)

Trend Information:

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/2012	$ 1,041,870	$ (1,743,748)	167%	$ (1,739,489)
6/30/2013	1,134,864	(2,857,414)	252%	(3,462,039)
6/30/2014	1,043,573	(2,322,068)	223%	(4,740,534)

Funded Status and Funding Progress*:* The funded status of the plan as of June 30, 2014, based on an actuarial valuation performed as of June 30, 2013, 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]
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%
September 16, 2013	25,411,975	28,324,133	2,912,158	89.7%	16,290,232	17.9%

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, presents 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, 2013, the entry age normal cost method was used. The allocation of OPEB cost is based on years of service. The 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 7.25% 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 4% including a 2.75% 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 2.75% increase per year. 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, 2014 and 2013, 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 17.55% and 17.49% in 2014 and 2013, 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, 2014 and 2013 was 26.55% and 28.90%, respectively, as calculated below, which indicates that the RTA in the years ended June 30, 2014 and 2013 was in compliance with the provisions of PUC Section 99270.

	2014	2013
Operating Revenues:	$ 10,872,928	$ 10,626,489
Add:		
Measure A - operating grant	2,741,111	2,602,179
CNG Revenue	147,073	145,968
Renewable Identification Numbers (RINS) and Low Carbon Fuel Standard (LCFS) Revenue	295,979	-
Shelter advertising - other nonoperating revenue	17,911	18,557
Gain (Loss) on sale of assets	1,059	(6,495)
Federal Excise Tax Credit - other nonoperating revenue	509,244	1,477,491
Investment income	40,019	51,735
CalPERS CERBT reimbursement	169,736	483,758
Other operating revenue	28,747	20,275
Net operating revenues	$ 14,823,807	$ 15,419,957
Operating Expenses:	$ 65,215,808	$ 59,138,069
Less:		
Depreciation and amortization expense	(9,186,073)	(5,442,326)
Other grant fund expenses	(192,655)	(337,493)
Net operating expenses	$ 55,837,080	$ 53,358,250
Fare Ratio	26.55%	28.90%

NOTE 13 – SUBSEQUENT EVENTS

On September 17, 2014, the RTA voluntarily changed its investment strategy in the CalPERS CERBT from Asset Strategy 1 (most aggressive) to Asset Strategy 3 (least aggressive). This change reflected RTA's desire to take a more conservative approach to its trust investment holdings. RTA commissioned a revised OPEB actuarial study as of its last valuation date (June 30, 2013) at the direction of CERBT staff in order to change the Agency's trust investment. The primary objective of the revised actuarial study was to determine the effects of changing to Asset Strategy 3 on the Agency's Actuarial Accrued Liability (AAL) and on its Annual Required Contribution (ARC). The revised OPEB actuarial report determined that the AAL had changed to $33,416,997 from $28,324,133 and that the ARC had changed to $1,595,880 from $1,043,573 – based on the original actuarial data from over a year earlier. Had the revaluation been done with current data, the financial change would have been negligible. While these changes are significant, in that they will shape the Agency's funding strategies in the years to come, they do not have a material impact on FY14 results.

Subsequent events have been evaluated through October 29, 2014, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE TRANSIT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE OF FUNDING PROGRESS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

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%
6/30/2012	58,853,519	62,370,239	3,516,720	94.4%	15,798,058	22.3%
6/30/2013	56,179,326	67,909,687	11,730,361	82.7%	16,578,106	70.8%

* Based on the latest actuarial valuation.

RIVERSIDE TRANSIT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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%
September 16, 2013	$ 25,411,975	$ 28,324,133	$ 2,912,158	89.7%	$ 16,290,232	17.9%

*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, in accordance with the auditing standards generally accepted in the Unites 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, the financial statements of the Riverside Transit Agency (RTA) as of and for the year ended June 30, 2014, and have issued our report thereon dated October 29, 2014.

Compliance

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. 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 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.

Other Matters

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond 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 fiscal year ended June 30, 2014, the RTA earned interest of $70,570 on deposits of PTMISEA funds and expended $31,670,562 in PTMISEA funds. As of June 30, 2014, PTMISEA funds received and expended were verified in the course of our audit as follows:

Schedule of PTMISEA Prop 1B Funds
For the Year Ended June 30, 2014

Description		Amount
Balance - beginning of the year	$	32,918,172
Receipts:		
PTMISEA receipts		-
Interest accrued 7/1/2013 through 6/30/2014		70,570
Expenses:		
PTMISEA expenditures		31,670,562
Balance - end of year	$	1,318,180

The results of our tests indicated that, with respect to the items tested, the RTA complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the RTA had not complied, in all material respects, with those provisions.

Purpose of this Report

The purpose of this report is solely to describe the scope of our internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the RTA's internal control or on compliance. Accordingly, this report is not suitable for any other purpose.

The report is intended for the information of management, the Board of Directors, the State Controller's Office, the U.S. Department of Transportation, and officials of applicable grantor agencies. 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 29, 2014

RIVERSIDE TRANSIT AGENCY

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014

RIVERSIDE TRANSIT AGENCY
SINGLE AUDIT REPORT

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BROWN ARMSTRONG
Certified Public Accountants

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, in accordance with the 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 U.S. Office of Management and Budget (OMB) Circular A-133, the financial statements of the Riverside Transit Agency (RTA), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the RTA's basic financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 29, 2014

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Riverside Transit Agency
Riverside, California

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the RTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the RTA's compliance.

Opinion on Each Major Federal Program

In our opinion, the RTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the RTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the RTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the RTA as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the RTA's basic financial statements. We issued our report thereon dated October 29, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures we applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 29, 2014

FINANCIAL STATEMENTS

RIVERSIDE TRANSIT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014	Federal Expenditures Incurred for the Year Ended June 30, 2014
U.S. Department of Transportation/ Federal Transit Administration					
Capital Investment Grants:					
CA-03-0703	20.500		$ 3,495,329	$ 1,573,042	$ 200,958
CA-03-0781	20.500		340,123	41,138	37,538
CA-04-0036 (FTA FY07 5309)	20.500		1,332,679	700,234	94,719
CA-04-0082	20.500		195,499	133,045	13,833
CA-04-0121 (FTA FY09 5309)	20.500		895,000	402,437	19,628
CA-04-0154 (FTA FY10 5309)	20.500		2,684,328	2,383,216	1,413,027
CA-04-0215	20.500		2,065,000	1,180,980	345,950
CA-37-X109 (Sec. 5316 JARC)	20.516		301,519	20,898	18,143
CA-58-0017	20.519		2,400,000	2,400,000	2,400,000
Formula Grants - Capital:					
CA-90-Y337	20.507		4,386,553	4,386,553	30,875
CA-90-Y403	20.507		2,334,490	2,334,490	14,961
CA-90-Y523 (FTA FY07 5307)	20.507		4,454,445	4,454,445	328,824
CA-90-Y614 (FTA FY08 5307)	20.507		6,976,842	6,976,842	222,144
CA-90-Y580	20.507		221,928	220,328	219,328
CA-90-Y691 (FTA FY09 5307)	20.507		2,315,962	2,293,429	175,627
CA-90-Y781 (FTA FY10 5307)	20.507		5,587,730	5,520,759	94,131
CA-90-Y954 (FTA FY12 5307)	20.507		4,848,628	3,587,762	1,578,180
CA-90-Z034 (FTA FY13 5307)	20.507		5,429,287	3,320,080	3,212,098
CA-90-Z128 (FTA FY14 5307)	20.507		2,668,753	124,847	124,847
Total capital grants			52,934,095	42,054,525	10,544,811
Operating Grants:					
CA-90-Z034 (FTA FY13 5307)	20.507		8,650,000	8,650,000	1,520,984
CA-90-Z128 (FTA FY14 5307)	20.507		10,979,970	8,704,468	8,704,468
CA-37-X158 (Sec. 5316 JARC)	20.516		1,518,187	1,518,188	485,088
CA-37-X184 (Sec. 5316 JARC)	20.516		775,770	110,720	110,720
CA-57-X037 (Sec. 5317 New Freedom)	20.521		591,869	591,869	13,244
CA-57-X068 (Sec. 5317 New Freedom)	20.521		694,113	694,113	159,300
CA-57-X093 (Sec. 5317 New Freedom)	20.521		699,580	197,833	197,833
Total operating grants			23,909,489	20,467,191	11,191,637
Total Federal Transit Administration			76,843,584	62,521,716	21,736,448
Passed-Through the State of California:					
Department of Transportation/ Federal Transit Administration - Operating: FY 2014 Regular Sec. 5311	20.509	6414162	692,212	692,212	692,212
Total Federal Awards			$ 77,535,796	$ 63,213,928	$ 22,428,660

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

RIVERSIDE TRANSIT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the RTA serves as a public transportation agency to the County of Riverside and eighteen 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 - Capital Investment Grants (CFDA #20.519)

Funds are provided to assist in the acquisition of vehicles that reduce greenhouse emissions.

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, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	____ Yes	X No
Significant deficiencies 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
Significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
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
20.519	Federal Transit Administration - Capital Investment Grants

Dollar threshold used to distinguish Type A and B programs:	$672,860	
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. Summary of Prior Audit (June 30, 2013) Findings and Current Year Status

None.