# SUNLINE TRANSIT AGENCY
# BOARD MEETING AGENDA

## Wednesday, October 25, 2017
## 12:00 p.m.
## Board Room
## 32-505 Harry Oliver Trail
## Thousand Palms, CA 92276

**NOTE**: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact SunLine at (760) 343-3456. Notification 48 hours prior to the meeting will enable SunLine to make reasonable accommodation to ensure accessibility to this meeting.

**THE CHAIR REQUESTS THAT ALL CELLULAR PHONES AND PAGERS BE TURNED OFF OR SET ON SILENT MODE FOR THE DURATION OF THE BOARD MEETING.**

**AGENDA TOPICS** — **RECOMMENDATION**

1. **Call to Order**
   Chairperson Russell Betts

2. **Roll Call**

3. **Presentations**
   ADA Presentation – Tamara Miles, Paratransit Administration Manager & Vanessa Mora, Compliance Officer

   Fiscal Year 2017 Audit Reports - Oscar Chacon, Vasquez & Company, LLP (Roger Martinez – available via teleconference)

4. **Finalization of Agenda**

5. **Public Comments** — **Receive Comments**
   (NOTE: Those wishing to address the Board should complete a Public Comment Card and will be called upon to speak.)

   **NON AGENDA ITEMS**
   Anyone wishing to address the Board on items not on the agenda may do so at this time. A limitation of 3 minutes may be imposed upon each person so desiring to address the Board during the first Public Comments designation on the agenda.

**AGENDA ITEMS**
Anyone wishing to address specific items on the agenda should notify the Clerk at this time so those comments can be made at the appropriate time. A limitation of 3 minutes may be imposed upon each person so desiring to address the Board.

**6. Board Member Comments** **Receive Comments**
Any Board Member who wishes to speak may do so at this time.

**- - - - - - - - - - - - - - - - - - - - RECEIVE AND FILE - - - - - - - - - - - - - - - - - - - - - - - -**

**7. Fiscal Year 2017 Audit Reports** **Receive & File**
**(Greg Pettis, Chair of Finance/Audit Committee;**
**Staff: Luis Garcia, Deputy Chief Financial Officer)**
Recommend that the Board of Directors receive and file the fiscal year 2017 audit reports. The audits were completed by Vasquez & Company, LLP and include financial audits for SunLine Transit Agency and SunLine Services Group as well as a Single Audit for SunLine Transit Agency. (Page 1-86)

**8. Consent Calendar** **Receive & File**
All items on the Consent Calendar will be approved by one motion, and there will be no discussion of individual items unless a Board Member requests a specific item be pulled from the calendar for separate discussion. The public may comment on any item.

a) Checks over $1,000 report for August 2017 (Page 87-90)
b) Credit Card Statement for August 2017 (Page 91-94)
c) Monthly Budget Variance Report for August 2017 (Page 95-99)
d) Contracts Signed in Excess of $25,000 September 2017 (Page 100)
e) Union & Non Union Pension Investment Asset Summary August 2017 (Page 101-102)
f) Ridership Report for September 2017 (Page 103-104)
g) SunDial Operational Notes for September 2017 (Page 105-107)
h) Metrics (On time Performance, Early Departures, Late Departures, Late Cancellations, Driver Absence, Advertising Revenue, Fixed Route Customer Comments, Paratransit Customer Comments) September 2017 (Page 108-116)
i) Quarterly Capital Project Update for 3rd Quarter 2017 (Page 117-118)
j) Board Member Attendance for September 2017 (Page 119)

**- - - - - - - - - - - - - - - - - - - - - - - - - - - ACTION - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -**

**9. Approval of Minutes** **Approve**
Request to the Board to approve the Minutes of the September 27, 2017 Regular Board of Directors Meeting. (Page 120-125)

**10. Affordable Housing and Sustainable Communities** **Approve**
**(Greg Pettis, Chair of Finance/Audit Committee;**
**Staff: Rudy LeFlore, Chief of Performance)**
Recommend that the Board of Directors grant authority to the CEO/General Manager to execute all documents necessary to support the submission of a grant application in conjunction with the City of Coachella for the Affordable Housing and Sustainable Communities grant as well as the Infill Infrastructure Grant program. (Page 126)

**11. Contracted Support For Rethink Effort** **Approve**
**(Greg Pettis, Chair of Finance/Audit Committee;**
**Staff: Rudy LeFlore, Chief of Performance)**
Recommend that the Board of Directors authorize the General Manager to negotiate and execute an agreement with HDR in an amount not to exceed $425,000 subject to approval as to form by SunLine Counsel. (Page 127-128)

**12. Approval of Contract for Telephone System Support** **Approve**
**(Greg Pettis, Chair of Finance/Audit Committee;**
**Staff: Joseph Friend, IT Administrator)**
Recommend that the Board of Directors delegate authority to the CEO/General Manager to execute a 3-year contract with Packet Fusion for Telephone System Support with a not to exceed amount of $26,014. (Page 129-131)

**13. Approval of Contract for Internet Service** **Approve**
**(Greg Pettis, Chair of Finance/Audit Committee;**
**Staff: Joseph Friend, IT Administrator)**
Recommend that the Board of Directors delegate authority to the CEO/General Manager to execute a 3-year contract with Spectrum Enterprise (formerly Time Warner Business) for Internet Services with a not to exceed amount of $108,800. (Page 132)

**14. Approval of Board Meeting Dates for 2018** **Approve**
**(Staff: Diana Enriquez, Interim Clerk of the Board)**
Recommend that the Board of Directors approve the Board meeting dates for 2018. All Board meetings will continue to be held on every fourth Wednesday of the month with a few exceptions. (Page 133-134)

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**15. CEO/General Manager's Report**

## 16. Next Meeting Date

December 6, 2017
12 o'clock Noon – Board Room
32-505 Harry Oliver Trail
Thousand Palms, CA 92276

## 17. Adjourn

**SunLine Transit Agency**

**DATE:** **October 25, 2017** **RECEIVE AND FILE**

**TO:** **Finance/Audit Committee**
**Board of Directors**

**FROM:** **Deputy Chief Financial Officer**

**RE:** **Fiscal Year 2017 Audit Reports**

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## Recommendation

Recommend that the Board of Directors receive and file the fiscal year 2017 audit reports. The audits were completed by Vasquez & Company, LLP and include financial audits for **SunLine Transit Agency** and **SunLine Services Group** as well as a **Single Audit for SunLine Transit Agency**.

## Background

The Joint Powers Agreement requires SunLine Transit Agency and SunLine Services Group to have an independent audit of its finances conducted annually. In addition, State Law requires that recipients of Transportation Development Act (TDA) funds undergo an annual fiscal audit. TDA funds comprise the majority of SunLine's Operating revenues, which are dispersed by Riverside County Transportation Commission (RCTC), the planning agency for SunLine.

Additionally, the Code of Federal Regulations (2 CFR Part 200) requires an entity that expends more than $750,000 in Federal awards during a fiscal year to undergo a Single Audit. This audit requirement further ensures that Federal funds are expended properly. Submission of the Single Audit is required nine (9) months following the end of the entity's fiscal year.

______________________
Luis Garcia

**SunLine Transit Agency**
**Audited Financial Statements**
***As of and for the Years Ended June 30, 2017 and 2016***
***with Report of Independent Auditors***



An independently owned member
RSM US Alliance
RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

**SunLine Transit Agency**
**Audited Financial Statements**
***As of and for the Years Ended June 30, 2017 and 2016***
***with Report of Independent Auditors***

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## Report of Independent Auditors

**Board of Directors**
**Sunline Transit Agency**
**Thousand Palms, California 92276**

### Report on the Financial Statements

We have audited the accompanying financial statements of SunLine Transit Agency (STA), which comprise the statements of net position as of June 30, 2017 and 2016 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to financial statements.

***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.

***Auditors' Responsibility***

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SunLine Transit Agency as of June 30, 2017 and 2016, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, and the schedule of changes in the net pension liability and related ratios and schedules of contributions on pages 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of net position, revenues, expenses and changes in net position and cash flows, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining statements of net position, revenues, expenses and changes in net position and cash flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of net position, revenues, expenses and changes in net position and cash flows are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017 on our consideration of STA'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 solely 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 the effectiveness of STA's 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 STA's internal control over financial reporting and compliance.

**Los Angeles, California**
**September 28, 2017**

The management of SunLine Transit Agency (STA) offers readers of the STA's financial statements narrative overview and analysis of the financial activities of STA for the fiscal years (FY) ended June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the audited financial statements including the notes to the financial statements.

## FINANCIAL HIGHLIGHTS

- The combined assets of STA exceeded its liabilities (net position) at the close of the fiscal year by $53,140,341 for 2017 and $51,292,475 for 2016. Net position at June 30, 2017 consists of $52,959,688 of net position invested in capital assets and $180,653 of unrestricted net position.

- STA's combined net position increased in fiscal year 2017 by $1,847,866. The increase is mainly attributed to increase in capital contributions that funded the capital projects and revenues generated more than expenses. This amount is higher than the change in net position in fiscal year 2016 which was a decrease of $2,136,737. STA received less capital grants for capital projects in fiscal year 2016. In fiscal year 2017, salaries and employee benefits and other costs (services and utilities) are higher than fiscal year 2016 due to across the board salary increase of 3% in bargaining, varied non-bargaining salary increases, new positions added to meet the growing demand for transit services, new initiatives and capital programs. Casualty and liability costs decreased in 2017 due to decrease in workers' compensation and general liability claims. Fiscal year 2017 depreciation expense is higher than fiscal year 2016 due to increase in capital projects closed at the end of fiscal year 2016.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to STA's financial statements. STA's basic financial statements consist of two components:

- Financial statements;

- Notes to the basic financial statements.

This report also contains other supplementary information in addition to the financial statements.

**Financial Statements**. The financial statements are designed to provide readers with a broad overview of STA's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of STA'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 whether STA's financial position is improving or deteriorating. The presentation of net position also distinguishes between those invested in capital assets, those that are restricted by external parties or legal requirements, or those that are unrestricted and can be used for any Agency purpose.

The *Statement of Revenues, Expenses, and Changes in Net Position* provide information regarding the revenues generated and earned (passenger fares and grants) and the expenses incurred related to those revenues. The difference between the revenues and expenses represents the change in net position, or profitability as reflected by the amount of change in net position generated for the fiscal year.

The *Statement of Cash Flows* presents information on STA's sources and uses of cash and the overall change in cash and cash equivalents over the fiscal year. These activities are categorized by the different activities in which STA engages: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Since STA's primary function is to provide transportation services to the region's citizens and recover costs through user fees and charges, the financial statements include business-type activities. In addition, the financial statements include the financial statements of STA (known as primary government), and another legally separate entity, for which STA is financially accountable for: SunLine Services Group (SSG).

### Notes to Financial Statements

The notes provide information on significant accounting policies, cash and investments, governmental subsidies, inventory, capital assets, long-term obligations, unearned revenue, risk management, retirement plans, and other areas for a full understanding of the data in the financial statements.

### Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning STA's progress in funding its obligation to provide pension benefits to its employees.

## FINANCIAL STATEMENT ANALYSIS

### Net Position

As stated earlier, increases or decreases in net position over time may serve as a useful indicator of STA's financial position. At June 30, 2017, STA's assets exceeded liabilities by $53,140,341, a $1,847,866 increase from June 30, 2016. A condensed summary of the Statements of Net Position as of June 30, 2017 and 2016 is shown below:

| | **2017** | 2016 | Changes |
|---|---|---|---|
| Current and other assets | **$ 16,816,689** | $ 10,949,708 | $ 5,866,981 |
| Capital assets | **52,959,688** | 51,170,410 | 1,789,278 |
| Deferred outflows of resources | **2,782,255** | 3,957,884 | (1,175,629) |
| Total assets and deferred outlfows of resources | **72,558,632** | 66,078,002 | 6,480,630 |
| | | | |
| Current liabilities | **13,634,974** | 8,548,959 | 5,086,015 |
| Long-term liabilities | **3,499,047** | 4,975,042 | (1,475,995) |
| Deferred inflows of resources | **2,284,270** | 1,261,526 | 1,022,744 |
| Total liabilities and deferred inflows of resources | **19,418,291** | 14,785,527 | 4,632,764 |
| | | | |
| Net position | | | |
| Net investment in capital assets | **52,959,688** | 51,170,410 | 1,789,278 |
| Unrestricted | **180,653** | 122,065 | 58,588 |
| Total net position | **$ 53,140,341** | $ 51,292,475 | $ 1,847,866 |

STA's investment in capital assets (e.g. buses, support vehicles, passenger facilities/structures, and peripheral equipment for operations, maintenance, and administrative support) reflects the largest portion of STA's net position. STA uses these capital assets to provide transportation services to the surrounding communities, as well as maintain the necessary service infrastructure. Because of this, these assets are not available for future spending. The increase of $1,789,278 in net investment in capital assets at June 30, 2017 resulted primarily from additions to capital assets related to battery dominant fuel cell bus project, replacement of revenue vehicles, rehabilitation of buses, and other small projects in STA's capital program.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position increased by $58,588, changed from $122,065 at June 30, 2016 to $180,653 at June 30, 2017. The increase in net position is due to SSG's revenues generated which exceeded operating expenses (net of depreciation) during fiscal year 2017.

**Changes in Net Position**

For the fiscal years ended June 30, 2017 and 2016, STA's combined revenues were $42,543,268 and $36,944,982, respectively, while the total controllable expenses, excluding vehicle operating lease, depreciation and gain on sale of fixed assets were $33,188,527 and $31,942,873, respectively. Grants finance a significant portion of the transit operations. The table below represents condensed financial data related to the changes in net position of $1,847,866 and ($2,136,737) during the fiscal years ended June 30, 2017 and 2016, respectively. The significant decrease in net position in 2016 was due to decrease in capital contributions that funded STA's capital projects.

| | **2017** | 2016 | Changes |
|---|---|---|---|
| **Revenues** | | | |
| Passenger fares | **$ 3,055,022** | $ 3,200,299 | $ (145,277) |
| CNG and hydrogen fuel sales | **3,125,917** | 3,299,395 | (173,478) |
| Operating Grants | **26,170,975** | 24,483,495 | 1,687,480 |
| Capital Grants | **9,295,954** | 5,012,097 | 4,283,857 |
| Interest and other revenues | **895,400** | 949,696 | (54,296) |
| **Total revenues** | **42,543,268** | 36,944,982 | 5,598,286 |
| **Controllable Operating Expenses** | | | |
| Salaries and benefits | **24,043,772** | 22,331,808 | 1,711,964 |
| Services | **2,738,982** | 2,281,593 | 457,389 |
| Materials and supplies | **1,688,687** | 1,601,597 | 87,090 |
| Utilities | **1,956,125** | 1,698,920 | 257,205 |
| Casualty and liability costs | **1,421,017** | 2,801,076 | (1,380,059) |
| Fuel and Lubricants | **274,061** | 212,112 | 61,949 |
| Tires | **213,033** | 198,948 | 14,085 |
| Taxes | **194,224** | 187,862 | 6,362 |
| Administrative | **166,582** | 275,591 | (109,009) |
| Miscellaneous | **492,044** | 353,366 | 138,678 |
| Total controllable operating expenses | **33,188,527** | 31,942,873 | 1,245,654 |
| **Depreciation and Lease** | | | |
| Vehicle lease | **258,178** | - | 258,178 |
| Depreciation | **7,248,697** | 7,138,846 | 109,851 |
| **Total expenses** | **40,695,402** | 39,081,719 | 1,613,683 |
| **Changes in Net Position** | **1,847,866** | (2,136,737) | 3,984,603 |
| **Net position** | | | |
| Beginning of year | **51,292,475** | 53,429,212 | (2,136,737) |
| Ending of year | **$ 53,140,341** | $ 51,292,475 | $ 1,847,866 |

**Revenues**

The national trends in fixed route ridership have shown decreasing ridership. As such, passenger fare revenues decreased in fiscal year 2017 by $145,277 due to continuing decline in ridership.

CNG and hydrogen fuel revenues which reflect outside fuel revenues, state emission credits and CNG rebates decreased in fiscal year 2017 by $173,478 compared to fiscal year 2016 due to a lack of support in continuation of the Federal CNG rebates in fiscal year 2017.

Operating grants in fiscal year 2017 increased by $1,687,480 due to the increase in LTF funding which was offset by a decrease in Measure A funds, Low-Carbon Transit Operations Program (LCTOP) funds and operating subsidy from federal grants assistance. Fiscal year 2016 operating grants were also higher than fiscal year 2015 due to increases in LTF funding, Measure A funds, LCTOP funds and receipt of Federal 5310 operating assistance offset by decrease in other state and federal assistance.

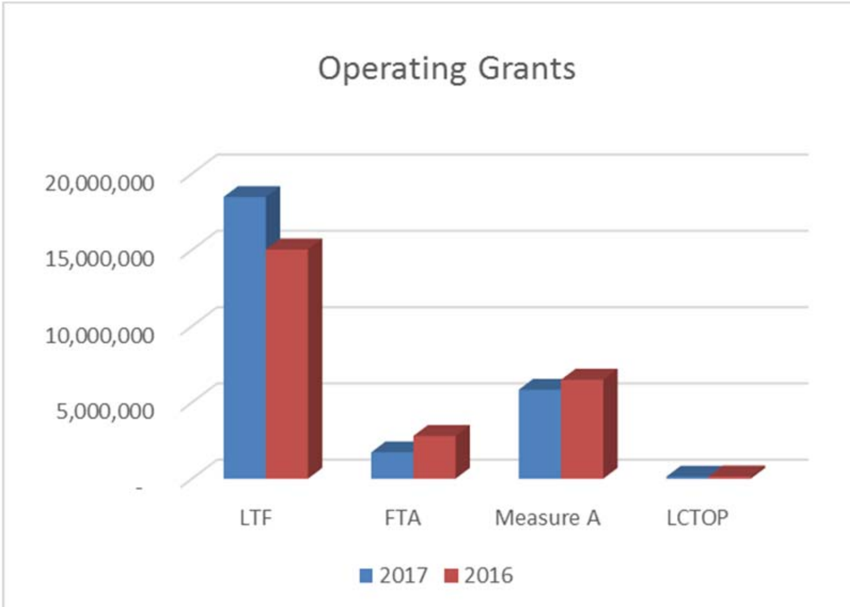
Capital grants in fiscal year 2017 increased by $4,283,857 due to increase in capital projects. Projects in fiscal year 2017 included replacement of 15 para-transit vans, 4 replacement and 2 expansion of fixed route buses, purchase of 1 supervisor vehicle, installation of 25 bus shelters, intelligent transportation systems upgrade, facility improvements, equipment, fuel cell buses service maintenance, commencement of Hydrogen Low No Emission Fuel Cell buses and continuation of the battery dominant fuel cell bus project. The intelligent transportation systems upgrade and rehabilitation of buses were completed in 2017. Projects in fiscal year 2016 included replacement of 4 para-transit vans, rehabilitation of buses, intelligent transportation systems upgrade, and commencement of the battery dominant fuel cell bus. The rolling stock purchases, bus camera system upgrade, solar panels, installation of new bus shelters and new phone system projects were completed in 2016.

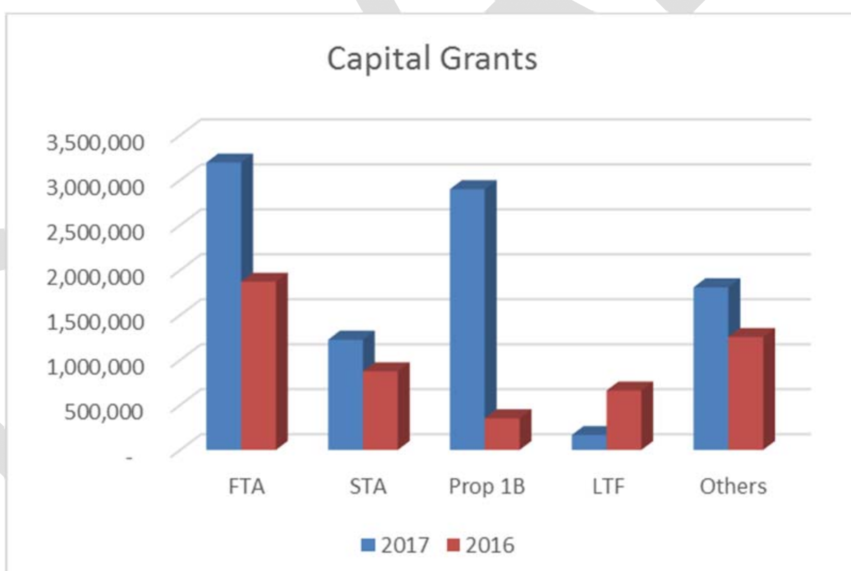
Interest and other revenues in fiscal year 2017 decreased by $54,296 due to decrease in interest revenue and decrease in SSG's operating vehicle permits, inspection fees and surcharge fees. Fiscal year 2016 decreased by $2,401 compared to fiscal year 2015 mainly due to a decrease in SSG's surcharge fees.

The combined amount of operating and capital grants in fiscal year 2017 and 2016 reflects 83% and 80% of STA's total revenues, respectively. These funds come from a variety of specific funding sources. Each funding source is guided by government regulations regarding the type and use of funds.

Annually, STA submits its short-range transit plan to the Riverside County Transportation Commission (RCTC), which is the basis for annual operating and capital grant allocations. Local Transportation Funds (LTF) comprise the significant component of STA's operating grants; other operating grants generally include funding from Measure A, Riverside County's one-half cent sales tax for transportation purposes, Low-Carbon Transit Operations Program and Federal Transit Administration (FTA).

Capital assets are funded primarily by capital grants from Federal Transit Administration (FTA) with matching funds from State Transit Assistance and Proposition 1B, LTF, and other sources.


Operating Grants
20,000,000
15,000,000
10,000,000
5,000,000
-
LTF
FTA
Measure A
LCTOP
2017
2016


Capital Grants
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
FTA
STA
Prop 1B
LTF
Others
2017
2016

**Expenses**

Adopted Agency policies, procedures, and business processes are used as management tools to control expenses and attain goals and objectives. These combined controllable operating expenses consist of cost elements that exclude depreciation and vehicle operating lease. For purposes of this analysis, operating expenses before depreciation and vehicle operating lease will be discussed. These expenses totaled $33,188,527 during fiscal year 2017, an increase of $1,245,654 from fiscal year 2016 of $31,942,873. This increase was due to increase in salaries and wages, services, utilities, repair parts, fuel, tires, taxes, and offset by decrease in casualty and liability cost and administrative expenses.

Salaries and benefits increased in fiscal year 2017 by $1,711,964 due to increase in administrative employees, 3% salary increase per Memorandum of Understanding, increase in overtime, guarantee wages and increase in fixed route hours to meet increased services. Fringe benefits increased due to increase in health insurance premiums. Vacation and sick time increased due to maximum hours accrual increases as length of service by employees increases. Increase in overtime pay was due to sick or vacation time taken by drivers, which causes other drivers on voluntary call back to work overtime hours and was paid overtime premiums.

Casualty and liability costs decreased in fiscal year 2017 by $1,380,059 due to decrease in insurance claims on worker's compensation and general liability and increase in closed claims.

Materials and supplies increased in fiscal year 2017 by $87,090 due to increase in repair parts of aging vehicles and maintenance of old facilities.

Services increased in fiscal year by $457,389 due to an increase in third party contract services for vanpool marketing, custodial services, communications, computer software licenses, labor counsel, and temporary help.

Fuel and lubricants increased in fiscal year 2017 by $61,949 mainly due to increase in outsourced hydrogen when the hydrogen station experienced a breakdown.

Utilities expense increased in fiscal year 2017 by $257,205 mainly due to increase in cost of natural gas and transmission charge.

Tires and tubes increased in fiscal year 2017 by $14,085 due to increase in vehicle miles travelled.

Taxes represent fuel taxes paid based on the generation of CNG and hydrogen. In fiscal year 2017, STA generated higher volume compared to fiscal year 2016.

Miscellaneous expenses increased in fiscal year 2017 by $138,678 due mostly to increase in membership and subscriptions, bank service fees, recruitment fees, employee development program, consulting and trainings and seminars.

Administrative expenses decreased in fiscal years 2017 and 2016 due to decrease in administrative personnel in SSG.

Vehicle lease was incurred in fiscal year 2017 due to leases of 3 Electric buses to support service improvement.

**Expenses (Continued)**

Depreciation expense increased in fiscal year 2017 by $109,851 due to increase in capital projects closed at the end of fiscal year 2016.

A breakdown of operating expenses is reflected on page 6.

**CAPITAL ASSETS**

STA's capital assets (net of accumulated depreciation), as of June 30, 2017 and 2016, amounted to $52,959,688 and $51,170,410 respectively. Capital assets include land, buildings, fleet, communication/fare box systems, machinery/equipment, support vehicles, facilities improvement and passenger facilities.

Significant capital asset projects during FY 2017 included the following:

- Purchase of 15 para-transit vans
- Purchase of 6 fixed route buses
- Replacement of support vehicle
- Battery Dominant Fuel Cell Bus (continued)
- Installation of 25 bus shelters
- Rehabilitation of buses
- Replacement of bus lifts
- Enterprise Resource Planning (continued)
- CNG and Hydrogen Fueling Station (continued)
- Facility improvements
- Information technology
- Machinery and equipment
- Fuel Cell Buses maintenance and inspection

Significant capital asset projects during FY 2016 included the following:

- Final construction phase of Solar Panels
- Commencement of Battery Dominant Fuel Cell Bus
- Rehabilitation of buses
- Replacement of para-transit vehicles

**CAPITAL ASSETS (CONTINUED)**

- Enterprise Resource Planning (continued)
- Commencement of CNG and Hydrogen Fueling Station
- Avail systems upgrade
- Wireless video link for buses

A summary of the capital assets balances at June 30, 2017 related activity is presented in Note 5 of the financial statements.

**ECONOMIC AND OTHER FACTORS**

These significant factors were considered as budget assumptions when preparing the Agency's budget for FY 2018:

Paratransit service initiatives and service expansions

Increase in required pension contribution expenses

Increase in salaries and fringe benefits for bargaining and non-bargaining employees

Increase in emphasis on advertising revenue, outside CNG revenue, emissions credit

No CNG rebate revenue budget for fiscal year 2018

Ten new capital project investments to cover necessities in Fleet, Facilities and technology

Decrease in SRA budget mainly attributed to a continued decrease in Taxi ridership

These significant factors were considered as budget assumptions when preparing the Agency's budget for FY 2017:

Sustain service levels and initiatives, as well as optimizing existing routes

Increase in required pension contribution expenses

Increase in salaries and fringe benefits for bargaining and non-bargaining employees

Increase in emphasis on advertising revenue, outside CNG revenue, emissions credit program

Ten new capital project investments in alternative fuel technology fleet and facilities as well as the accumulation of funds for a new operations building

Capital grant award increased capital program to acquire new assets

Decrease in SRA budget mainly attributed to a continued decrease in Taxi ridership

## ECONOMIC AND OTHER FACTORS (CONTINUED)

The combined final approved operating budget for fiscal year 2018 totaled $35,133,623, which is an increase of $1,363,078 or 4.04% over the fiscal year 2017 operating budget of $33,770,545. The combined final approved operating budget for fiscal year 2017 totaled $33,770,545, which is an increase of $2,637,682 or 8.47% over the fiscal year 2016 operating budget of $31,132,863.

As stated previously, STA relies on operating and capital grants for approximately 83% of its 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. The economic expansion in Riverside County has contributed to an increase in the operating and capital grant funds available, however signs of recovery are not as robust as expected.

A component of the Agency's operating grants is local operating assistance. These funds are governed by various provisions of the Transportation Development Act and Public Utilities Code. One such provision is adherence to a predetermined farebox recovery ratio (fare revenue/net operating expenses excluding SSG's operating revenues and expenses) approved by RCTC and the California Department of Transportation. The fiscal year 2017 required farebox recovery ratio was 18.23%; the Agency's actual ratio was 20.60% which exceeded the requirement.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of STA's finances for all those with an interest in STA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Finance Officer, SunLine Transit Agency, 32-505 Harry Oliver Trail, Thousand Palms, CA 92276.

| | June 30 | |
|---|---|---|
| ASSETS | 2017 | 2016 |
| **Current assets** | | |
| Cash and cash equivalents | $ 7,775,755 | $ 5,667,228 |
| Accounts receivable, net | 512,148 | 636,688 |
| Due from other governmental agencies | 6,658,320 | 3,222,656 |
| Inventory | 799,895 | 764,960 |
| Prepaid items | 481,043 | 158,661 |
| **Total current assets** | 16,227,161 | 10,450,193 |
| **Noncurrent assets** | | |
| Deposits | 589,528 | 499,515 |
| Capital assets, not depreciated | 8,608,925 | 6,592,942 |
| Capital assets, depreciated | 44,350,763 | 44,577,468 |
| **Total noncurrent assets** | 53,549,216 | 51,669,925 |
| **Total assets** | 69,776,377 | 62,120,118 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amounts from pension | 2,782,255 | 3,957,884 |
| LIABILITIES | | |
| **Current liabilities** | | |
| Accounts payable and accrued expenses | 970,343 | 811,064 |
| Accrued payroll and related liabilities | 270,710 | 620,408 |
| Due to other governmental agency | 3,000,000 | - |
| Net pension liability - current portion | 2,026,177 | 2,177,519 |
| Compensated absences - current portion | 1,509,712 | 1,411,148 |
| Claims payable - current portion | 846,581 | 939,812 |
| Unearned revenue | 5,011,451 | 2,589,008 |
| **Total current liabilities** | 13,634,974 | 8,548,959 |
| **Noncurrent liabilities** | | |
| Net pension liability | 755,380 | 1,929,220 |
| Claims payable | 2,743,667 | 3,045,822 |
| **Total noncurrent liabilities** | 3,499,047 | 4,975,042 |
| **Total liabilities** | 17,134,021 | 13,524,001 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred amounts from pension | 2,284,270 | 1,261,526 |
| NET POSITION | | |
| Net investment in capital assets | 52,959,688 | 51,170,410 |
| Unrestricted | 180,653 | 122,065 |
| **Total net position** | $ 53,140,341 | $ 51,292,475 |

*See notes to financial statements.*

| | Years ended June 30 2017 | 2016 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Passenger fares | **$ 3,055,022** | $ 3,200,299 |
| CNG and hydrogen fuel sales | **3,125,917** | 3,299,395 |
| Taxi license fees | **284,465** | 349,167 |
| Other | **606,215** | 632,196 |
| **Total operating revenues** | **7,071,619** | 7,481,057 |
| **OPERATING EXPENSES** | | |
| Salaries and employee benefits | **24,043,772** | 22,331,808 |
| Depreciation | **7,248,697** | 7,138,846 |
| Vehicle lease | **258,178** | - |
| Casualty and liability costs | **1,421,017** | 2,801,076 |
| Services | **2,738,982** | 2,281,593 |
| Utilities | **1,956,125** | 1,698,920 |
| Materials and supplies | **1,688,687** | 1,601,597 |
| Administrative | **166,582** | 275,591 |
| Fuel and lubricants | **274,061** | 212,112 |
| Tires and tubes | **213,033** | 198,948 |
| Taxes | **194,224** | 187,862 |
| Miscellaneous | **492,044** | 353,366 |
| **Total operating expenses** | **40,695,402** | 39,081,719 |
| **OPERATING LOSS** | **(33,623,783)** | (31,600,662) |
| **NONOPERATING REVENUES** | | |
| Operating grants: | | |
| Local Transportation Fund | **18,470,028** | 15,029,833 |
| Measure A | **5,835,696** | 6,492,099 |
| Federal Transit Administration - Section 5307 | **438,668** | 2,197,912 |
| Federal Transit Administration - Section 5309 | **6,693** | - |
| Federal Transit Administration - Section 5310 | **40,042** | 17,564 |
| Federal Transit Administration - Section 5311 | **341,572** | 359,891 |
| Federal Transit Administration - Section 5311(f) | **300,000** | - |
| Federal Transit Administration - Section 5316 | **15,079** | 74,850 |
| Federal Transit Administration - Section 5317 | **76,964** | 64,541 |
| Federal Transit Administration - Other | **510,642** | 90,898 |
| Low-Carbon Transit Operations Program (LCTOP) Grant | **135,591** | 155,907 |
| **Total operating grants** | **26,170,975** | 24,483,495 |
| Interest income | **4,069** | 2,498 |
| Miscellaneous income | **200** | - |
| Gain (loss) on sale of capital assets, net | **451** | (34,165) |
| **Total nonoperating revenues** | **26,175,695** | 24,451,828 |
| **LOSS BEFORE CAPITAL CONTRIBUTIONS** | **(7,448,088)** | (7,148,834) |
| **CAPITAL CONTRIBUTIONS** | | |
| Capital grants: | | |
| Federal Transit Administration | **3,196,010** | 1,870,783 |
| State Transit Assistance | **1,226,297** | 873,861 |
| Proposition 1B | **2,899,239** | 351,977 |
| Local Transportation Fund | **165,729** | 660,115 |
| Other | **1,808,679** | 1,255,361 |
| **Total capital contributions** | **9,295,954** | 5,012,097 |
| **CHANGES IN NET POSITION** | **1,847,866** | (2,136,737) |
| **NET POSITION** | | |
| **Beginning of year** | **51,292,475** | 53,429,212 |
| **End of year** | **$ 53,140,341** | $ 51,292,475 |

*See notes to financial statements.*

| | Years Ended June 30 | |
|---|---|---|
| | **2017** | 2016 |
| **Cash flows from operating activities** | | |
| Cash received from customers | **$ 7,196,159** | $ 7,214,622 |
| Cash payments to suppliers for goods and services | **(9,919,788)** | (9,204,702) |
| Cash payments to employees for services | **(23,588,297)** | (20,568,005) |
| **Net cash used in operating activities** | **(26,311,926)** | (22,558,085) |
| **Cash flows from noncapital financing activities** | | |
| Cash received from operating grants | **22,750,064** | 22,876,982 |
| Loan proceeds from RCTC | **3,000,000** | - |
| Payment of loan to RCTC | **-** | (3,000,000) |
| **Net cash provided by noncapital financing activities** | **25,750,064** | 19,876,982 |
| **Cash flows from capital and related financing activities** | | |
| Cash received from capital grants | **11,703,644** | 4,420,077 |
| Acquisition and construction of capital assets | **(9,037,775)** | (5,012,097) |
| Proceeds from sale of capital assets | **451** | 23,443 |
| **Net cash provided by (used in) capital and related financing activities** | **2,666,320** | (568,577) |
| **Cash flows from investing activity** | | |
| Cash received from interest income | **4,069** | 2,498 |
| **Net cash provided by investing activity** | **4,069** | 2,498 |
| **Change in cash and cash equivalents** | **2,108,527** | (3,247,182) |
| **Cash and cash equivalents, beginning of year** | **5,667,228** | 8,914,410 |
| **Cash and cash equivalents, end of year** | **$ 7,775,755** | $ 5,667,228 |
| **Reconciliation of operating loss to net cash provided by (used in) operating activities:** | | |
| Operating loss | **$ (33,623,783)** | $ (31,600,662) |
| Provision for doubtful accounts | **829** | 829 |
| Depreciation | **7,248,697** | 7,138,846 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | **123,711** | (266,564) |
| Inventory | **(34,935)** | (181,210) |
| Prepaid items | **(322,382)** | (137,345) |
| Deposits | **(90,013)** | (199,321) |
| Deferred outflows of resources | **1,175,629** | (642,997) |
| Accounts payable and accrued liabilities | **159,279** | (101,950) |
| Retention payable | **-** | (672,718) |
| Accrued payroll and related liabilities | **(349,698)** | (81,064) |
| Net pension liability | **(1,325,182)** | 1,707,180 |
| Compensated absences | **98,564** | 129,005 |
| Claims payable | **(395,386)** | 1,425,734 |
| Unearned revenue | **-** | (700) |
| Deferred inflows of resources | **1,022,744** | 924,852 |
| **Net cash used in operating activities** | **$ (26,311,926)** | $ (22,558,085) |

*See notes to financial statements.*

## NOTE 1 REPORTING ENTITY

SunLine Joint Powers Transportation Agency (doing business as SunLine Transit Agency) ("STA") ("Agency"), was originally formed by the County of Riverside, California, and the cities in the Coachella Valley to provide transportation services in the Coachella Valley. STA is a special purpose government and is eligible for funding under Section 99200 et. seq. of the California Public Utilities Code.

Accounting principles generally accepted in the United States of America require that these financial statements represent STA and its component unit. A component unit is included in the primary government's financial statements, if STA appoints a majority of the component unit's board of directors or if the governing body is substantively the same as STA, if the component unit provides services or other benefits almost entirely to the primary government, and if STA is financially accountable for the component unit.

The component unit discussed below is a legally separate component unit, however, it is included in STA's reporting entity because STA appoints majority of its board of directors and STA is considered financially accountable for its operations.

Included within the reporting entity as blended component unit:

> SunLine Services Group ("SSG") was formed in 1993 in order to enhance public/private partnerships in the Coachella Valley. SSG operations include regulation, licensing, and franchising the taxicabs and alternative transportation in the Coachella Valley. Effective July 1, 1996, SSG adopted ordinances to give it the authority to regulate taxicab.

## NOTE 2 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

Financial statement presentation follows the standards promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government and its component unit.

### Basis of Accounting and Measurement Focus

The financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

## NOTE 2 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating revenues are those revenues that are generated from the primary operations of STA. STA reports a measure of operations by presenting the change in net position from operations as "operating income" in the statement of revenues, expenses, and changes in net position. Operating activities are defined by STA as all activities other than financing and investing activities (interest expense and investment income), and other infrequently occurring transaction of a nonoperating nature. Operating expenses are those expenses that are essential to the primary operations of STA. All other expenses are reported as nonoperating expenses.

**Cash and Cash Equivalents**
Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

**Investments**
Investments are stated at fair value, which is based on quoted market price. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**Receivables**
Receivables are shown net of allowances for doubtful accounts, if any. Federal and State grants accrued as revenue when all eligibility requirements have been met. Amount earned but outstanding at year-end are reported as accounts receivable.

**Inventory**
Inventory consists of vehicle parts held for consumption, fuel and bus passes. Inventory is stated at the lower of weighted average cost or market.

**Prepaid Items**
Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items.

**Deposits**
Deposits represent amounts held by the Public Entity Risk Management Authority (PERMA) on behalf of STA to pay workers' compensation claims and other expenses that do not involve a transfer of risk to PERMA.

## NOTE 2 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Capital Assets**

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date of donation. STA policy has set the capitalization threshold for reporting capital assets at $1,000, all of which must have an estimated useful life of more than one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

| | |
|---|---|
| Land improvements | 10 – 20 years |
| Building | 10 – 30 years |
| Office furniture and equipment | 3 – 7 years |
| Vehicles | 4 – 12 years |
| Equipment | 5 – 10 years |

Major outlays for capital assets are capitalized as projects, and once constructed, the related repairs and maintenance costs are expensed. Interest incurred during capital assets construction, if any, is capitalized as part of the asset cost, net of interest income earned on construction bond proceeds.

**Compensated Absences**

It is STA's policy to permit employees to accumulate earned but unused vacation leaves up to 500 hours and unlimited hours for unused sick leave. Management, non-exempt, and union employees begin to accrue vested vacation and sick hours upon being hired, except for part-time employees who begin to accrue such hours after the first year. Accumulated unpaid vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

**Claims Payable**

STA's uninsured claims are accrued and charged to expense when the claims are reasonably determinable and the existence of a liability is probable. Liabilities include amount for claims that have been incurred but not reported (IBNR).

**Deferred Inflows and Outflows of Resources**

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

*Deferred Outflows of Resources* represent outflows of resources (consumption of net position) that apply to future periods and therefore, not recognized as an expense until that time.

*Deferred Inflows of Resources* represent inflows of resources (acquisition of net position) that apply to future periods and therefore, are not recognized as revenue until that time.

## NOTE 2 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Net Position**

Net Position is classified as follows:

Net investment in capital assets – This is component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - This component of net position are the amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

**Federal, State, and Local Subventions**

Federal, state and local governments have made various grants and subventions available to STA for operating assistance and acquisition of capital assets. 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 STA's complying with appropriate grant requirements. Operating assistance grants are included in nonoperating revenues in the year in which the related expenses are incurred. Revenues earned under capital grants are recorded as capital contributions.

**Fuel and Lubricants Expense**

STA allocates operating expenses to the fuel and lubricants expense on the statement of revenues, expenses and change in net position including salaries and benefits, and supplies, representing the costs incurred for the generation of CNG fuel by STA.

**Use of Restricted/Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is STA's policy to use restricted resources first, then unrestricted resources as they are needed.

**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 the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Pension Reporting

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of STA's pension plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported in the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2017, STA adopted the following new Statements issued by Government Accounting Standards Board (GASB):

**GASB No. 80 – *Blending Requirements for Certain Component Units-An Amendment of GASB No. 14.*** This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of this statement did not have a significant impact on STA's financial statements for the fiscal year ended June 30, 2017.

**GASB No. 81 – *Irrevocable Split-Interest Agreements.*** This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The implementation of this statement did not have a significant impact on STA's financial statements for the fiscal year ended June 30, 2017.

**GASB No. 82 – *Pension Issues-An Amendment of GASB No. 67, No. 68 and No. 73.*** The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The implementation of this statement did not have a significant impact on STA's financial statements for the fiscal year ended June 30, 2017.

## NOTE 3 CASH AND INVESTMENTS

Cash and investments consisted of the following:

**June 30, 2017**

| | | STA | | SSG | | Total |
|---|---|---|---|---|---|---|
| **Cash on hand** | $ | **1,100** | $ | **100** | $ | **1,200** |
| **Deposits with financial institutions** | | **6,711,794** | | **496,995** | | **7,208,789** |
| **Investments - LAIF** | | **565,766** | | **-** | | **565,766** |
| **Total cash and investments** | $ | **7,278,660** | $ | **497,095** | $ | **7,775,755** |

June 30, 2016

| | | STA | | SSG | | Total |
|---|---|---|---|---|---|---|
| Cash on hand | $ | 1,835 | $ | 100 | $ | 1,935 |
| Deposits with financial institutions | | 4,618,658 | | 484,530 | | 5,103,188 |
| Investments - LAIF | | 562,105 | | - | | 562,105 |
| Total cash and investments | $ | 5,182,598 | $ | 484,630 | $ | 5,667,228 |

**Demand Deposits**

At fiscal year-end of 2017 and 2016, the carrying amount of demand deposits was $7,208,789 (2016 - $5,103,188) and the bank balance was $8,322,029 (2016 - $5,105,024) of which the total amount was collateralized or insured with securities held by the pledging financial institutions in STA's name discussed as follows:

The California Government Code requires California banks and savings and loan associations to secure STA's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in STA's name.

The market value of pledged securities must equal at least 110% of STA's cash deposits. California law also allows institutions to secure Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of STA's total cash deposits. STA may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). STA, however, has not waived the collateralization requirements.

## NOTE 3 CASH AND INVESTMENTS (CONTINUED)

### Authorized Investments

The table below identifies the investment types that are authorized for STA by the California Government Code (or STA's investment policy where more restrictive), and certain provisions that address interest rate risk and concentration of risk.

| Investment Type | Authorized by Investment Policy | Maturity | Maximum Percentage of Portfolio | Maximum Investments in One Issurer |
|---|---|---|---|---|
| Local Agency Bonds | No | N/A | N/A | N/A |
| U.S. Treasury Obligations | Yes | 5 years | None | None |
| Federal Agency Securities | Yes | 5 years | 25% | None |
| Banker's Acceptances | Yes | 180 days | 40% | None |
| Commercial Paper-Pooled Funds | Yes | 270 days | 40% | A-1 |
| Negotiable Certificates of Deposit | Yes | 5 years | 30% | None |
| Repurchase Agreements | Yes | 1 year | None | None |
| Reverse Repurchase Agreements and Securities | No | N/A | N/A | None |
| Medium-Term Notes | Yes | 5 years | 30% | "A" Rating |
| Mutual Funds and Money Market Funds | No | N/A | 20% | Multiple |
| Mortgage Pass-Through Securities | Yes | 5 years | 20% | "A" "A" Rating |
| County Pooled Investment Funds | No | N/A | None | None |
| Local Agency Investment Fund (LAIF) | Yes | N/A | None | $50 million |

### 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.

The Agency's investment in LAIF has a maturity of less than one year.

### Credit Risk

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 nationally recognized statistical rating organization. STA's investment in LAIF at June 30, 2017 was not rated.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of STA's investment in a single issuer. The investment policy of STA contains no limitations on the amount that can be invested in one issuer beyond that stipulated by the California Government Code. As of June 30, 2017 and 2016, STA did not have any investments in any one issuer (other than external investment pools) that represented 5% or more of its total investment portfolio.

## NOTE 3 CASH AND INVESTMENTS (CONTINUED)

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, STA 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. 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 investments or collateral securities that are in the possession of another party. The California Government Code and STA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits as disclosed previously.

**Investment in State Investment Pool**

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency’s investment in this pool is reported in the accompanying financial statements at amounts based on the Agency’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2017 and 2016, the Agency’s investment in LAIF had a contractual withdrawal value of $565,766 and $562,105, respectively.

**Fair Value Measurement**

STA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

STA’s investments in LAIF as of June 30, 2017 and 2016 is reported at the Agency’s pro-rata share of the amortized cost provided by LAIF for the entire LAIF portfolio. This amount approximates fair value.

## NOTE 4 DUE FROM OTHER GOVERNMENTAL AGENCIES

At June 30, 2017 and 2016, due from other governments consisted of the following:

| | 2017 | 2016 |
|---|---|---|
| Federal Transportation Administration (FTA) | **$ 5,042,533** | $ 2,617,147 |
| State Transit Assistance (STA) | **730,915** | 316,457 |
| Measure A | **555,407** | - |
| Local Transportation Fund | **32,820** | 12,101 |
| Others | **296,645** | 276,951 |
| Total | **$ 6,658,320** | $ 3,222,656 |

**Federal Transportation Administration (FTA)**
Under the provisions of the FTA, funds are available to the Agency for maintenance costs, acquisition, construction, improvement and maintenance of transit facilities, transit vehicles and equipment.

**State Transit Assistance (STA) and Local Transportation Fund (LTF)**
Under the provisions of the STA Fund, funds are available to the Agency for maintenance costs, acquisition, construction, improvement and maintenance of transit facilities, transit vehicles and equipment.

**Others**
Funds represents cost reimbursements in accordance with the Cooperative Agreement with CalStart and local funds.

## NOTE 5 CAPITAL ASSETS

Summary of changes in capital assets is as follows:

June 30, 2017

| | Balance July 1, 2016 | Additions | Deletions | Transfers/Adjust | Balance June 30, 2017 |
|---|---|---|---|---|---|
| Non-depreciable assets | | | | | |
| Land | $ 3,141,003 | $ - | $ - | $ - | $ 3,141,003 |
| Construction in progress | 3,451,939 | 9,102,266 | - | (7,086,283) | 5,467,922 |
| Total nondepreciable assets | 6,592,942 | 9,102,266 | - | (7,086,283) | 8,608,925 |
| Depreciable Assets | | | | | |
| Buildings | 29,226,082 | 2,504 | - | - | 29,228,586 |
| Land Improvements | 3,696,889 | - | - | 1,125 | 3,698,014 |
| Facility Improvement | 789,962 | 16,842 | - | 143,190 | 949,994 |
| Office furniture and equipment | 6,310,412 | 942 | (4,441) | 206,386 | 6,513,299 |
| Vehicles | 51,688,237 | 119,244 | (132,484) | 6,517,254 | 58,192,251 |
| Equipment | 5,747,288 | 54,155 | - | 5,813 | 5,807,256 |
| Total depreciable assets | 97,458,870 | 193,687 | (136,925) | 6,873,768 | 104,389,400 |
| Less accumulated depreciation | (52,881,402) | (7,248,697) | 136,925 | (45,463) | (60,038,637) |
| Total depreciable assets, net | 44,577,468 | (7,055,010) | - | 6,828,305 | 44,350,763 |
| Total capital assets, net | $ 51,170,410 | $ 2,047,256 | $ - | $ (257,978) | $ 52,959,688 |

## NOTE 5 CAPITAL ASSETS (CONTINUED)

June 30, 2016

| | Balance July 1, 2015 | Additions | Deletions | Transfers/Adjust | Balance June 30, 2016 |
|---|---|---|---|---|---|
| Non-depreciable assets | | | | | |
| Land | $ 3,141,003 | $ - | $ - | $ - | $ 3,141,003 |
| Construction in progress | 3,430,623 | 4,525,441 | - | (4,504,125) | 3,451,939 |
| Total nondepreciable assets | 6,571,626 | 4,525,441 | - | (4,504,125) | 6,592,942 |
| Depreciable Assets | | | | | |
| Buildings | 27,709,578 | - | (397,897) | 1,914,401 | 29,226,082 |
| Land Improvements | 3,561,762 | - | - | 135,127 | 3,696,889 |
| Facility Improvement | 178,988 | 62,644 | - | 548,330 | 789,962 |
| Office furniture and equipment | 5,838,189 | 204,018 | (55,810) | 324,016 | 6,310,413 |
| Vehicles | 50,541,571 | 182,908 | (569,871) | 1,533,629 | 51,688,237 |
| Equipment | 5,664,365 | 37,086 | (2,787) | 48,622 | 5,747,286 |
| Total depreciable assets | 93,494,453 | 486,656 | (1,026,365) | 4,504,125 | 97,458,869 |
| Less accumulated depreciation | (46,711,312) | (7,138,846) | 968,757 | - | (52,881,401) |
| Total depreciable assets, net | 46,783,141 | (6,652,190) | (57,608) | 4,504,125 | 44,577,468 |
| Total capital assets, net | $ 53,354,767 | $ (2,126,749) | $ (57,608) | $ - | $ 51,170,410 |

Depreciation expense for the year ended June 30, 2017 and 2016 comprised of:

| | **2017** | **2016** |
|---|---|---|
| SunLine Transit Agency | **$ 7,242,077** | 7,124,551 |
| SunLine Services Group | **6,620** | 14,295 |
| Total | **$ 7,248,697** | 7,138,846 |

Changes in capital assets by funding source were as follows:

| | **Federal Funds** | **STA/Prop 1B Funds** | **TDA Funds** | **Measure A** | **Operator/ Other** | **Total** |
|---|---|---|---|---|---|---|
| **Balance at July 1, 2016** | **$ 42,306,686** | **$ 36,246,711** | **$ 15,770,601** | **$ 10,000** | **$ 9,717,814** | **$ 104,051,812** |
| **Additions, net** | **3,205,981** | **4,125,535** | **165,729** | **-** | **1,798,708** | **9,295,953** |
| **Transfers/adjustments** | **-** | **(258,178)** | **-** | **-** | **45,663** | **(212,515)** |
| **Deletions** | **(108,781)** | **(28,144)** | **-** | **-** | **-** | **(136,925)** |
| **Balance at June 30, 2017** | **$ 45,403,886** | **$ 40,085,924** | **$ 15,936,330** | **$ 10,000** | **$ 11,562,185** | **$ 112,998,325** |

June 30, 2016

| | Federal Funds | STA/Prop 1B Funds | TDA Funds | Measure A | Operator/ Other | Total |
|---|---|---|---|---|---|---|
| Balance at July 1, 2015 | $ 40,567,653 | $ 35,548,642 | $ 15,296,160 | $ 10,000 | $ 8,643,625 | $ 100,066,080 |
| Additions, net | 1,870,783 | 1,225,838 | 660,115 | - | 1,255,361 | 5,012,097 |
| Deletions | (131,750) | (527,769) | (185,674) | - | (181,172) | (1,026,365) |
| Balance at June 30, 2016 | $ 42,306,686 | $ 36,246,711 | $ 15,770,601 | $ 10,000 | $ 9,717,814 | $ 104,051,812 |

## NOTE 6 UNEARNED REVENUE

Unearned revenue represents excess capital and operating assistance. The following represent the amounts at June 30:

| | 2017 | 2016 |
|---|---|---|
| Capital Assistance | | |
| Federal Transit Authority | **$ 1,216** | $ 21,708 |
| State Transit Assistance | **144,401** | 163,902 |
| Proposition 1B | **4,158,330** | 1,633,203 |
| Transportation Development Act | **106,335** | 152,530 |
| Operators/Others | **4,793** | 36,042 |
| Total capital assistance | **4,415,075** | 2,007,385 |
| Operating Assistance | | |
| Low Carbon Transit Operations Program | **403,782** | 539,373 |
| Transportation Development Act | **181,844** | - |
| Operator/Others | **10,750** | 42,250 |
| Total operating assistance | **596,376** | 581,623 |
| Total | **$ 5,011,451** | $ 2,589,008 |

### Capital Assistance

Changes in unearned revenue by funding source for the years ended June 30, 2017 and 2016 were as follows:

**June 30, 2017**

| | Federal Funds | STA Funds | Prop 1 B Funds | TDA Funds | Operator/ Other Funds | Total |
|---|---|---|---|---|---|---|
| **Excess capital funds at July 1, 2016** | **$ 21,708** | **$ 163,903** | **$ 1,633,203** | **$ 152,529** | **$ 36,042** | **$ 2,007,385** |
| **Interest earned** | **-** | **-** | **1,702** | **-** | **-** | **1,702** |
| **Allocation received** | **3,175,518** | **1,206,795** | **5,422,664** | **119,535** | **1,777,430** | **11,701,942** |
| **Funds Available** | **3,197,226** | **1,370,698** | **7,057,569** | **272,064** | **1,813,472** | **13,711,029** |
| **Less eligibile costs - capitalized** | **(3,196,010)** | **(1,226,297)** | **(2,899,239)** | **(165,729)** | **(1,808,679)** | **(9,295,954)** |
| **Excess capital funds at June 30, 2017** | **$ 1,216** | **$ 144,401** | **$ 4,158,330** | **$ 106,335** | **$ 4,793** | **$ 4,415,075** |

June 30, 2016

| | Federal Funds | STA Funds | Prop 1 B Funds | TDA Funds | Operator/ Other Funds | Total |
|---|---|---|---|---|---|---|
| Excess capital funds at July 1, 2015 | $ - | $ 400,130 | $ 1,594,547 | $ 577,100 | $ 27,628 | $ 2,599,405 |
| Interest earned | - | - | 266 | - | - | 266 |
| Allocation received | 3,217,718 | 637,634 | 390,367 | 235,544 | 1,263,775 | 5,745,038 |
| Funds Available | 3,217,718 | 1,037,764 | 1,985,180 | 812,644 | 1,291,403 | 8,344,709 |
| Less eligibile costs - capitalized | (3,196,010) | (873,861) | (351,977) | (660,115) | (1,255,361) | (6,337,324) |
| Excess capital funds at June 30, 2016 | $ 21,708 | $ 163,903 | $ 1,633,203 | $ 152,529 | $ 36,042 | $ 2,007,385 |

## NOTE 6 UNEARNED REVENUE (CONTINUED)

### Operating Assistance

Changes in unearned revenue by funding source for the year ended June 30 were as follows:

**June 30, 2017**

| | Federal Funds | TDA Funds | STA Measure A LCTOP Funds | Operator/ Other Funds | Total |
|---|---|---|---|---|---|
| **Excess operating funds at July 1, 2016** | $ - | $ - | $ 539,373 | $ 42,250 | $ 581,623 |
| **Allocation received** | 1,722,964 | 18,651,872 | - | 9,949 | 20,384,785 |
| **Funds available** | 1,722,964 | 18,651,872 | 539,373 | 52,199 | 20,966,408 |
| **Eligible costs** | (1,722,964) | (18,470,028) | (135,591) | (41,449) | (20,370,032) |
| **Excess operating funds at June 30, 2017** | $ - | $ 181,844 | $ 403,782 | $ 10,750 | $ 596,376 |

June 30, 2016

| | Federal Funds | TDA Funds | STA Measure A LCTOP Funds | Operator/ Other Funds | Total |
|---|---|---|---|---|---|
| Excess operating funds at July 1, 2015 | $ - | $ 3,553,091 | $ - | $ 19,939 | $ 3,573,030 |
| Allocation received | 2,805,656 | 12,055,396 | 7,187,379 | 42,250 | 22,090,681 |
| Funds available | 2,805,656 | 15,608,487 | 7,187,379 | 62,189 | 25,663,711 |
| Eligible costs | (2,805,656) | (15,029,833) | (6,648,006) | (19,939) | (24,503,434) |
| Changes in pension | - | (578,654) | - | - | (578,654) |
| Excess operating funds at June 30, 2016 | $ - | $ - | $ 539,373 | $ 42,250 | $ 581,623 |

## NOTE 7 LONG-TERM OBLIGATIONS

Summary of changes in long-term obligations for the year ended June 30 were as follows:

**June 30, 2017**

| | Balance July 1, 2016 | Additions | Deletions | Balance June 30, 2017 | Due Within One Year | Due In More Than One Year |
|---|---|---|---|---|---|---|
| **Compensated absences** | $ 1,411,148 | $ 1,306,476 | $ (1,207,912) | $ 1,509,712 | $ 1,509,712 | $ - |
| **Claims payable** | 3,985,634 | 554,784 | (950,170) | 3,590,248 | 846,581 | 2,743,667 |
| **Net pension obligation** | 4,106,739 | 1,076,507 | (2,401,689) | 2,781,557 | 2,026,177 | 755,380 |
| **Total** | $ 9,503,521 | $ 2,937,767 | $ (4,559,771) | $ 7,881,517 | $ 4,382,470 | $ 3,499,047 |

June 30, 2016

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 | Due Within One Year | Due In More Than One Year |
|---|---|---|---|---|---|---|
| Compensated absences | $ 1,282,143 | $ 1,974,176 | $ (1,845,171) | $ 1,411,148 | $ 1,411,148 | $ - |
| Claims payable | 2,559,900 | 2,808,427 | (1,382,693) | 3,985,634 | 939,812 | 3,045,822 |
| Net pension obligation | 2,399,559 | 3,696,807 | (1,989,627) | 4,106,739 | 2,177,519 | 1,929,220 |
| Total | $ 6,241,602 | $ 8,479,410 | $ (5,217,491) | $ 9,503,521 | $ 4,528,479 | $ 4,975,042 |

### Compensated Absences

Compensated absences at June 30, 2017 and 2016, amounted to $1,509,712 $1,411,148, respectively. There is no fixed payment schedule for compensated absences.

## NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

**Claims Payable**
Claims payable at June 30, 2017 and 2016, amounted to $3,590,248 and $3,985,634, respectively. There is no fixed payment schedule for claims payable. See Note 8 for more detail.

**Net Pension Liability**
Refer to Note 9 for information.

## NOTE 8 RISK MANAGEMENT

STA is a participant in the Public Entity Risk Management Authority (PERMA) formed under a joint powers agreement between local governments and special districts for the purpose of jointly funding (pooling risks) general liability and workers' compensation insurance for the member agencies. STA's general liability self-insured retention is $125,000 per claim. The total general liability coverage limit is $50,000,000 per occurrence. Workers' compensation insurance costs are based on annual deposit premiums. STA's workers' compensation self-insured retention is $250,000 per claim and coverage limits are statutory limits. Settlements have not exceeded insurance coverage for each of the past three years.

If PERMA experiences an unusually large number of losses during a policy year, the funds for a given program may become exhausted. In such case, the Board of Directors of PERMA may impose premium surcharges on all members who were in the program at the time such loss or losses occurred in order to pay the necessary costs. Annual surcharges shall not exceed an amount equal to three times the member's annual premium for the policy year in which such loss occurred. STA's surcharge would be based upon its pro rata share of premiums paid in said year.

STA's self-insured retention for general and workers' compensation liabilities is based on an annual actuarial study discounted at 2.5%. Changes in liabilities for the past two fiscal years were as follows:

| Fiscal Year | Beginning Balance | Provisions of Claims | Claim Payments | Ending Balance |
|---|---|---|---|---|
| 2013-2014 | $ 2,276,962 | $ 1,255,374 | $ (910,714) | $ 2,621,622 |
| 2014-2015 | 2,621,622 | 799,739 | (861,461) | 2,559,900 |
| 2015-2016 | 2,559,900 | 2,808,427 | (1,382,693) | 3,985,634 |
| 2016-2017 | 3,985,634 | 554,784 | (950,170) | 3,590,248 |

Separate financial statements for PERMA are available at 36-951 Cook Street, Suite 101, Palm Desert, California 92211.

## NOTE 9 EMPLOYEE RETIREMENT PLANS

**Plan Description**

STA contributes to the Sunline Transit Retirement Income Plans for Bargaining and Non-Bargaining Personnel (Plans), single-employer defined benefit pension plans. STA administers the Plans through a Retirement Committee appointed by STA's Board of Directors.

Bargaining and non-bargaining participants are 100 percent vested in their accrued benefit after completion of five years of credited service. Normal retirement age is 62; however, an employee may retire prior to age 62, provided he/she has attained age 55 or has completed 25 years of credited service. Employees who retire early are subject to a reduced benefit. An employee may remain employed after his/her normal retirement age and receive an increased benefit. Non-bargaining employees shall at all times be 100 percent vested in their contributions.

Bargaining Personnel Plan - Prior to June 30, 2007, the amount of the monthly retirement benefit at the normal retirement date shall be equal to 1/90 of the first $400 of Final Average Monthly Earnings (FAME) plus 1/60 of the excess of FAME over $400, times years and completed quarters of credited service. The calculation was amended effective July 1, 2007, whereas benefit payments at the normal retirement date shall be equal to 1/60 of FAME, multiplied by years and completed quarters of service. FAME is the average of the 36 highest consecutive months of earnings as a participant. If the employee has attained age 62 at termination and completed ten years of service, the minimum monthly benefit is $400. Earnings mean compensation paid during a plan year as an eligible employee, excluding any compensation paid as bonuses, overtime, or other extra pay. A year of credited service for each plan year is earned during which an employee is employed full time for STA. The basic form of benefit payment is a life annuity; however, various joint and survivor annuity forms are available, provided certain requirements are met.

Non-Bargaining Personnel Plan - The amount of the monthly retirement benefit at the normal retirement date shall be equal to the greater of a) 2.5 percent times FAME times years of credited service (FAME is the average of the 36 highest consecutive months of earnings as a participant) or b) if the employee has attained age 62 at termination and completed ten years of service, the minimum monthly benefit is $400. Earnings mean compensation paid during a plan year as an eligible employee, excluding any compensation paid as bonuses, overtime, or other extra pay. The maximum benefit is 90% of FAME. A year of credited service for each plan year is earned during which an employee is employed full time for STA. The basic form of benefit payment is a life annuity; however, various joint and survivor annuity forms are available, provided certain requirements are met.

## NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

### Plan Description (Continued)

Death, Disability and Termination Benefits Under the Plans - If an active employee (participant) dies, a death benefit may be paid to the participant's spouse, (or dependent under age 21) provided the participant has completed five years of credited service. The benefit is the participant's accrued benefit assuming that the participant retired on the day prior to their death. If an employee becomes totally and permanently disabled after completing ten years of services he/she shall be entitled to receive an unreduced pension equal to 2.5 percent of FAME times years of service. This benefit cannot exceed the projected benefit at age 62 based on current FAME and total service assuming continued employment until age 62. If a participant who has completed five years of vesting service is terminated for any reason other than death, he/she will be entitled to receive his/her normal benefit upon attainment of age 55.

Separate financial statements for the Plans may be obtained from STA.

The Plans' provisions and benefits in effect at June 30, 2017 and 2016, are summarized as follows:

| | Bargaining | Non-Bargaining |
|---|---|---|
| Benefit formula at normal retirement age | 1.6% @ 62 | 2.5% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 55 - 62 | 55 - 62 |
| Monthly benefits, as a % of eligible compensation | 1.6% | 2.0% to 2.5% |
| Required employee contribution rates | none | 0.03 |
| Required employer contribution rates | 0.1263 | 0.2379 |

***Employees Covered*** – At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

| | Bargaining | Non-Bargaining |
|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 84 | 44 |
| Inactive employees entitled to but not yet receiving benefits | 91 | 92 |
| Active employees | 264 | 103 |
| | 439 | 239 |

***Contributions*** – Funding contributions for both Plans are determined annually on an actuarial basis as of January 1 by an actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

## NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

***Net Pension Liability***

The Agency's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of December 31, 2016. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

***Actuarial Assumptions*** – The total pension liabilities in the January 1, 2017 actuarial valuations were determined using the following actuarial assumptions:

| | Bargaining | Non-Bargaining |
|---|---|---|
| Valuation Date | January 1, 2017 | January 1, 2017 |
| Measurement Date | December 31, 2016 | December 31, 2016 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Rate | 6.0% | 6.0% |
| Inflation | 2.75% | 2.75% |
| Payroll Growth | 3.0% | 4.0% |
| Projected Salary | 3.0% (1) | 4.0% (1) |
| Return | 6.0% (2) | 6.0% (2) |
| Mortality | RP-2006[1] Blue Collar Mortality Tables with generational improvements beginning in 2006 based on the Social Security Administration's assumption scale. After disablement, the RP-2006[2] Disabled Retiree Table with generational improvements beginning in 2006 based on the Social Security Administration's assumption scale. | RP-2006[1] Blue Collar Mortality Tables with generational improvements beginning in 2006 based on the Social Security Administration's assumption scale. After disablement, the RP-2006[2] Disabled Retiree Table with generational improvements beginning in 2006 based on the Social Security Administration's assumption scale. |

(1) Depending on merit, seniority and inflation

(2) Net of pension plan investment expenses, including inflation

[1] The RP-2006 Mortality Tables are the RP-2014 Mortality tables with the MP-2014 generational projection scale removed from the central year of the study (2006) to 2014.

[2] The RP-2006 Mortality Tables are the RP-2014 Mortality tables with the MP-2014 generational projection scale removed from the central year of the study (2006) to 2014.

Given the size of the plan, there is not enough data available to conduct credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviation from the actuarial assumptions.

## NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

***Discount Rate*** – The discount rate used to measure the total pension liability was 6.00% for each Plan. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. An explicit cost for Plan expenses was not included in the valuation. The 6.00% investment return used in this accounting valuation is assumed to be net of administrative expenses. An investment return excluding administrative expenses would have been higher than 6.00%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. STA believes the difference in calculation will not lead to a material difference.

***Changes in the Net Pension Liability***
The following table shows the changes in net pension liability over the measurement period:

| | Increase(Decrease) | | |
|---|---|---|---|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability / (Asset) |
| Balance at 12/31/2015 | $ 45,992,156 | $ 41,885,417 | $ 4,106,739 |
| Changes recognized for the measurement period: | | | |
| Service cost | 1,950,941 | - | 1,950,941 |
| Interest on the total pension liability | 2,839,519 | - | 2,839,519 |
| Differences between expected and actual experiences | (866,759) | - | (866,759) |
| Changes of assumptions | (97,435) | - | (97,435) |
| Contributions from the employer | - | 2,215,076 | (2,215,076) |
| Contributions from the employee | - | 131,637 | (131,637) |
| Net Investment Income | - | 3,172,526 | (3,172,526) |
| Administrative expenses | - | (367,791) | 367,791 |
| Benefit payments, including refunds of employee contributions | (1,235,559) | (1,235,559) | - |
| Net changes during 2016 | 2,590,707 | 3,915,889 | (1,325,182) |
| Balance at: 12/31/2016 | $ 48,582,863 | $ 45,801,306 | $ 2,781,557 |

## NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the net pension liability of STA for each Plan, calculated using the discount rate for each Plan, as well as what STA's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Bargaining | Non-Bargaining |
|---|---|---|
| 1% Decrease | 5.00% | 5.00% |
| Net Pension Liability | $5,238,472 | $4,506,648 |
| | | |
| Current Discount Rate | 6.00% | 6.00% |
| Net Pension Liability | $1,827,003 | $954,554 |
| | | |
| 1% Increase | 7.00% | 7.00% |
| Net Pension Liability | ($1,004,715) | ($1,964,145) |

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan's fiduciary net position is available in the separately issued audited financial reports.

***Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

For the year ended June 30, 2017, STA recognized pension expense of $ 3,088,267. At June 30, 2017, STA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Differences between actual and expected experience | $ 53,941 | $ (1,229,068) |
| Changes in assumptions | 791,347 | (545,522) |
| Net differences between projected and actual earnings on plan investments | 1,936,967 | (509,680) |
| Total | $ 2,782,255 | $ (2,284,270) |

## NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| December 31 | Amount |
|---|---|
| 2017 | 597,080 |
| 2018 | 402,905 |
| 2019 | 270,444 |
| 2020 | (451,376) |
| 2021 | (150,604) |
| Therafter | (170,464) |

***Payable to the Pension Plan***
At June 30, 2017, the Agency has no outstanding amount of contributions to the pension plan for the year ended June 30, 2017.

## NOTE 10 COMMITMENTS AND CONTINGENCIES

**Lawsuits**
STA and SSG were named in certain legal actions pending at June 30, 2017. While the outcome of these lawsuits is not presently determinable, in the opinion of management of STA and SSG, based in part on the advice of counsel, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of STA and SSG, or is adequately covered by insurance.

**Federal and State Grant Programs**
STA participates in Federal and State grant programs. These programs were audited in accordance with the provisions of the Federal Single Audit Act of 1984, as amended in 1996 and applicable state requirements. No cost disallowance is expected as a result of these audits; however, these programs may be subject to further examination by the grantors. Awards which may be disallowed by the granting agencies, if any, cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

**Construction Commitments**
Construction commitments at June 30, 2017 is $261,022.

## NOTE 11 TRANSPORTATION DEVELOPMENT ACT (TDA) COMPLIANCE

STA is subject to the provisions of the Public Utilities Code ("PUC") Section 99270.1 and must maintain a minimum fare ratio of 18.23% in 2017 of operating revenues to operating expenses.

After allocation of indirect costs to each type of service and taking into consideration certain cost exemption provisions of the TDA, STA's fare ratio for the year ended June 30, 2017 was 20.60%, as calculated below. STA is in compliance with the provisions of PUC Section 99270.1.

| | | |
|---|---|---|
| Farebox and other revenues | $ | 6,787,606 |
| Interest | | 4,069 |
| Total revenues | | 6,791,675 |
| Net Revenues | | 6,791,675 |
| Operating expenses | | 40,462,904 |
| Less: Depreciation | | 7,242,077 |
| Vehicle lease | | 258,178 |
| Net operating expenses | $ | 32,962,649 |
| Fare ratio | | 20.60% |
| Target ratio | | 18.23% |

## NOTE 12 PROPOSITION 1B

On November 7, 2006, the voters of the State of California approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, known as Proposition 1B. Proposition 1B included in a State program of funding in the amount of $4 billion and $1 billion to be deposited in the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and Transit System Safety, Security and Disaster Response Account (TSSSDRA), respectively. PTMISEA funds can be used for rehabilitation, safety or modernization improvements, or for rolling stock procurement, rehabilitation or replacement. TSSSDRA funds can be used for transportation related security and safety projects.

Proposition 1B activity during the year ended June 30, 2017 was as follows:

| | PTMISEA | TSSSDRA | Total |
|---|---|---|---|
| Unspent Prop 1B funds at July 1, 2016 | $ 542,316 | $ 1,090,887 | $ 1,633,203 |
| Prop 1 B funds received/returned | 5,049,113 | 373,551 | 5,422,664 |
| Prop 1 B funds spent | (2,641,883) | (257,356) | (2,899,239) |
| Interest revenue earned on unspent Prop 1B funds | 1,320 | 382 | 1,702 |
| Unspent Prop 1B funds at June 30, 2017 | $ 2,950,866 | $ 1,207,464 | $ 4,158,330 |

## NOTE 13 VEHICLE LEASES

SunLine Transit Agency (lessee) entered into agreement with BYD Coach and Bus (lessor) to lease three (3) K9-40 foot, low floor BYD Electric Buses. The original lease agreement covers the period December 1, 2015 up to January 1, 2017 (14 months) which includes a buy-out option for $650,000 for each bus minus lease payments made to date. Upon payment of the 14th lease payment, SunLine Transit Agency has the right to purchase the buses and power interface charging systems for the residual value of $586,804 each plus tax, based on the first 14 month lease term, or return the buses to BYD Coach and Bus.

The lease shall automatically renew for consecutive 12-month terms unless SunLine Transit Agency provides 30 days written notice.

On January 2, 2017 the terms of the agreement was changed to a month-to-month lease agreement.

The funding source for payment of operating leases for 3 BYD Electric buses is from State Transit Assistance Capital Funds.

## NOTE 14 SUBSEQUENT EVENTS

The Agency has evaluated events subsequent to June 30, 2017 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 28, 2017, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

| | **Reporting Period 2017** | | Reporting Period 2016 | |
|---|---|---|---|---|
| | **Bargaining** | **Non-Bargaining** | Bargaining | Non-Bargaining |
| **Total Pension Liability** | | | | |
| Service cost | $ 963,077 | $ 987,864 | $ 786,230 | $ 838,631 |
| Interest on total pension liability | 1,396,512 | 1,443,007 | 1,319,280 | 1,380,214 |
| Differences between expected and actual experience | (97,435) | (866,759) | 43,602 | (461,064) |
| Changes of assumptions | - | - | (565,426) | (130,456) |
| Benefits payments, including refunds of employee contributions | (494,152) | (741,407) | (452,533) | (718,599) |
| Net change in total pension liability | 1,768,002 | 822,705 | 1,131,153 | 908,726 |
| Total pension liability - beginning | 22,559,195 | 23,432,961 | 21,428,042 | 22,524,235 |
| Total pension liability - ending (a) | $ 24,327,197 | $ 24,255,666 | $ 22,559,195 | $ 23,432,961 |
| **Plan fiduciary net pension** | | | | |
| Contributions from the employer | $ 1,171,779 | $ 1,043,297 | $ 1,017,569 | $ 972,058 |
| Contributions from the employee | - | 131,637 | - | 124,295 |
| Net investment income | 1,553,438 | 1,619,088 | (134,851) | (140,493) |
| Benefits payments, including refunds of employee contributions | (494,152) | (741,407) | (452,533) | (718,599) |
| Administrative expenses | (181,447) | (186,344) | (162,245) | (172,502) |
| Net change in plan fiduciary net position | $ 2,049,618 | $ 1,866,271 | $ 267,940 | $ 64,759 |
| Plan fiduciary net position - beginning | 20,450,576 | 21,434,841 | 20,182,636 | 21,370,082 |
| Plan fiduciary net position - ending (b) | $ 22,500,194 | $ 23,301,112 | $ 20,450,576 | $ 21,434,841 |
| Net pension liability - ending (a) - (b) | **$ 1,827,003** | **$ 954,554** | $ 2,108,619 | $ 1,998,120 |
| Plan fiduciary net position as a percentage of the total pension l | 92.49% | 96.06% | 90.65% | 91.47% |
| Covered - employee payroll | $ 9,306,674 | $ 4,429,828 | $ 7,395,958 | $ 3,608,769 |
| Net pension liability as a percentage of covered-employee payro | 19.63% | 21.55% | 28.51% | 55.37% |

## Note to Schedule

* Fiscal Year 2015 was the 1st year of implementation

**SunLine Transit Agency**
**Schedule of Contributions – Bargaining Plan**
**Last Ten Years***

| Year Ended December 31 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contributions Deficiency (Excess) | Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2007 | 727,512 | 785,347 | (57,835) | 5,531,108 | 14.20% |
| 2008 | 820,368 | 890,759 | (70,391) | 5,746,597 | 15.50% |
| 2009 | 1,118,112 | 1,095,054 | 23,058 | 6,415,771 | 17.07% |
| 2010 | 1,021,656 | 1,118,615 | (96,959) | 6,688,432 | 16.72% |
| 2011 | 959,580 | 1,028,823 | (69,243) | 6,514,916 | 15.79% |
| 2012 | 1,011,840 | 1,045,458 | (33,618) | 6,593,082 | 15.86% |
| 2013 | 916,788 | 999,727 | (82,939) | 6,862,649 | 14.57% |
| 2014 | 693,586 | 838,727 | (145,141) | 7,171,287 | 11.70% |
| 2015 | 891,288 | 1,017,569 | (126,281) | 7,395,958 | 13.76% |
| 2016 | 1,175,179 | 1,171,779 | 3,400 | 9,306,674 | 12.59% |

**Notes to Schedule**

Actuarially determined contributions are calculated annually, at the beginning of each Plan year in which contributions are reported Methods and assumptions used to determine contributions are as follows:

| | |
|---|---|
| Actuarial cost method | Aggregate Actuarial Cost Method |
| Amortization method | Level percentage of payroll |
| Remaining amortization period | Remaining working lifetime |
| Asset valuation method | Actuarial value of assets is the market value of funds held by custodian with accrued contributions and accrued interest and dividends. |
| Inflation | 2.75% |
| Salary increases | 3.00%, including merit, seniority, and inflation. |
| Investment rate of return | 6.00% per annum, net of investment expenses, compounded annually. |
| Retirement age | Retirement age varies based on employees' age and year of service |
| Mortality | RP-2006 Blue Collar Mortality Tables with generational improvements beginning in 2006 based on the Social Security Administration's assumption scale. After disablement, the RP-2006 Disabled Retiree Table with generational improvements beginning in 2006 based on the Social Security Administation's assumption scale. The RP-2006 Mortality Tables are the RP-2014 Mortality tables with the MP-2014 generational projection scale removed from the central year of the study (2006) to 2014. |

| Year Ended December 31 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contributions Deficiency (Excess) | Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2007 | $ 935,508 | $ 1,072,325 | $ (136,817) | $ 3,007,499 | 35.66% |
| 2008 | 951,600 | 1,062,471 | (110,871) | 3,429,409 | 30.98% |
| 2009 | 1,265,400 | 1,222,443 | 42,957 | 3,525,248 | 34.68% |
| 2010 | 1,162,812 | 1,192,577 | (29,765) | 3,725,878 | 32.01% |
| 2011 | 1,013,700 | 1,072,780 | (59,080) | 3,512,416 | 30.54% |
| 2012 | 1,063,500 | 1,120,580 | (57,080) | 3,295,632 | 34.00% |
| 2013 | 960,708 | 1,168,010 | (207,302) | 3,288,878 | 35.51% |
| 2014 | 709,392 | 970,711 | (261,319) | 3,626,818 | 26.76% |
| 2015 | 838,188 | 972,058 | (133,870) | 3,608,769 | 26.94% |
| 2016 | 1,053,887 | 1,043,297 | 10,590 | 4,429,828 | 23.55% |

**Notes to Schedule**
Actuarially determined contributions are calculated annually, at the beginning of each Plan year in which contributions are reported Methods and assumptions used to determine contributions are as follows:

| | |
|---|---|
| Actuarial cost method | Aggregate Actuarial Cost Method |
| Amortization method | Level percentage of payroll |
| Remaining amortization period | Remaining working lifetime |
| Asset valuation method | Actuarial value of assets is the market value of funds held by custodian with accrued contributions and accrued interest and dividends. |
| Inflation | 2.75% |
| Salary increases | 4.00% |
| Investment rate of return | 6.00% per annum, net of investment expenses, compounded annually. |
| Retirement age | Retirement age varies based on employees' age and year of service |
| Mortality | RP-2006 Blue Collar Mortality Tables with generational improvements beginning in 2006 based on the Social Security Administration's assumption scale. After disablement, the RP-2006 Disabled Retiree Table with generational improvements beginning in 2006 based on the Social Security Administation's assumption scale. The RP-2006 Mortality Tables are the RP-2014 Mortality tables with the MP-2014 generational projection scale removed from the central year of the study (2006) to 2014. |

# SUPPLEMENTARY INFORMATION

## Sunline Transit Agency
## Combining Statements of Net Position
## June 30, 2017 and 2016

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | STA | SSG | Total | STA | SSG | Total |
| **ASSETS** | | | | | | |
| **Current assets:** | | | | | | |
| Cash and investments | $ 7,278,660 | $ 497,095 | $ 7,775,755 | $ 5,182,598 | $ 484,630 | $ 5,667,228 |
| Accounts receivable, net | 477,034 | 35,114 | 512,148 | 624,438 | 12,250 | 636,688 |
| Due from other governmental agencies | 6,658,320 | - | 6,658,320 | 3,222,656 | - | 3,222,656 |
| Due from STA | 45,548 | - | 45,548 | 47,402 | - | 47,402 |
| Inventory | 799,895 | - | 799,895 | 764,960 | - | 764,960 |
| Prepaid expennse | 481,043 | - | 481,043 | 158,661 | - | 158,661 |
| **Total current assets** | 15,740,500 | 532,209 | 16,272,709 | 10,000,715 | 496,880 | 10,497,595 |
| **Noncurrent assets:** | | | | | | |
| Deposits | 589,528 | - | 589,528 | 499,515 | - | 499,515 |
| Capital assets, not depreciated | 8,608,925 | - | 8,608,925 | 6,592,942 | - | 6,592,942 |
| Capital assets, depreciated | 44,341,626 | 9,137 | 44,350,763 | 44,561,911 | 15,557 | 44,577,468 |
| **Total noncurrent assets** | 53,540,079 | 9,137 | 53,549,216 | 51,654,368 | 15,557 | 51,669,925 |
| **Total assets** | 69,280,579 | 541,346 | 69,821,925 | 61,655,083 | 512,437 | 62,167,520 |
| **DEFERRED OUTFLOW OF RESOURCES** | | | | | | |
| Deferred amounts from pension | 2,782,255 | - | 2,782,255 | 3,957,884 | - | 3,957,884 |
| **LIABILITES** | | | | | | |
| **Current liabilities:** | | | | | | |
| Accounts payable and accrued liabilities | 966,639 | 3,704 | 970,343 | 797,664 | 13,400 | 811,064 |
| Accrued payroll and related liabilities | 269,572 | 1,138 | 270,710 | 616,287 | 4,121 | 620,408 |
| Due to other governmental agencies | | | | | | |
| Riverside County Transportation Commission | 3,000,000 | - | 3,000,000 | - | - | |
| Due to STA | - | 45,548 | 45,548 | - | 47,402 | 47,402 |
| Unearned revenue | 5,011,451 | - | 5,011,451 | 2,589,008 | - | 2,589,008 |
| Net pension liability - current portion | 2,026,177 | - | 2,026,177 | 2,177,519 | - | 2,177,519 |
| Compensated absences payable | 1,505,264 | 4,448 | 1,509,712 | 1,397,975 | 13,173 | 1,411,148 |
| Claims payable - current portion | 846,581 | - | 846,581 | 939,812 | - | 939,812 |
| **Total current liabilities** | 13,625,684 | 54,838 | 13,680,522 | 8,518,265 | 78,096 | 8,596,361 |
| **Noncurrent liabilities:** | | | | | | |
| Net pension liability | 755,380 | - | 755,380 | 1,929,220 | - | 1,929,220 |
| Claims payable | 2,743,667 | - | 2,743,667 | 3,045,822 | - | 3,045,822 |
| **Total noncurrent liabilities** | 3,499,047 | - | 3,499,047 | 4,975,042 | - | 4,975,042 |
| **Total liabilities** | 17,124,731 | 54,838 | 17,179,569 | 13,493,307 | 78,096 | 13,571,403 |
| **DEFERRED INFLOW OF RESOURCES** | | | | | | |
| Deferred amounts from pension | 2,284,270 | - | 2,284,270 | 1,261,526 | - | 1,261,526 |
| **NET POSITION** | | | | | | |
| Net investment in capital assets | 52,950,551 | 9,137 | 52,959,688 | 51,154,853 | 15,557 | 51,170,410 |
| Unrestricted | (296,718) | 477,371 | 180,653 | (296,719) | 418,784 | 122,065 |
| **Total net position** | $ 52,653,833 | $ 486,508 | $ 53,140,341 | $ 50,858,134 | $ 434,341 | $ 51,292,475 |

*See report of independent auditors.*

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **STA** | **SSG** | **Total** | STA | SSG | Total |
| **OPERATING REVENUES** | | | | | | |
| Passenger fares | **$ 3,055,022** | **$ -** | **$ 3,055,022** | $ 3,200,299 | $ - | $ 3,200,299 |
| CNG and hydrogen fuel revenues | **3,125,917** | **-** | **3,125,917** | 3,299,395 | - | 3,299,395 |
| Taxi license fees | **-** | **284,465** | **284,465** | - | 349,167 | 349,167 |
| Other | **606,215** | **-** | **606,215** | 632,196 | - | 632,196 |
| **Total operating revenues** | **6,787,154** | **284,465** | **7,071,619** | 7,131,890 | 349,167 | 7,481,057 |
| **Operating expenses** | | | | | | |
| Salaries and benefits | **24,043,772** | **-** | **24,043,772** | 22,331,808 | - | 22,331,808 |
| Depreciation | **7,242,077** | **6,620** | **7,248,697** | 7,124,551 | 14,295 | 7,138,846 |
| Vehicle lease | **258,178** | **-** | **258,178** | - | - | - |
| Casualty and liability costs | **1,409,171** | **11,846** | **1,421,017** | 2,797,763 | 3,314 | 2,801,077 |
| Services | **2,704,544** | **34,438** | **2,738,982** | 2,252,215 | 29,377 | 2,281,592 |
| Utilities | **1,949,540** | **6,585** | **1,956,125** | 1,694,943 | 3,976 | 1,698,919 |
| Materials and supplies | **1,685,163** | **3,524** | **1,688,687** | 1,591,914 | 9,683 | 1,601,597 |
| Administrative | **-** | **166,582** | **166,582** | - | 275,591 | 275,591 |
| Fuel and lubricants | **274,061** | **-** | **274,061** | 212,112 | - | 212,112 |
| Tires and tubes | **213,033** | **-** | **213,033** | 198,948 | - | 198,948 |
| Taxes | **194,224** | **-** | **194,224** | 187,863 | - | 187,863 |
| Miscellaneous | **489,141** | **2,903** | **492,044** | 350,295 | 3,071 | 353,366 |
| **Total operating expenses** | **40,462,904** | **232,498** | **40,695,402** | 38,742,412 | 339,307 | 39,081,719 |
| **OPERATING LOSS** | **(33,675,750)** | **51,967** | **(33,623,783)** | (31,610,522) | 9,860 | (31,600,662) |
| **NONOPERATING REVENUES** | | | | | | |
| Operating grants: | | | | | | |
| Local Transportation Fund | **18,470,028** | **-** | **18,470,028** | 15,029,833 | - | 15,029,833 |
| Measure A | **5,835,696** | **-** | **5,835,696** | 6,492,099 | - | 6,492,099 |
| Federal Transit Administration -Section 5307 | **438,668** | **-** | **438,668** | 2,197,912 | - | 2,197,912 |
| Federal Transit Administration -Section 5309 | **6,693** | **-** | **6,693** | - | - | - |
| Federal Transit Administration -Section 5310 | **40,042** | **-** | **40,042** | 17,564 | - | 17,564 |
| Federal Transit Administration -Section 5311 | **341,572** | **-** | **341,572** | 359,891 | - | 359,891 |
| Federal Transit Administration -Section 5311(f) | **300,000** | **-** | **300,000** | - | - | - |
| Federal Transit Administration -Section 5316 | **15,079** | **-** | **15,079** | 74,850 | - | 74,850 |
| Federal Transit Administration -Section 5317 | **76,964** | **-** | **76,964** | 64,541 | - | 64,541 |
| Federal Transit Administration - CMAQ | **510,642** | **-** | **510,642** | 90,898 | - | 90,898 |
| Low-Carbon Transit Operations Program | **135,591** | **-** | **135,591** | 155,907 | - | 155,907 |
| **Total operating grants** | **26,170,975** | **-** | **26,170,975** | 24,483,495 | - | 24,483,495 |
| Interest income | **4,069** | **-** | **4,069** | 2,477 | 21 | 2,498 |
| Miscellaneous income | **-** | **200** | **200** | - | - | - |
| Gain (loss) on sale of capital assets | **451** | **-** | **451** | (34,165) | - | (34,165) |
| **Total nonoperating revenues** | **26,175,495** | **200** | **26,175,695** | 24,451,807 | 21 | 24,451,828 |
| **LOSS BEFORE CAPITAL CONTRIBUTIONS** | **(7,500,255)** | **52,167** | **(7,448,088)** | (7,158,715) | 9,881 | (7,148,834) |
| **CAPITAL CONTRIBUTIONS** | | | | | | |
| Capital grants: | | | | | | |
| Federal Transit Administration | **3,196,010** | **-** | **3,196,010** | 1,870,783 | - | 1,870,783 |
| State Transit Assistance | **1,226,297** | **-** | **1,226,297** | 873,861 | - | 873,861 |
| Prop 1 B | **2,899,239** | **-** | **2,899,239** | 351,977 | - | 351,977 |
| Local Transportation Fund | **165,729** | **-** | **165,729** | 660,115 | - | 660,115 |
| Other | **1,808,679** | **-** | **1,808,679** | 1,255,361 | - | 1,255,361 |
| **Total capital contributions** | **9,295,954** | **-** | **9,295,954** | 5,012,097 | - | 5,012,097 |
| **CHANGE IN NET POSITION** | **1,795,699** | **52,167** | **1,847,866** | (2,146,618) | 9,881 | (2,136,737) |
| **NET POSITION** | | | | | | |
| Beginning of year | **50,858,134** | **434,341** | **51,292,475** | 53,004,752 | 424,460 | 53,429,212 |
| End of year | **$ 52,653,833** | **$ 486,508** | **$ 53,140,341** | $ 50,858,134 | $ 434,341 | $ 51,292,475 |

*See report of independent auditors.*

# Sunline Transit Agency
# Combining Statements of Cash Flows
# Years Ended June 30, 2017 and 2016

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **STA** | **SSG** | **Total** | STA | SSG | Total |
| **Cash flows from operating activities** | | | | | | |
| Cash received from customers | **$ 6,934,558** | **$ 261,601** | **$ 7,196,159** | $ 6,861,568 | $ 353,054 | $ 7,214,622 |
| Cash payments to suppliers for goods and services | **(9,850,796)** | **(68,992)** | **(9,919,788)** | (9,162,327) | (42,375) | (9,204,702) |
| Cash payments to employees for services | **(23,410,007)** | **(178,290)** | **(23,588,297)** | (20,278,372) | (289,633) | (20,568,005) |
| **Net cash provided by (used in) operating activities** | **(26,326,245)** | **14,319** | **(26,311,926)** | (22,579,131) | 21,046 | (22,558,085) |
| **Cash flows from noncapital financing activities** | | | | | | |
| Cash received from operating grants | **22,750,064** | **-** | **22,750,064** | 22,876,982 | - | 22,876,982 |
| Loan proceeds from RCTC | **3,000,000** | **-** | **3,000,000** | - | - | - |
| Advances to/from SSG | **1,854** | **(1,854)** | **-** | (59,162) | 59,162 | - |
| Payment of loan to RCTC | **-** | **-** | **-** | (3,000,000) | - | (3,000,000) |
| **Net cash provided by noncapital financing activities** | **25,751,918** | **(1,854)** | **25,750,064** | 19,817,820 | 59,162 | 19,876,982 |
| **Cash flows from capital and related financing activities** | | | | | | |
| Cash received from capital grants | **11,703,644** | **-** | **11,703,644** | 4,420,077 | - | 4,420,077 |
| Acquisition and construction of capital assets | **(9,037,775)** | **-** | **(9,037,775)** | (5,012,097) | - | (5,012,097) |
| Proceeds from sale of capital assets | **451** | **-** | **451** | 23,443 | - | 23,443 |
| **Net cash used in capital and related financing activities** | **2,666,320** | **-** | **2,666,320** | (568,577) | - | (568,577) |
| **Cash flows from investing activities** | | | | | | |
| Cash received from interest income | **4,069** | **-** | **4,069** | 2,477 | 21 | 2,498 |
| **Net cash provided by investing activities** | **4,069** | **-** | **4,069** | 2,477 | 21 | 2,498 |
| Change in cash and cash equivalents | **2,096,062** | **12,465** | **2,108,527** | (3,327,411) | 80,229 | (3,247,182) |
| **Cash and cash equivalents, beginning of year** | **5,182,598** | **484,630** | **5,667,228** | 8,510,009 | 404,401 | 8,914,410 |
| **Cash and cash equivalents, end of year** | **$ 7,278,660** | **$ 497,095** | **$ 7,775,755** | 5,182,598 | $ 484,630 | $ 5,667,228 |
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | | | | |
| Operating income (loss) | **$ (33,675,750)** | **$ 51,967** | **$ (33,623,783)** | (31,618,095) | $ 17,433 | $ (31,600,662) |
| Provision for doubtful accounts | **829** | **-** | **829** | 829 | - | 829 |
| Depreciation | **7,242,077** | **6,620** | **7,248,697** | 7,124,551 | 14,295 | 7,138,846 |
| Changes in operating assets and liabilities | | | | | | |
| Accounts receivable | **146,575** | **(22,864)** | **123,711** | (271,151) | 4,587 | (266,564) |
| Inventory | **(34,935)** | **-** | **(34,935)** | (181,210) | - | (181,210) |
| Prepaid items | **(322,382)** | **-** | **(322,382)** | (137,345) | - | (137,345) |
| Deposits | **(90,013)** | **-** | **(90,013)** | (199,321) | - | (199,321) |
| Deferred outflows of resources | **1,175,629** | **-** | **1,175,629** | (642,997) | - | (642,997) |
| Accounts payable and accrued liabilities | **168,975** | **(9,696)** | **159,279** | (111,414) | 9,464 | (101,950) |
| Retention payable | **-** | **-** | **-** | (672,718) | - | (672,718) |
| Accrued payroll and related liabilities | **(346,715)** | **(2,983)** | **(349,698)** | (74,530) | (6,534) | (81,064) |
| Net pension liability | **(1,325,182)** | **-** | **(1,325,182)** | 1,707,180 | - | 1,707,180 |
| Compensated absences | **107,289** | **(8,725)** | **98,564** | 138,931 | (9,926) | 129,005 |
| Claims payable | **(395,386)** | **-** | **(395,386)** | 1,425,734 | - | 1,425,734 |
| Unearned revenue | **-** | **-** | **-** | - | (700) | (700) |
| Deferred inflows of resources | **1,022,744** | **-** | **1,022,744** | 924,852 | - | 924,852 |
| **Net cash provided by (used in) operating activities** | **$ (26,326,245)** | **$ 14,319** | **$ (26,311,926)** | $ (22,586,704) | $ 28,619 | $ (22,558,085) |

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**Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Board of Directors**
**Sunline Transit Agency**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sunline Transit Agency (STA), which comprise the statements of net position as of June 30, 2017, the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2017.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether STA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, contained in the State of California Department of Transportation, Article 4 of the *Transportation Development Act*, the *Public Transportation Modernization, Improvement and Service Enhancement Account* (PTMISEA) described in California Government Code §8879.55, the *Transit System Safety, Security and Disaster Response Account* (TSSSDRA) described in California Government Code §8879.23, 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 result of that testing, and not to provide an opinion on the effectiveness of STA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Los Angeles, California**
**September 28, 2017**

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# SunLine Services Group
## Audited Financial Statements
### *As of and for the Years Ended June 30, 2017 and 2016*
### *with Report of Independent Auditors*



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Vasquez & Company LLP
Certified Public Accountants and Business Consultants

**SunLine Services Group**
**Audited Financial Statements**
***As of and for the Years Ended June 30, 2017 and 2016***
***with Report of Independent Auditors***

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Sacramento
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## Report of Independent Auditors

**Board of Directors**
**SunLine Services Group**
Thousand Palms, California 92276

### Report on the Financial Statements

We have audited the accompanying financial statements of SunLine Services Group (SSG), a component unit of SunLine Transit Agency (STA), which comprise the statements of net position as of June 30, 2017 and 2016 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

***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.

***Auditors' Responsibility***

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SunLine Services Group as of June 30, 2017 and 2016, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 9 to the financial statements, the 2016 financial statements have been restated to adjust depreciation reported in prior year. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. 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 financial statements, and other knowledge we obtained during our audit of the 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 September 28, 2017 on our consideration of SSG'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 solely 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 the effectiveness of SSG's 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 SSG's internal control over financial reporting and compliance.

**Los Angeles, California**
**September 28, 2017**

The management of SunLine Services Group (SSG) offers readers of the SSG's financial statements narrative overview and analysis of the financial activities of SSG for the fiscal years (FY) ended June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the audited financial statements including the notes to the financial statements.

## FINANCIAL HIGHLIGHTS

- Total assets of SSG exceeded its liabilities at the close of the fiscal year by $486,508 in 2017 and $434,341 in 2016. At June 30, 2017, net position consisted of $9,137 net investment in capital assets and $477,371 of unrestricted net position.

- SSG's net position increased in FY 2017 by $52,167. Operating revenues decreased by $64,523, however, operating expenses also decreased by $106,809 during the year. The decrease in operating revenues in FY 2017 when compared to FY 2016 was due to the decrease in operating vehicle permits and passenger surcharge fees in FY 2017 because of competition from the Uber transport services.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to SSG's financial statements. SSG's financial statements consist of two components:

- Financial statements; and,
- Notes to financial statements.

### Financial Statements

The financial statements are designed to provide readers with a broad overview of SSG's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of SSG'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 whether SSG's financial position is improving or deteriorating. The presentation of net position also distinguishes between those invested in capital assets, those that are restricted by external parties or legal requirements, or those that are unrestricted and can be used for any purpose.

The *Statement of Revenues, Expenses and Changes in Net Position* provide information regarding the revenues generated and earned and the expenses incurred related to those revenues. The difference between the revenues and expenses represents the change in net position, or profitability as reflected by the amount of change in net position generated for the fiscal year.

The *Statement of Cash Flows* presents information on SSG's sources and uses of cash and the overall change in cash and cash equivalents over the fiscal year. These activities are categorized by the different activities in which SSG engages: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

### Notes to Financial Statements

The notes provide information on significant accounting policies, cash and investments, accounts receivable, capital assets, compensated absences, and other areas for a full understanding of the data in the financial statements.

## FINANCIAL STATEMENT ANALYSIS

### Net Position

As stated earlier, increases or decreases in net position over time may serve as a useful indicator of SSG's financial position. At June 30, 2017, SSG's assets exceeded liabilities by $486,508, a $52,167 increase from June 30, 2016. A condensed summary of the Statements of Net Position as of June 30, 2017 and 2016 is shown below:

| | 2017 | (as restated) 2016 | Changes |
|---|---|---|---|
| Current and other assets | **$ 532,209** | $ 496,880 | $ 35,329 |
| Capital assets | **9,137** | 15,557 | (6,420) |
| Total assets | **541,346** | 512,437 | 28,909 |
| Current liabilities | **54,838** | 78,096 | (23,258) |
| Total liabilities | **54,838** | 78,096 | (23,258) |
| Net Position: | | | |
| Net investment in capital assets | **9,137** | 15,557 | (6,420) |
| Unrestricted | **477,371** | 418,784 | 58,587 |
| Total net position | **$ 486,508** | $ 434,341 | $ 52,167 |

SSG's investment in capital assets represents acquisition of service vehicles and peripheral equipment for operations, and administrative support. SSG uses these capital assets to provide services to regulate, license, and franchise taxicabs and alternative transportation in the Coachella Valley. Because of this, these assets are not available for future spending. The decrease of $6,420 in net investment in capital assets at June 30, 2017, resulted primarily from the depreciation of capital assets.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position increased by $58,587 due to higher revenues generated than expenses incurred during FY 2017.

### Changes in Net Position

For the fiscal years ended June 30, 2017 and 2016, SSG's revenues were $284,465, and $349,188, respectively, while the total expenses, excluding depreciation, were $225,878 and $325,012, respectively. The table below presents financial data related to the change in net position of $52,167 and $9,881 during the fiscal years ended June 30, 2017 and 2016, respectively. The lower operating revenues in 2017 than 2016 was primarily due to decrease in revenues from operating vehicle permits and passenger surcharge fees because of competition from the Uber transport services.

| | 2017 | (as restated) 2016 | Changes |
|---|---|---|---|
| **REVENUES** | | | |
| Operating vehicle permit fees | **$ 79,150** | $ 90,941 | $ (11,791) |
| Passenger surcharge fees | **181,645** | 217,071 | (35,426) |
| Driving permits and inspection fees | **17,460** | 38,615 | (21,155) |
| Interest and other revenues | **6,410** | 2,561 | 3,849 |
| **Total revenues** | **284,665** | 349,188 | (64,523) |
| **CONTROLLABLE OPERATING EXPENSES** | | | |
| Administrative | **166,582** | 275,591 | (109,009) |
| Services | **34,438** | 29,377 | 5,061 |
| Materials and supplies | **3,524** | 9,683 | (6,159) |
| Utilities | **6,585** | 3,976 | 2,609 |
| Casualty and liability | **11,846** | 3,314 | 8,532 |
| Miscellaneous | **2,903** | 3,071 | (168) |
| Total controllable operating expenses | **225,878** | 325,012 | (99,134) |
| Depreciation | **6,620** | 14,295 | (7,675) |
| **Total expenses** | **232,498** | 339,307 | (106,809) |
| **CHANGES IN NET POSITION** | **52,167** | 9,881 | 42,286 |
| **NET POSITION** | | | |
| Beginning of year | **434,341** | 424,460 | 9,881 |
| End of year | **$ 486,508** | $ 434,341 | $ 52,167 |

## Revenues

Operating revenues decreased by $64,523 from 2017 due to the decrease in operating vehicle permits and passenger surcharge fees as a result of the competition from the Uber transport services.

## Expenses

Adopted SSG 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. For purposes of this analysis, operating expenses before depreciation will be discussed. These expenses totaled $225,878 and $325,012 during the fiscal years ended June 30, 2017 and 2016, respectively. Operating expenses before depreciation decreased by $99,134 from 2016. The decrease is primarily due to decrease in administrative expenses such as decrease in salaries expenses allocated by STA during the year.

**Capital assets**

SSG's investment in capital assets amounted to $9,137 and $15,557 (net of accumulated depreciation), as of June 30, 2017 and 2016, respectively. This investment in capital assets includes service vehicles, facilities/structures, and peripheral equipment for operations, and administrative support. These capital assets were acquired using internally generated funds.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

These significant factors were considered as budget assumptions when preparing SSG's budget for FY 2018:

- Uber has continued to increase its market share and the effect has had a negative impact on Taxi revenues.
- The decrease in the SSG budget is mainly attributed to a continued decrease in Taxi ridership. Projected revenues are 14.45% below the budgeted amount in FY 2017.
- Vehicle inspection and re-inspection revenue is no longer a source of income for SRA in FY 2018.
- Allocated overhead was distributed to specific general ledger accounts to identify the appropriate expense e.g., utilities, postage, insurance expense.
- The administrative salaries were reduced by 16.22% due to a reduction in allocated salaries. The lower total salaries contributed to lower fringe expenses.
- Total expenses were further reduced by reducing the budget in maintenance contracts, repair parts, staff development, and other miscellaneous expenses.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of SSG's finances for all those with an interest in SSG's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, SunLine Services Group, 32-505 Harry Oliver Trail, Thousand Palms, CA 92276.

| | June 30 | |
|---|---|---|
| | **2017** | (as restated) 2016 |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ **497,095** | $ 484,630 |
| Accounts receivable | **35,114** | 12,250 |
| **Total current assets** | **532,209** | 496,880 |
| **Noncurrent assets** | | |
| Capital assets, net of accumulated depreciation | **9,137** | 15,557 |
| **Total assets** | **541,346** | 512,437 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **3,704** | 13,400 |
| Advances from SunLine Transit Agency | **45,548** | 47,402 |
| Accrued payroll and related liabilities | **1,138** | 4,121 |
| Compensated absences | **4,448** | 13,173 |
| **Total current liabilities** | **54,838** | 78,096 |
| **NET POSITION** | | |
| Net investment in capital assets | **9,137** | 15,557 |
| Unrestricted | **477,371** | 418,784 |
| **Total net position** | $ **486,508** | $ 434,341 |



*See notes to financial statements.*

| | Years ended June 30 | |
|---|---|---|
| | **2017** | (as restated) 2016 |
| **OPERATING REVENUES** | | |
| Operating vehicle permit fees | **$ 79,150** | $ 90,941 |
| Passenger surcharge fees | **181,645** | 217,071 |
| Driving permits and inspection fees | **17,460** | 38,615 |
| Other | **6,210** | 2,540 |
| **Total operating revenues** | **284,465** | 349,167 |
| **OPERATING EXPENSES** | | |
| Administrative | **166,582** | 275,591 |
| Services | **34,438** | 29,377 |
| Materials and supplies | **3,524** | 9,683 |
| Utilities | **6,585** | 3,976 |
| Casualty and liability | **11,846** | 3,314 |
| Depreciation | **6,620** | 14,295 |
| Miscellaneous | **2,903** | 3,071 |
| **Total operating expenses** | **232,498** | 339,307 |
| **OPERATING INCOME** | **51,967** | 9,860 |
| **NONOPERATING REVENUE** | | |
| Miscellaneous income | **200** | - |
| Interest income | **-** | 21 |
| **CHANGE IN NET POSITION** | **52,167** | 9,881 |
| **NET POSITION** | | |
| Beginning of year | **434,341** | 424,460 |
| End of year | **$ 486,508** | $ 434,341 |

*See notes to financial statements.*

| | | Years ended June 30 | |
|---|---|---|---|
| | | **2017** | 2016 |
| **Cash flows from operating activities:** | | | |
| Cash received from customers | **$** | **261,601** | $ 353,054 |
| Cash payments to suppliers for goods and services | | **(68,992)** | (42,375) |
| Cash payments to employees for services | | **(178,290)** | (289,633) |
| **Net cash provided by operating activities** | | **14,319** | 21,046 |
| **Cash flows from financing activity:** | | | |
| Receipt (payment) of advances from SunLine Transit Agency | | **(1,854)** | 59,162 |
| **Cash provided by financing activity** | | **(1,854)** | 59,162 |
| **Cash flows from investing activity:** | | | |
| Interest received | | **-** | 21 |
| **Cash provided by investing activity** | | **-** | 21 |
| **Change in cash and cash equivalents** | | **12,465** | 80,229 |
| **Cash and cash equivalents, beginning of year** | | **484,630** | 404,401 |
| **Cash and cash equivalents, end of year** | **$** | **497,095** | $ 484,630 |
| **Reconciliation of operating income to net cash provided by (used in) operating activities:** | | | |
| Operating income | **$** | **51,967** | $ 9,860 |
| Depreciation | | **6,620** | 14,295 |
| Change in operating assets and liabilities: | | | |
| Accounts receivable | | **(22,864)** | 4,587 |
| Accounts payable and accrued liabilities | | **(9,696)** | 9,464 |
| Accrued payroll and related liabilities | | **(2,983)** | (6,534) |
| Compensated absences | | **(8,725)** | (9,926) |
| Unearned revenue | | **-** | (700) |
| Net cash provided by operating activities | **$** | **14,319** | $ 21,046 |

*See notes to financial statements.*

## NOTE 1 REPORTING ENTITY

SunLine Services Group (SSG) was formed in 1993 in order to enhance public/private partnerships in the Coachella Valley. SSG operations include regulating, licensing, and franchising of the taxicabs and alternative transportation in the Coachella Valley. Effective July 1, 1996, SSG adopted ordinances to give it the authority to regulate taxicabs.

SSG is accounted for as a blended component unit of SunLine Transit Agency (STA). STA was formed by the County of Riverside, California, and the cities in the Coachella Valley to provide transportation services in the Coachella Valley. The accompanying financial statements present only SSG's financial information and are not intended to present fairly the financial position, change in financial position, or cash flows of STA as a whole, in conformity with accounting principles generally accepted in the United States of America.

## NOTE 2 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of SSG.

### Basis of Accounting and Measurement Focus

The financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Operating revenues are those revenues that are generated from the primary operations of SSG. The principal operating revenues of SSG are operating vehicle permit fees, passenger surcharge fees, and driving permit and inspection fees. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 2 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred inflows and outflows of resources**
In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

*Deferred Outflows of Resources* represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

*Deferred Inflows of Resources* represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

**Cash and Cash Equivalents**
Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

**Investments**
Investments are stated at fair value, which is based on quoted market price. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**Accounts Receivable**
Accounts receivable are shown net of allowances for doubtful accounts, if any. Federal and State grants are reported as revenue when all eligibility requirements have been met. Amount earned but outstanding at year-end are reported as accounts receivable.

**Capital Assets**
Capital assets which consist of service vehicles, facilities/structures, and peripheral equipment for operations and administrative support are stated at cost or, for donated assets, at fair value at the date of donation. SSG capitalizes all assets with acquisition cost of at least $1,000 and useful life of at least one year. The cost of normal maintenance and repairs that do not add to the value of the assets and do not materially extend asset lives are charged to operations as incurred. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets ranging from three to seven years.

**Compensated Absences**
It is SSG's policy to permit employees to accumulate earned but unused vacation leave up to 500 hours and unlimited hours for unused sick leave. Management, non-exempt, and union employees begin to accrue vested vacation and sick hours upon being hired, except for part-time employees who begin to accrue such hours after the first year. Accumulated unpaid vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

**NOTE 2 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**
Net Position is classified as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - This component of net position is the amounts of the assets, deferred outflows of resources, reduced by liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

**Use of Restricted/Unrestricted Resources**
When both restricted and unrestricted resources are available for use, it is SSG's policy to use restricted resources first, then unrestricted resources as they are needed.

**Regulatory Administration Fees**
Regulatory administration fees consist of permit fees, inspection fees, and passenger surcharge fees. Inspection fees and passenger surcharge fees are recognized as revenue when such services are rendered. Permit fees are recognized when permits are issued.

**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 the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 CASH AND CASH EQUIVALENTS**

The carrying amounts of SSG's cash deposits were $497,095 and $484,630 at June 30, 2017 and 2016, respectively. Bank balances at June 30, 2017 and 2016 was $507,409 and $473,193, respectively, which were fully insured and/or collateralized with securities held by the pledging financial institution in SSG's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure SSG’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SSG’s name.

## NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

The market value of pledged securities must equal at least 110% of SSG's cash deposits. California law also allows institutions to secure SSG's deposits by pledging first trust deed mortgage notes having a value of 150% of SSG's total cash deposits. SSG may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). SSG, however, has not waived the collateralization requirements.

## NOTE 4 CAPITAL ASSETS

Summary of changes in capital assets for the years ended June 30 is as follows:

| | Balance at July 1, 2016 (as restated) | Additions | Deletions | Balance at June 30, 2017 |
|---|---|---|---|---|
| **Depreciable assets:** | | | | |
| **Vehicles** | **$ 342,357** | **$ -** | **$ -** | **$ 342,357** |
| **Equipment** | **50,087** | **-** | **-** | **50,087** |
| **Total depreciable assets** | **392,444** | **-** | **-** | **392,444** |
| **Accumulated depreciation** | **(376,887)** | **(6,620)** | **200** | **(383,307)** |
| **Net capital assets** | **$ 15,557** | **$ (6,620)** | **$ 200** | **$ 9,137** |

| | Balance at July 1, 2015 | Additions | Deletions | Balance at June 30, 2016 |
|---|---|---|---|---|
| Depreciable assets: | | | | |
| Structures | $ 65,434 | $ - | $ (65,434) | $ - |
| Vehicles | 342,357 | - | - | 342,357 |
| Equipment | 52,874 | - | (2,787) | 50,087 |
| Total depreciable assets | 460,665 | - | (68,221) | 392,444 |
| Accumulated depreciation | (430,813) | (14,295) | 68,221 | (376,887) |
| Net capital assets | $ 29,852 | $ (14,295) | $ - | $ 15,557 |

Depreciation expense was $6,620 and $14,295 for the years ended June 30, 2017 and 2016, respectively.

## NOTE 5 RELATED PARTY TRANSACTIONS

STA's staff and resources are used in the performance of its responsibilities relating to the activities of SSG. Accordingly, STA allocates salaries and benefits to SSG on the basis of actual hours spent by activity. Other indirect overhead is allocated based on management's estimates. The fees to reimburse STA are billed to SSG monthly. For the year ended June 30, 2017 and 2016, STA charged SSG $166,582 and $275,591, respectively, for administrative services.

## NOTE 6 COMPENSATED ABSENCES

Compensated absences at June 30, 2017 and 2016, amounted to $4,448 and $13,173, respectively. There is no fixed payment schedule for compensated absences.

## NOTE 7 RISK MANAGEMENT

SSG is insured through STA for its general liability and worker's compensation insurance. Claims liabilities and the related claims expenses are not included in the accompanying financial statements because claims are not identifiable between STA and SSG. Claim liabilities at June 30, 2017 and 2016 are displayed in the financial statements of STA in the amount of $3,590,248 and $3,985,634, respectively. Refer to the audited financial statements of STA for additional information.

## NOTE 8 COMMITMENT AND CONTINGENCIES

SSG may become involved in various legal actions, administrative proceedings, or claims in the ordinary course of operations. Although it is not possible to predict with certainty the outcome of these actions or the range of possible loss or recovery, it is the opinion of SSG's legal counsel and SSG's management that the resolution of these matters will not have a material adverse effect on the financial condition of SSG.

## NOTE 9 RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS

The 2017 financial statements of SSG were restated to reflect the depreciation of a support vehicle that was recorded in error in STA's books in FY 2016.

| | Depreciable assets, net of depreciation | Depreciation Expense | Net position, end of year |
|---|---|---|---|
| Balance, as previously reported | $ 23,130 | $ 6,722 | $ 441,914 |
| Adjustments | (7,573) | 7,573 | (7,573) |
| Balance, as adjusted | $ 15,557 | $ 14,295 | $ 434,341 |

## NOTE 10 SUBSEQUENT EVENTS

SSG has evaluated events subsequent to June 30, 2017 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 28, 2017, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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**Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Board of Directors**
**SunLine Services Group**
**Thousand Palms, California 92276**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the SunLine Services Group (SSG), a component unit of SunLine Transit Agency (STA), which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and change in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SSG'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 result of that testing, and not to provide an opinion on the effectiveness of SSG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Los Angeles, California**
**September 28, 2017**

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# SunLine Transit Agency
## Single Audit Report
### *Year Ended June 30, 2017*
### *with Report of Independent Auditors*



An independently owned member RSM US Alliance
RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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OFFICE LOCATIONS:
Los Angeles
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**Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Board of Directors**
**SunLine Transit Agency**
Thousand Palms, California 92276

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of SunLine Transit Agency (STA), which comprise the statement of financial position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2017.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether STA'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 result of that testing, and not to provide an opinion on the effectiveness of the STA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Los Angeles, California**
**October 19, 2017**

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# Report of Independent Auditors on Compliance for Each Major Federal Program, on Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**Board of Directors**
**SunLine Transit Agency**
Thousand Palms, California 92276

## Report on Compliance for Each Major Federal Program

We have audited SunLine Transit Agency's (STA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of STA's major federal programs for the year ended June 30, 2017. STA'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 federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of STA'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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 STA'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 STA's compliance.

***Opinion on Each Major Federal Program***

In our opinion, STA 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, 2017.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

STA's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. STA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of STA 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 STA'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 the Uniform Guidance, 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 STA'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 a 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of STA as of and for the year ended June 30, 2017, and have issued our report thereon dated October 19, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures 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 financial statements or to the 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 financial statements as a whole.

**Los Angeles, California**
**October 19, 2017**

| Federal Grantor / Pass-Through Grantor / Program Title | CFDA Number | Pass-Through/ Grantors Number | Passed Through to Sub-recipient | Federal Expenditures |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF TRANSPORTATION** | | | | |
| Direct Assistance: | | | | |
| Federal Transit Cluster: | | | | |
| Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital) | 20.507 | CA-90-Y706 | $ - | $ 16,069 |
| Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital) | 20.507 | CA-90-Y876 | - | 31,139 |
| Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital) | 20.507 | CA-90-Y964 | - | 88,890 |
| Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital) | 20.507 | CA-90-Z036 | - | 71,609 |
| Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital) | 20.507 | CA-90-Z201 | - | 85,739 |
| Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital) | 20.507 | CA-90-Z225 | - | 523,817 |
| Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital) | 20.507 | CA-2017-067-00 | - | 1,288,049 |
| Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital) | 20.507 | CA-95-X327 | - | 973,830 |
| Federal Transit - Formula Grants (Urbanized Area Formula Program) (Operating) | 20.507 | CA-95-X327 | - | 510,642 |
| Federal Transit - Formula Grants (Urbanized Area Formula Program) (Operating) | 20.507 | CA-2017-067-00 | - | 438,665 |
| Subtotal - Federal Transit - Formula Grants (Urbanized Area Formula Program) | | | - | 4,028,449 |
| **Total Federal Transit Cluster** | | | - | 4,028,449 |
| Direct Assistance: | | | | |
| Transit Services Program Cluster: | | | | |
| Job Access - Reverse Commute (Operating) | 20.516 | CA-37-X148 | - | 14,714 |
| Job Access - Reverse Commute (Operating) | 20.516 | CA-37-X193 | - | 365 |
| Subtotal - Job Access - Reverse Commute | | | - | 15,079 |
| New Freedom Program (Operating) | 20.521 | CA-57-X102 | - | 76,964 |
| Subtotal - New Freedom Program | | | - | 76,964 |
| **Total Transit Services Programs Cluster** | | | - | 92,043 |
| Direct Assistance: | | | | |
| Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emission | 20.523 | CA-88-0013 | - | 22,868 |
| Passed through from CalStart | | | | |
| Discretionary Grant for Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions (Capital) | 20.523 | 15-084 | - | 1,492,374 |
| Discretionary Grant for Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions (Capital) | 20.523 | 10-609 | - | 50,977 |
| Discretionary Grant for Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions (Capital) | 20.523 | 10-586 | - | 224,108 |
| Passed through from the Southern California Association of Governments | | | | |
| Formula Grant for Other Than Urbanized Areas | 20.514 | M-008-016 | - | 9,971 |
| Passed through from the State of California, Department of Transportation | | | | |
| Formula Grant for Other Than Urbanized Areas (Capital) | 20.513 | 64AC16-00187 | - | 94,000 |
| Formula Grant for Other Than Urbanized Areas (Operating) | 20.513 | 64AC06-00188 | - | 40,042 |
| Formula Grant for Other Than Urbanized Areas (Operating) | 20.509 | 64C017-00458/ 64C017-00473 | - | 344,995 |
| Formula Grant for Other Than Urbanized Areas (Operating) | 20.509 | 64C015-00344 | - | 300,000 |
| Passed through from Center for Transportation and the Environment (CTE) | | | | |
| Discretionary Grant for Operating & Planning Assistance Program for National Fuel Cell Bus Program | 20.500 | GA-04-7006-04 | - | 6,693 |
| **Total Federal Expenditures** | | | $ - | $ 6,706,520 |

*See accompanying Notes to Schedule of Expenditures of Federal Awards and Report of Independent Auditors on Compliance for Each Major Federal Program, on Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance*

## NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of SunLine Transit Agency (STA) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of STA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of STA.

## NOTE 2 BASIS OF ACCOUNTING

The schedule of expenditures of federal awards includes the federal grant activity of STA and is prepared under the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

STA has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## NOTE 3 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PRESENTATION

The Schedule of Expenditures of Federal Awards presented is prepared from only the accounts of the grant program and, therefore, does not present the financial position or results of operations of STA.

## Section I – Summary of Auditors' Results

**Financial Statements**

| | |
|---|---|
| Type of auditors' report issued on the financial statements: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

**Federal Awards**

| | |
|---|---|
| Internal control over its major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditors' report issued on compliance for its major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | Yes (See Finding No. 2017-001 |

**Identification of Major Programs:**

| CFDA Number | Name of Federal Program or Cluster |
|---|---|
| 20.507 | Federal Transit Cluster |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 |
| Auditee qualified as a low-risk auditee: | Yes |

## Section II – Financial Statement Findings

There were no financial statement findings noted during the fiscal year ended June 30, 2017.

***Section III – Federal Award Findings***

**Finding No. 2017-001 – Policies and Procedures Required by the Uniform Guidance**

Federal Program Information

| | |
|---|---|
| Federal Catalog Number: | 20.507 |
| Federal Program Name: | Federal Transit Cluster |
| Federal Agency: | Department of Transportation |
| Pass-Through Entity: | N/A |
| Federal Award Numbers: | CA-90-Y706; CA-90-Y876; CA-90-Y964; CA-90-Z036; CA-90-Z201; CA-90-Z225; CA-95-X327; CA-2017-067-00 |

**Criteria or Specific Requirement**
2 CFR 200.303 requires nonfederal entities to maintain effective internal controls over federal awards. The focus of these policies and procedures should be to ensure that those in the organization who carry out the objectives of the award understand:

- The federal statutes, regulations, and terms and conditions of the award
- How to evaluate and properly monitor compliance
- The steps to take if noncompliance is identified

Specifically, 2 CFR 200.302(b)(7) states that the financial management system of each non-Federal entity must provide for the written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award.

**Condition**
We noted during our audit that STA does not have an existing policy and procedure on allowability of costs.

**Cause**
STA did not develop written policies and procedures to determine allowability of costs

**Effect**
STA is at risk of submitting costs for reimbursement from the grantor that may not be allowable.

**Questioned Cost**
No questioned cost identified.

**Finding No. 2017-001 – Policies and Procedures Required by the Uniform Guidance (Continued)**

**Recommendation**

STA should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

Additionally, we recommend that STA develop written procedures for determining the allowability of costs in compliance with the Uniform Guidance. The policies and procedures must clearly delineate the requirements of the Uniform Guidance. Further, STA should retain evidence that the policies and procedures are operating as designed.

**Views of Responsible Officials**

Staff will develop a written procedure for allowability of costs in accordance with the recommendation of the auditors.

**Finding No. 2016-001 – Monitoring and Reporting Program Performance**

**Condition**
We noted that STA did not include updated completion dates for project milestones in its quarterly Milestone/Progress Reports (MPRs).

**Corrective Action Taken**
SunLine staff worked with the Federal Transit Administration (FTA) to prepare procedures and submit all Milestone Progress Reports with updated completion dates to address this finding. In March of 2017, SunLine received a formal closeout letter from the FTA acknowledging SunLine's corrective action regarding this finding

**Status**
This finding is corrected.

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**SunLine Transit Agency**
**Checks $1,000 and Over**
**For the month of August 2017**

NOTE: 1). Bold check payments represent "pass through" payments that were, or will be reimbursed to SunLine under the provisions of specific grants or contracts. 2). Underlined check payments represent "shared" payments with SunLine and specific vendors/employees.

| Vendor Name | Description | Check # | Check | Amount |
|---|---|---|---|---|
| CalPERS | Group Health Ins Prem | 672861 | 8/31/2017 | $311,799.99 |
| PERMA - Insurance | Gen Lib/WC | 672708 | 8/18/2017 | $202,441.45 |
| PERMA - Insurance | Gen Lib/WC | 672900 | 8/31/2017 | $193,918.56 |
| U.S. BANK INSTITUTIONAL TRUST- | Pension Deposits | 672848 | 8/25/2017 | $95,215.80 |
| U.S. BANK INSTITUTIONAL TRUST- | Pension Deposits | 672608 | 8/14/2017 | $94,616.98 |
| BP ENERGY COMPANY | CNG | 672857 | 8/31/2017 | $76,762.88 |
| ***CORBEL SOLUTIONS, LLC*** | ***WIP- IT Projects*** | ***672645*** | ***8/18/2017*** | ***$74,090.00*** |
| ***AIR & LUBE SYSTEMS INC*** | ***WIP- Replacement Bus Lift*** | ***672522*** | ***8/4/2017*** | ***$72,439.08*** |
| SO CAL GAS CO. | Utilities | 672721 | 8/18/2017 | $39,185.60 |
| IMPERIAL IRRIGATION DIST | Utilities | 672676 | 8/18/2017 | $26,510.10 |
| RELIANCE STANDARD | LTD/STD/LIFE Ins Prem | 672908 | 8/31/2017 | $26,050.47 |
| RELIANCE STANDARD | LTD/STD/LIFE Ins Prem | 672713 | 8/18/2017 | $24,870.36 |
| MICHELIN NORTH AMERICA, INC. | Tire Leasing | 672830 | 8/25/2017 | $23,685.73 |
| Remix Software, Inc. | Software & Licenses | 672714 | 8/18/2017 | $23,500.00 |
| BURKE, WILLIAMS & SORENSEN, LLP | Legal Services | 672778 | 8/25/2017 | $22,055.80 |
| TEC OF CALIFORNIA, INC. | Repair Parts | 672755 | 8/18/2017 | $18,812.36 |
| ***AIR & LUBE SYSTEMS INC*** | ***WIP- Replacement Bus Lift*** | ***672619*** | ***8/18/2017*** | ***$17,935.23*** |
| ***ND CONSTRUCTION COMPANY, INC.*** | ***WIP- Bus Shelters Phase 6*** | ***672886*** | ***8/31/2017*** | ***$15,321.95*** |
| ROMAINE ELECTRIC CORP. | Repair Parts | 672716 | 8/18/2017 | $15,216.46 |
| AFTERMARKET PARTS COMPANY, LLC | Bus Parts | 672613 | 8/18/2017 | $14,966.21 |
| VASQUEZ AND COMPANY LLP | Audit Services (SLT) | 672741 | 8/18/2017 | $13,802.75 |
| MCCRAY ENTERPRISES | Repair Parts | 672828 | 8/25/2017 | $11,571.53 |
| TK SERVICES, INC. | Bus Repair Parts | 672731 | 8/18/2017 | $11,349.83 |
| LOZANO SMITH, LLP | Legal Services | 672540 | 8/4/2017 | $11,203.69 |
| CUMMINS PACIFIC, LLC | Bus Repair Parts | 672568 | 8/14/2017 | $9,540.02 |
| ***ENGINEERING PROCUREMENT*** | ***WIP- Refurbished Hydrogen*** | ***672798*** | ***8/25/2017*** | ***$9,376.70*** |
| IMPERIAL IRRIGATION DIST | Utilities | 672820 | 8/25/2017 | $9,372.09 |
| PRUDENTIAL OVERALL SUPPLY | Uniforms | 672906 | 8/31/2017 | $9,142.62 |
| CUMMINS PACIFIC, LLC | Bus Repair Parts | 672650 | 8/18/2017 | $8,932.53 |
| FRANKLIN TRUCK PARTS, INC | Bus Repair Parts | 672748 | 8/18/2017 | $8,842.83 |
| ADMIRAL SECURITY SERVICES | Security Services | 672852 | 8/31/2017 | $8,391.75 |
| CUMMINS PACIFIC, LLC | Bus Repair Parts | 672788 | 8/25/2017 | $8,369.93 |
| SOCO GROUP INC. THE | Lubricants & Oils | 672723 | 8/18/2017 | $8,154.34 |
| MARTIN A. BELSON | Consulting | 672754 | 8/18/2017 | $7,580.00 |
| ***TRAPEZE SOFTWAREGROUP, INC.*** | ***WIP- ERP Project*** | ***672919*** | ***8/31/2017*** | ***$7,562.54*** |
| HARBOR DIESEL & EQUIPMENT INC. | Bus Repair parts | 672816 | 8/25/2017 | $7,364.88 |
| LOZANO SMITH, LLP | Legal Services | 672883 | 8/31/2017 | $7,356.32 |
| AFTERMARKET PARTS COMPANY, LLC | Bus Parts | 672763 | 8/25/2017 | $7,354.79 |
| ***ENGINEERING PROCUREMENT*** | ***WIP- Refurbished Hydrogen*** | ***672577*** | ***8/14/2017*** | ***$7,324.80*** |

**SunLine Transit Agency**

**Checks $1,000 and Over**

**For the month of August 2017**

NOTE: 1). Bold check payments represent "pass through" payments that were, or will be reimbursed to SunLine under the provisions of specific grants or contracts. 2). Underlined check payments represent "shared" payments with SunLine and specific vendors/employees.

| Vendor Name | Description | Check # | Check | Amount |
|---|---|---|---|---|
| VERIZON WIRELESS | Wireless Cell Service | 672610 | 8/14/2017 | $7,152.13 |
| AIRGAS REFRIGERANTS, INC. | Freon Refrigerant | 672769 | 8/25/2017 | $7,076.19 |
| TK SERVICES, INC. | Bus Repair Parts | 672915 | 8/31/2017 | $7,024.58 |
| PE FACILITY SOLUTIONS LLC | Janitorial Servs | 672899 | 8/31/2017 | $6,924.00 |
| CYNTHIA L. HENSON | Staff Development | 672790 | 8/25/2017 | $6,781.25 |
| **AMALGAMATED TRANSIT UNION** | **Union Dues** | **672772** | **8/25/2017** | **$6,487.54** |
| **AMALGAMATED TRANSIT UNION** | **Union Dues** | **672557** | **8/14/2017** | **$6,475.04** |
| CUMMINS PACIFIC, LLC | Bus Repair Parts | 672529 | 8/4/2017 | $6,169.31 |
| NAPA AUTO PARTS | Vehicle Repair Parts | 672686 | 8/18/2017 | $6,154.05 |
| FIESTA FORD, INC. | Repair Parts/Support | 672581 | 8/14/2017 | $6,134.98 |
| ***BAE SYSTEMS CONTROLS, INC.*** | ***WIP- FCB 4 & 5*** | ***672776*** | ***8/25/2017*** | ***$6,097.69*** |
| PROPER SOLUTIONS | Temp. Emp Serv | 672546 | 8/4/2017 | $6,081.29 |
| HARBOR DIESEL & EQUIPMENT INC. | Bus Repair parts | 672594 | 8/14/2017 | $5,933.03 |
| ***SOIL SAFE INC.*** | ***Facility Maintenance*** | ***672913*** | ***8/31/2017*** | ***$5,624.62*** |
| PALM SPRINGS MOTORS, INC. | Non-Rev Repair Parts | 672601 | 8/14/2017 | $5,207.06 |
| ALPHA MEDIA LLC | Advertisement | 672620 | 8/18/2017 | $5,072.02 |
| RM BROADCASTING, LLC | Advertisement | 672840 | 8/25/2017 | $5,000.00 |
| ***PROACTIVE WELDING ZONE, INC*** | ***WIP- Emergency Reformer Repair*** | ***672518*** | ***8/1/2017*** | ***$4,980.00*** |
| **YELLOW CAB OF THE DESERT** | **Taxi Voucher Program** | **672923** | **8/31/2017** | **$4,933.89** |
| KITTRIDGE HOTELS & RESORTS, LLC | Employee Training | 672517 | 8/1/2017 | $4,665.08 |
| TIME WARNER CABLE | Utilities | 672761 | 8/24/2017 | $4,578.37 |
| FLEET-NET CORPORATION | Software & Licenses | 672805 | 8/25/2017 | $4,260.00 |
| ALTON HILLIS | Recruiting Employees | 672621 | 8/18/2017 | $4,195.28 |
| ELLSWORTH TRUCK & AUTO | Repair Parts | 672796 | 8/25/2017 | $3,996.48 |
| **RELIANCE STANDARD** | **PPO Dental** | **672760** | **8/22/2017** | **$3,992.72** |
| TPX COMMUNICATIONS | Telephone Service | 672846 | 8/25/2017 | $3,941.73 |
| CALIFORNIA DENTAL NETWORK, INC. | Dental Insurance | 672758 | 8/22/2017 | $3,928.86 |
| ***PVC CONSULTING, LLC*** | ***WIP- Battery Dominant/Lo-No*** | ***672839*** | ***8/25/2017*** | ***$3,800.00*** |
| **YELLOW CAB OF THE DESERT** | **Taxi Voucher Program** | **672746** | **8/18/2017** | **$3,767.57** |
| KAMBRIAN CORPORATION | Computer Material/Supplies | 672881 | 8/31/2017 | $3,729.44 |
| GENFARE | Farebox | 672808 | 8/25/2017 | $3,629.25 |
| **AMERICAN CAB** | **Taxi Voucher Program** | **672855** | **8/31/2017** | **$3,508.53** |
| WESTGATE CENTER FOR | Staff Development | 672851 | 8/25/2017 | $3,285.00 |
| EYE MED | Employee Benefits | 672578 | 8/14/2017 | $3,168.57 |
| EYE MED | Employee Benefits | 672868 | 8/31/2017 | $3,110.60 |
| PROPER SOLUTIONS | Temp. Emp Serv | 672711 | 8/18/2017 | $3,060.00 |
| HARBOR DIESEL & EQUIPMENT INC. | Bus Repair parts | 672674 | 8/18/2017 | $3,027.08 |
| **AMERICAN CAB** | **Taxi Voucher Program** | **672622** | **8/18/2017** | **$3,010.26** |
| EASTERN CONTRA COSTA TRANSIT | Membership & Subscriptions | 672759 | 8/22/2017 | $3,000.00 |

**SunLine Transit Agency**

**Checks $1,000 and Over**
**For the month of August 2017**

NOTE: 1). Bold check payments represent "pass through" payments that were, or will be reimbursed to SunLine under the provisions of specific grants or contracts. 2). Underlined check payments represent "shared" payments with SunLine and specific vendors/employees.

| Vendor Name | Description | Check # | Check | Amount |
|---|---|---|---|---|
| CARQUEST AUTO PARTS | Repair Parts | 672633 | 8/18/2017 | $2,918.87 |
| AVAIL TECHNOLOGIES | ITS Implementation | 672856 | 8/31/2017 | $2,841.80 |
| PLAZA TOWING, INC. | Towing Service | 672902 | 8/31/2017 | $2,780.00 |
| ROMAINE ELECTRIC CORP. | Repair Parts | 672909 | 8/31/2017 | $2,775.55 |
| CREATIVE BUS SALES, INC. | Bus Repair Parts | 672647 | 8/18/2017 | $2,767.65 |
| PROPER SOLUTIONS | Temp. Emp Serv | 672602 | 8/14/2017 | $2,741.49 |
| AFTERMARKET PARTS COMPANY, LLC | Bus Parts | 672553 | 8/4/2017 | $2,739.21 |
| TRANSLITE ENTERPRISES INC | Glass Installer | 672736 | 8/18/2017 | $2,701.29 |
| GENFARE | Farebox | 672668 | 8/18/2017 | $2,677.36 |
| GRAINGER | Facility Maintenance | 672812 | 8/25/2017 | $2,613.73 |
| ***UNITED RENTALS, INC.*** | ***WIP- Replacement Bus Lift*** | ***672739*** | ***8/18/2017*** | ***$2,500.52*** |
| KUNA-FM | Advertisement | 672825 | 8/25/2017 | $2,500.00 |
| CDW GOVERNMENT, INC | Software/Hardware | 672639 | 8/18/2017 | $2,358.38 |
| ANDREA CARTER & ASSOCIATES | Marketing Consulting & PR | 672626 | 8/18/2017 | $2,300.00 |
| SPORTWORKS NORTHWEST, INC. | Fuel Cell Bus Parts | 672914 | 8/31/2017 | $2,236.28 |
| FAST UNDERCAR PALM DESERT | Repair Parts | 672661 | 8/18/2017 | $2,227.44 |
| BURRTEC WASTE & RECYCLING | Facility Trash Removal | 672632 | 8/18/2017 | $2,206.16 |
| PARKHOUSE TIRE, INC. | Revenue/Non-Rev Tires | 672705 | 8/18/2017 | $2,185.74 |
| OFFICE DEPOT | Office Supplies | 672887 | 8/31/2017 | $2,176.71 |
| PATRICK M. BRASSIL | Hydrogen Maintenance | 672898 | 8/31/2017 | $2,160.00 |
| OFFICETEAM | Temporary Services | 672702 | 8/18/2017 | $2,160.00 |
| **CALIFORNIA STATE DISBURSEMENT** | **Employee Garnishment** | **672560** | **8/14/2017** | **$2,136.65** |
| AMERICAN SEATING COMPANY | Seats and Inserts | 672623 | 8/18/2017 | $2,093.41 |
| INFORMATION DESIGN CONSULTANTS | Employee Training | 672821 | 8/25/2017 | $2,082.77 |
| SOCO GROUP INC. THE | Lubricants & Oils | 672912 | 8/31/2017 | $2,066.71 |
| WESTPORT DALLAS, INC. | Repair Parts | 672922 | 8/31/2017 | $2,043.57 |
| GRAINGER | Facility Maintenance | 672671 | 8/18/2017 | $2,016.94 |
| VICKY CASTANEDA | Education Reimbursement | 672742 | 8/18/2017 | $2,000.00 |
| VALLEY OFFICE EQUIPMENT, INC. | Fax/Copier Supplies | 672920 | 8/31/2017 | $1,948.97 |
| NORTON MEDICAL INDUSTRIES | Medical-Exams and Testing | 672700 | 8/18/2017 | $1,944.00 |
| HOME DEPOT CRD SRVS | Facility Maintenance | 672871 | 8/31/2017 | $1,939.80 |
| ACCOUNTEMPS | Temporary Help | 672612 | 8/18/2017 | $1,920.00 |
| **CALIFORNIA STATE DISBURSEMENT** | **Employee Garnishment** | **672782** | **8/25/2017** | **$1,898.96** |
| FIESTA FORD, INC. | Repair Parts/Support | 672802 | 8/25/2017 | $1,872.13 |
| DESERT AIR CONDITIONING, INC. | A/C Repair and Sales | 672791 | 8/25/2017 | $1,746.00 |
| SARAH SYED | Employee Reimbursement | 672719 | 8/18/2017 | $1,708.68 |
| INSPECTORATE AMERICA | Oil Sample Jars | 672822 | 8/25/2017 | $1,641.44 |
| **DESERT CITY CAB** | **Taxi Voucher Program** | **672655** | **8/18/2017** | **$1,609.17** |
| GENFARE | Farebox | 672536 | 8/4/2017 | $1,581.88 |

**SunLine Transit Agency**

**Checks $1,000 and Over**
**For the month of August 2017**

NOTE: 1). Bold check payments represent "pass through" payments that were, or will be reimbursed to SunLine under the provisions of specific grants or contracts. 2). Underlined check payments represent "shared" payments with SunLine and specific vendors/employees.

| Vendor Name | Description | Check # | Check | Amount |
|---|---|---|---|---|
| HENRY'S GLASS COMPANY | Bus Parts | 672818 | 8/25/2017 | $1,525.00 |
| MAGALDI & MAGALDI, INC. | Repair Parts | 672598 | 8/14/2017 | $1,479.13 |
| APOLLO VIDEO TECHNOLOGY | Security Camera Equipment | 672523 | 8/4/2017 | $1,459.83 |
| SMARTDRIVE SYSTEMS, INC. | Security Equipment | 672911 | 8/31/2017 | $1,440.00 |
| HANDI-HUT, INC. | Bus Stops & Zones Supplies | 672673 | 8/18/2017 | $1,367.00 |
| SPORTWORKS NORTHWEST, INC. | Fuel Cell Bus Parts | 672552 | 8/4/2017 | $1,352.42 |
| AIR & HOSE SOURCE, INC. | Repair Parts | 672520 | 8/4/2017 | $1,310.72 |
| ELLSWORTH TRUCK & AUTO | Repair Parts | 672657 | 8/18/2017 | $1,286.21 |
| AVAIL TECHNOLOGIES | ITS Implementation | 672628 | 8/18/2017 | $1,285.90 |
| C V WATER DISTRICT | Utilities | 672858 | 8/31/2017 | $1,255.69 |
| AURORA PICTURES | Safety Supplies | 672775 | 8/25/2017 | $1,233.00 |
| WAXIE SANITARY SUPPLY | Agency Supplies | 672743 | 8/18/2017 | $1,232.25 |
| CREATIVE BUS SALES, INC. | Bus Repair Parts | 672566 | 8/14/2017 | $1,206.36 |
| CAPITAL ONE COMMERCIAL (COSTCO) | Boardroom Supplies | 672783 | 8/25/2017 | $1,177.10 |
| **DESERT CITY CAB** | **Taxi Voucher Program** | **672864** | **8/31/2017** | **$1,162.53** |
| GOTCHA MEDIA HOLDINGS, LLC | Advertisement | 672811 | 8/25/2017 | $1,100.00 |
| AMERICAN TRAINCO | Staff Development | 672624 | 8/18/2017 | $1,100.00 |
| ERIC TAYLOR | Employee Reimbursement | 672867 | 8/31/2017 | $1,080.00 |
| MAGALDI & MAGALDI, INC. | Repair Parts | 672827 | 8/25/2017 | $1,061.80 |
| TOTALFUNDS BY HASLER | Postage Supplies | 672734 | 8/18/2017 | $1,057.37 |
| TOTALFUNDS BY HASLER | Postage Supplies | 672554 | 8/4/2017 | $1,039.00 |
| DESERT AIR CONDITIONING, INC. | A/C Repair and Sales | 672654 | 8/18/2017 | $1,017.25 |
| PACKET FUSION, INC. | IT Supplies | 672896 | 8/31/2017 | $1,000.00 |
| BOYLIN MANAGEMENT INSTITUTE | Staff Development | 672524 | 8/4/2017 | $1,000.00 |

| | |
|---|---|
| **Total of Checks Over $1,000** | $1,867,000.26 |
| **Total of Checks Under $1,000** | $55,227.25 |
| **Total of All Checks for the Month** | $1,922,227.51 |
| **Total Amount of Checks Prior Years Same Month** | $986,286.29 |

WELLS FARGO

**WELLS FARGO BUSINESS ELITE CARD**

**VISA**



## CONSOLIDATED BILLING CONTROL ACCOUNT STATEMENT

| | |
|---|---|
| Prepared For | SUNLINE TRANSIT<br>LUIS GARCIA |
| Account Number | [redacted] |
| Statement Closing Date | 09/04/17 |
| Days in Billing Cycle | 33 |
| Next Statement Date | 10/03/17 |

| | |
|---|---|
| Credit Line | $40,000 |
| Available Credit | $26,026 |

For 24-Hour Customer Service Call:
800-231-5511

Inquiries or Questions:
Wells Fargo SBL PO Box 29482
Phoenix, AZ 85038-8650

Payments:
Payment Remittance Center PO Box 6415
Carol Stream, IL 60197-6415

0-5
1-2

### Payment Information

| | |
|---|---|
| New Balance | $13,974.00 |
| **Current Payment Due** (Minimum Payment) | **$699.00** |
| **Current Payment Due Date** | **09/29/17** |

Thank you for using our Automatic Payment service. See the **Important Information** section below for your next scheduled payment.

If you wish to pay off your balance in full: The balance noted on your statement is not the payoff amount. Please call 800-231-5511 for payoff information.

### Account Summary

| | | |
|---|---|---|
| Previous Balance | | $8,118.94 |
| Credits | - | $2,985.00 |
| Payments | - | $5,133.94 |
| Purchases & Other Charges | + | $13,974.00 |
| Cash Advances | + | $0.00 |
| Finance Charges | + | $0.00 |
| New Balance | = | $13,974.00 |

### Wells Fargo Elite Cash Back Advantage

| | | |
|---|---|---|
| Previous Balance | | $109.12 |
| Cash Earned this Month | | $109.89 |
| Trades From Other Company Cards | | $0.00 |
| Bonus/Adjustments | | $50.00 |
| Cash Back Balance | = | $0.00 |
| **Cash Awarded this Period** | | $269.01 |
| Year to Date Cash Back Awarded | | $753.35 |

### Cash Back Notice

Congratulations! You've earned $50 bonus cash back because your total company spend was at least $10,000 in this billing period.

See reverse side for important information.

5596 0025 YTG 1 7 2 170904 0 PAGE 1 of 6 1 0 3268 1000 ELA3 01DR5596 3620

DETACH HERE

Detach and mail with check payable to "Wells Fargo" to arrive by Current Payment Due Date.

YTG

Make checks payable to: Wells Fargo

| | |
|---|---|
| Account Number | [redacted] |
| New Balance | $13,974.00 |
| **Total Amount Due** (Minimum Payment) | **$699.00** |
| **Current Payment Due Date** | **09/29/17** |

Amount Enclosed: $

[redacted]

*Print address or phone changes:*

*Work ( )*

PAYMENT REMITTANCE CENTER YTG
PO BOX 6415 29
CAROL STREAM IL 60197-6415

SUNLINE TRANSIT
LUIS GARCIA 3620
32505 HARRY OLIVER TRL
THOUSAND PALMS CA 92276-3501 I109

## If your card is ever lost or stolen:

Please notify us immediately by calling: 1-800-231-5511, 24 hours a day, 7 days a week.

## Questions about your statement:

If you have a question about your statement, please write to us within 30 days after the statement was mailed to you. Please use a separate letter and include your account number and the date of the statement in question. Please refer to the front of the statement for our Inquiry mailing address.

**For all your personal or business financial service needs**
**Visit us at www.wellsfargo.com**

## Important Payment Information:

**Payments made at a Wells Fargo branch.** When making a payment at a Wells Fargo branch you must present a separate check for each account being paid. A single check cannot be used to pay multiple accounts.

**Payments by mail.** Mail your check and the payment coupon to the Payment Remittance Center address printed on this statement. For fastest delivery, please use the enclosed window envelope. If using a single check to pay multiple accounts, we must receive a completed payment coupon for each account being paid or a list showing the full account number and amount to be credited to each account. If you are paying multiple accounts with a single check, the total of the check must equal the sum of the payments to be applied to each individual account, with at least the total minimum payment due for all accounts.

**Payments by phone.** If you are authorized to transact on the account, you may be able to initiate a payment by calling the Customer Service number listed on the front of this statement.

**Payments made using Wells Fargo Online Banking or Wells Fargo Mobile.** If you have access to the account via Wells Fargo Online Banking or Mobile you may be able to make a payment depending on your level of access.

**Automatic Payments.** You can establish automatic payments to this credit account from a Wells Fargo deposit account or any other financial institution. For enrollment information, please contact our Customer Service number listed on the front of this statement.

**Timing of payments by mail or payments made at a Wells Fargo branch.** Payments that are received by mail or in a Wells Fargo branch as of 5 p.m. on any business day will be credited as of the date of receipt. Payments we receive after 5 p.m. or on non-business days will be credited as of the next business day. Payments made at other Wells Fargo branches may not be credited for up to five business days.

**When a payment is considered late.** If your payment is received or initiated any time after the Due Date, it is considered late and your account will be subject to a late fee.

## Promotional Rates:

All promotional rates are subject to early termination if there are late payments or other defaults. Please see sections "Default" and "Remedies" in your Cardholder Agreement.

WELLS FARGO

## Rate Information

Your rate may vary according to the terms of your agreement.

| TYPE OF BALANCE | ANNUAL INTEREST RATE | DAILY FINANCE CHARGE RATE | AVERAGE DAILY BALANCE | PERIODIC FINANCE CHARGES | TRANSACTION FINANCE CHARGES | TOTAL FINANCE CHARGES |
|---|---|---|---|---|---|---|
| PURCHASES | 12.240% | .03353% | $0.00 | $0.00 | $0.00 | $0.00 |
| CASH ADVANCES | 24.990% | .06846% | $0.00 | $0.00 | $0.00 | $0.00 |
| TOTAL | | | | $0.00 | $0.00 | $0.00 |

## Important Information

$0 - $13,974.00 WILL BE DEDUCTED FROM YOUR ACCOUNT AND CREDITED AS YOUR AUTOMATIC PAYMENT ON 09/29/17. THE AUTOMATIC PAYMENT AMOUNT WILL BE REDUCED BY ALL PAYMENTS POSTED ON OR BEFORE THIS DATE.

## Summary of Sub Account Usage

| Name | Sub Account Number Ending In | Monthly Spending Cap | Spend This Period |
|---|---|---|---|
| LAURA SKIVER | ~~5958~~ | 40,000 | $10,989.00 |

## Transaction Details

The transactions detailed on this Consolidated Billing Control Account Statement contain transactions made directly to this Control Account plus all transactions made on Sub Accounts. If there were no transactions made by a Sub Account that Sub Account will not appear.

| *Trans* | *Post* | *Reference Number* | *Description* | *Credits* | *Charges* |
|---|---|---|---|---|---|
| 08/28 | 08/28 | F3268007G00CHGDDA | AUTOMATIC PAYMENT - THANK YOU | 5,133.94 | |
| | | | TOTAL 4484610004265941 $5,133.94- | | |

Transaction Summary For **LAURA SKIVER**
Sub Account Number Ending In **5958**

| | | | | | |
|---|---|---|---|---|---|
| 08/01 | 08/03 | 24639236NS66G1ELH | APTA 202-4964800 DC | | 850.00 |
| 08/02 | 08/03 | 24692166P2XMFBK9B | IN *ESCAPE ROOM PALM SPRI760-7998888 CA | | 120.00 |
| 08/09 | 08/09 | 24323046Y4GX7PNLL | COMFORT INN KENT 253-8722211 WA | | 749.99 |
| 08/09 | 08/09 | 24431066Y9M3DJR2D | ALASKA AIR 0278645180449 SEATTLE WA | | 154.20 |
| | | 09/17/17 | PARHAM/ANTHONY | | |
| | | 1 AS K | PALM SPRINGS SEATTLE | | |
| | | 50560985 | TRAVELOCITY | | |
| 08/09 | 08/09 | 24692166Y2Y0XKDEJ | UNITED 0168645175477800-932-2732 TX | | 91.80 |
| | | 09/22/17 | PARHAM/ANTHONY | | |
| | | 1 UA G | SEATTLE SAN FRANCISCO | | |
| | | 2 UA G | SAN FRANCISCO PALM SPRINGS | | |
| | | 50560985 | TRAVELOCITY | | |
| 08/10 | 08/10 | 24258026Z0FVM7MZN | SMITH SYSTEM D.I.I. IN 800-777-7648 TX | | 2,483.95 |
| 08/10 | 08/10 | 74492156YJH87YJVW | FUEL CELL SEMINAR, INC 2022611331 DC | 995.00 | |
| 08/10 | 08/10 | 74492156YJH87YRDG | FUEL CELL SEMINAR, INC 2022611331 DC | 995.00 | |
| 08/10 | 08/10 | 74492156YJH87YZDV | FUEL CELL SEMINAR, INC 2022611331 DC | 995.00 | |
| 08/10 | 08/10 | 24692166Y2XR6ATG6 | TRAVELOCITY*7287020827 WWW.TVLY.COM WA | | 1.94 |
| 08/10 | 08/10 | 24906416Y180QKTYK | FREDPRYOR CAREERTRACK 800-5563012 KS | | 179.00 |
| 08/11 | 08/11 | 241215771006LRRWR | CALIFORNIA TRANSIT ASS 916-4464656 CA | | 415.00 |
| 08/11 | 08/11 | 241215771006LRRX9 | CALIFORNIA TRANSIT ASS 916-4464656 CA | | 1,245.00 |
| 08/11 | 08/11 | 24692166Z2XRJTAXQ | EXPEDIA 7287451330301 EXPEDIA.COM WA | | 1,192.76 |
| 08/11 | 08/11 | 2475542707L7J7EBL | HISTORIC MISSION INN RIVERSIDE CA | | 168.66 |
| 08/11 | 08/11 | 2475542707L7J7EBQ | HISTORIC MISSION INN RIVERSIDE CA | | 168.66 |
| 08/11 | 08/11 | 2475542707L7J7EBW | HISTORIC MISSION INN RIVERSIDE CA | | 168.66 |
| 08/11 | 08/11 | 2475542707L7J7EQX | HISTORIC MISSION INN RIVERSIDE CA | | 168.66 |
| 08/14 | 08/14 | 24755427350E71FZG | HISTORIC MISSION INN RIVERSIDE CA | | 168.66 |
| 08/14 | 08/14 | 24755427350E71FZR | HISTORIC MISSION INN RIVERSIDE CA | | 168.66 |
| 08/14 | 08/14 | 24755427350E71FZ9 | HISTORIC MISSION INN RIVERSIDE CA | | 505.98 |
| 08/19 | 08/19 | 2469216772XRTBXSJ | SPRINGHILL SUITES OCEA OCEANSIDE CA | | 1,120.52 |
| 08/19 | 08/19 | 2469216772XSVPV01 | MARRIOTT DENVER CITY C DENVER CO | | 90.00 |
| 08/24 | 08/24 | 24492157QS13J3A7G | IATR 716-405-5002 NY | | 775.00 |
| 08/24 | 08/24 | 24692167D2XHEY1B8 | UNITED 0168691453313800-932-2732 TX | | 337.60 |
| | | 09/23/17 | GREGOR/PETER | | |
| | | 1 UA N | PALM SPRINGS DENVER | | |
| | | 2 UA N | DENVER AUSTIN | | |
| | | 3 UA N | AUSTIN DENVER | | |
| | | 4 AU N | DENVER PALM SPRINGS | | |

## Transaction Details

| Trans | Post | Reference Number | Description | Credits | Charges |
|---|---|---|---|---|---|
| | | 50623705 | ORBITZ | | |
| 08/25 | 08/25 | 24431067EA16SDW7E | AMERICAN AIR0018649564128 FORT WORTH TX | | 262.80 |
| | | 10/08/17 | COSIO/JENNIFER M | | |
| | | 1 AA G | ATLANTA PHOENIX | | |
| | | 2 AA G | PHOENIX PALM SPRINGS | | |
| | | 11578626 | EXPEDIA.COM | | |
| 08/25 | 08/25 | 24431067EA16SDW76 | AMERICAN AIR0018649564127 FORT WORTH TX | | 226.80 |
| | | 10/06/17 | COSIO/JENNIFER M | | |
| | | 1 AA Q | PALM SPRINGS FORT WORTH | | |
| | | 2 AA Q | FORT WORTH ATLANTA | | |
| | | 11578626 | EXPEDIA.COM | | |
| 08/25 | 08/25 | 24431067EA16SFRV6 | AMERICAN AIR0018649552218 FORT WORTH TX | | 226.80 |
| | | 10/06/17 | EDWARDS/TOMMY DALE | | |
| | | 1 AA Q | PALM SPRINGS FORT WORTH | | |
| | | 2 AA Q | FORT WORTH ATLANTA | | |
| | | 11617270 | EXPEDIA INC | | |
| 08/25 | 08/25 | 24431067EA16SFWL4 | AMERICAN AIR0018649573512 FORT WORTH TX | | 341.81 |
| | | 10/11/17 | EDWARDS/TOMMY DALE | | |
| | | 1 AA V | ATLANTA PHOENIX | | |
| | | 2 AA V | PHOENIX PALM SPRINGS | | |
| | | 11617270 | EXPEDIA INC | | |
| 08/25 | 08/25 | 24431067EA16SFW8G | AMERICAN AIR0018649571800 FORT WORTH TX | | 262.80 |
| | | 10/11/17 | GREGOR/PETER J | | |
| | | 1 AA G | ATLANTA PHOENIX | | |
| | | 2 AA G | PHOENIX PALM SPRINGS | | |
| | | 11617270 | EXPEDIA INC | | |
| 08/25 | 08/25 | 24431067EA16SFX4B | AMERICAN AIR0018649574325 FORT WORTH TX | | 206.80 |
| | | 10/07/17 | GREGOR/PETER J | | |
| | | 1 AA Q | PALM SPRINGS PHOENIX | | |
| | | 2 AA Q | PHOENIX ATLANTA | | |
| | | 11617270 | EXPEDIA INC | | |
| 08/25 | 08/25 | 24692167D2XJW17WJ | EXPEDIA 7290799646223 EXPEDIA.COM WA | | 4.87 |
| 08/25 | 08/25 | 24692167D2XJW2LXE | EXPEDIA 7290802611051 EXPEDIA.COM WA | | 289.28 |
| 08/25 | 08/25 | 24692167D2XJW24FA | EXPEDIA 7290800777190 EXPEDIA.COM WA | | 3.94 |
| 08/26 | 08/26 | 24755427E7LBLF8Y8 | SHERATON 512-4781111 TX | | 823.40 |
| | | | **TOTAL $10,989.00** | | |
| | | | **LAURA SKIVER / Sub Acct Ending In 5958** | | |

## Wells Fargo News

Now you have more choices when it comes to paying with your card. Mobile wallets make it easy to use your Wells Fargo Business Elite Card at over 1 million merchants displaying the "contactless" symbol. Mobile wallets allow you to:
- Tap and pay without physically taking out a card
- Save time when making online purchases
- Control the security of your PIN and account number at point of purchase

Explore Mobile Wallet features and how to use them by going to
https://www.wellsfargo.com/mobile-payments/mobile-wallet-basics

WELLS FARGO

# Your quarterly cash back reward has been credited to your account

You have been earning cash back every time you make a purchase with your business credit card, and now it's time to enjoy your rewards. See the "Wells Fargo Elite Cash Back Advantage" section of your statement to view the amount that was credited to your Business Elite card or your designated business checking or savings account.

**With your cash back program, you can:**

**Earn unlimited 1% cash back on your net purchases.**

**Earn a $50 cash bonus *every month* your company spends $10,000 or more.**

**Receive automatic credits to your designated account every quarter.**

***Keep using your card to earn your next quarterly payout.***

 BD-9908

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SunLine Transit Agency

Budget Variance Report

August 2017

| Description | FY 18 Total Budget | Current Month: Actual | Current Month: Budget | Current Month: Favorable (Unfavorable) | Year to Date: YTD Actual | Year to Date: FY 18 YTD Budget | Year to Date: Favorable (Unfavorable) |
|---|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | | |
| Passenger Revenue | 2,984,371 | 230,412 | 248,698 | (18,286) | 423,654 | 497,395 | (73,741) |
| Other Revenue | 2,469,132 | 225,121 | 205,761 | 19,360 | 440,231 | 411,522 | 28,709 |
| **Total Operating Revenue** | **5,453,503** | **455,532** | **454,459** | **1,074** | **863,886** | **908,917** | **(45,032)** |
| **Operating Expenses:** | | | | | | | |
| Operator & Mechanic Salaries & Wages | 9,537,771 | 753,067 | 794,814 | 41,747 | 1,471,533 | 1,589,628 | 118,096 |
| Operator & Mechanic Overtime | 1,159,221 | 99,037 | 96,602 | (2,436) | 253,711 | 193,204 | (60,508) |
| Administration Salaries & Wages | 5,302,986 | 437,348 | 441,916 | 4,567 | 811,099 | 883,831 | 72,732 |
| Administration Overtime | 13,593 | 1,412 | 1,133 | (279) | 2,650 | 2,266 | (384) |
| Fringe Benefits | 9,116,643 | 681,202 | 759,720 | 78,518 | 1,374,769 | 1,519,441 | 144,671 |
| Communications | 218,000 | 15,841 | 18,167 | 2,325 | 26,823 | 36,333 | 9,510 |
| Legal Services - General | 80,000 | 9,846 | 6,667 | (3,179) | 25,476 | 13,333 | (12,143) |
| Computer/Network Software Agreement | 452,868 | 29,925 | 37,739 | 7,814 | 59,882 | 75,478 | 15,596 |
| Uniforms | 112,550 | 2,443 | 9,379 | 6,936 | 5,484 | 18,758 | 13,274 |
| Contracted Services | 464,022 | 34,323 | 38,669 | 4,346 | 64,608 | 77,337 | 12,729 |
| Equipment Repairs | 7,500 | 1,336 | 625 | (711) | 1,742 | 1,250 | (492) |
| Security Services | 103,604 | 8,328 | 8,634 | 305 | 8,328 | 17,267 | 8,939 |
| Fuel - CNG | 1,565,432 | 124,340 | 130,453 | 6,112 | 249,376 | 260,905 | 11,530 |
| Fuel - Hydrogen | 250,000 | 31,298 | 20,833 | (10,464) | 37,080 | 41,667 | 4,586 |
| Tires | 258,100 | 18,417 | 21,508 | 3,091 | 35,215 | 43,017 | 7,802 |
| Office Supplies | 72,400 | 8,814 | 6,033 | (2,781) | 13,764 | 12,067 | (1,697) |
| Travel/Training | 143,000 | 14,364 | 11,917 | (2,448) | 23,567 | 23,833 | 266 |
| Repair Parts | 1,218,500 | 99,628 | 101,542 | 1,914 | 230,931 | 203,083 | (27,847) |
| Facility Maintenance | 43,000 | 4,761 | 3,583 | (1,178) | 6,296 | 7,167 | 870 |
| Electricity - CNG & Hydrogen | 175,000 | 14,368 | 14,583 | 215 | 29,913 | 29,167 | (747) |
| Natural Gas | 1,450,000 | 130,299 | 120,833 | (9,466) | 246,248 | 241,667 | (4,581) |
| Water | 7,500 | 419 | 625 | 206 | 747 | 1,250 | 503 |
| Insurance Losses | 1,136,702 | 243,694 | 94,725 | (148,969) | 295,581 | 189,450 | (106,130) |
| Insurance Premium - Property | 13,315 | 1,049 | 1,110 | 61 | 2,097 | 2,219 | 122 |
| Repair Claims | 200,000 | 0 | 16,667 | 16,667 | 11,572 | 33,333 | 21,762 |
| Fuel Taxes | 168,200 | 16,078 | 14,017 | (2,062) | 32,388 | 28,033 | (4,355) |
| Other Expenses | 3,291,119 | 289,752 | 274,260 | (15,492) | 547,557 | 548,520 | 963 |
| Self Consumed Fuel | (1,681,000) | (141,551) | (140,083) | (1,467) | (272,417) | (280,167) | 7,750 |
| **Total Operating Expenses (Before Depreciation)** | **34,880,026** | **2,929,841** | **2,906,669** | **(23,173)** | **5,596,020** | **5,813,338** | **217,318** |
| **Operating Expenses in Excess of Operating Revenue** | | **$ (2,474,309)** | | | **$ (4,732,134)** | | |
| **Subsidies:** | | | | | | | |
| Local - Measure A | 5,153,400 | 433,320 | 429,450 | (3,870) | 828,728 | 858,900 | 30,172 |
| State - LTF, LCTOP | 18,753,800 | 1,576,901 | 1,562,817 | (14,084) | 3,015,834 | 3,125,633 | 109,800 |
| Federal - 5307, 5310, 5311, 5316, 5317 & CMAQ | 5,519,323 | 464,089 | 459,944 | (4,145) | 887,573 | 919,887 | 32,315 |
| **Total Subsidies** | **29,426,523** | **2,474,309** | **2,452,210** | **(22,099)** | **4,732,134** | **4,904,421** | **172,286** |
| **Net Operating Gain (Loss) After Subsidies** | **$ -** | **$ -** | | | **$ -** | | |

SunLine Transit Agency
Budget Variance Report
August 2017

| Description | FY 18 Total Budget | Current Month Actual | Current Month Budget | Current Month Favorable (Unfavorable) | YTD Actual | FY 18 YTD Budget | Year to Date Favorable (Unfavorable) |
|---|---|---|---|---|---|---|---|
| **Operating Expenses:** | | | | | | | |
| Wages & Benefits | 25,130,214 | 1,972,067 | 2,094,185 | 122,118 | 3,913,762 | 4,188,369 | 274,607 |
| Services | 2,657,004 | 261,429 | 221,417 | (40,012) | 455,249 | 442,834 | (12,415) |
| Fuels & Lubricants | 1,991,632 | 175,963 | 165,969 | (9,994) | 326,254 | 331,939 | 5,685 |
| Tires | 258,100 | 18,417 | 21,508 | 3,091 | 35,215 | 43,017 | 7,802 |
| Materials and Supplies | 1,537,125 | 125,066 | 128,094 | 3,028 | 282,209 | 256,188 | (26,021) |
| Utilities | 1,923,000 | 167,954 | 160,250 | (7,704) | 324,536 | 320,500 | (4,036) |
| Casualty & Liability | 1,885,324 | 293,806 | 157,110 | (136,696) | 410,522 | 314,221 | (96,301) |
| Taxes and Fees | 168,200 | 16,078 | 14,017 | (2,062) | 32,388 | 28,033 | (4,355) |
| Miscellaneous Expenses | 1,010,427 | 40,611 | 84,202 | 43,591 | 88,303 | 168,405 | 80,101 |
| Self Consumed Fuel | (1,681,000) | (141,551) | (140,083) | (1,467) | (272,417) | (280,167) | 7,750 |
| **Total Operating Expenses (Before Depreciation)** | **34,880,026** | **2,929,841** | **2,906,669** | **(23,173)** | **5,596,020** | **5,813,338** | **217,318** |
| **Revenues:** | | | | | | | |
| Passenger Revenue | 2,984,371 | 230,412 | 248,698 | (18,286) | 423,654 | 497,395 | (73,741) |
| Other Revenue | 2,469,132 | 225,121 | 205,761 | 19,360 | 440,231 | 411,522 | 28,709 |
| **Total Operating Revenue** | **5,453,503** | **455,532** | **454,459** | **1,074** | **863,886** | **908,917** | **(45,032)** |
| **Net Operating Gain (Loss)** | | **$ (2,474,309)** | | | **$ (4,732,134)** | | |
| **Subsidies:** | | | | | | | |
| Local - Measure A | 5,153,400 | 433,320 | 429,450 | (3,870) | 828,728 | 858,900 | 30,172 |
| State - LTF, LCTOP | 18,753,800 | 1,576,901 | 1,562,817 | (14,084) | 3,015,834 | 3,125,633 | 109,800 |
| Federal - 5307, 5310, 5311, 5316, 5317 & CMAQ | 5,519,323 | 464,089 | 459,944 | (4,145) | 887,573 | 919,887 | 32,315 |
| **Total Subsidies** | **29,426,523** | **2,474,309** | **2,452,210** | **(22,099)** | **4,732,134** | **4,904,421** | **172,286** |
| **Net Operating Gain (Loss) After Subsidies** | **$ -** | **$ -** | | | **$ -** | | |

## Budget Variance Analysis - SunLine Transit

Passenger Revenue - Unfavorable

- Fixed-route ridership has continued to decrease.
- System Total Ridership is presently 31,384 trips below FY17 YTD amounts.
- Ridership is currently at 4.9% below FY17 YTD totals.
- The ridership demand follows a seasonal pattern. Ridership is higher October through April.
  The increase in ridership during the peak season will help adjust the current negative variance in passenger revenue.

| Fixed Route | |
|---|---|
| FY17-Aug | 326,267 |
| FY18-Aug | 314,911 |
| Variance | (11,356) |
| %Δ | -3.5% |

| Paratransit | |
|---|---|
| FY17-Aug | 14,196 |
| FY18-Aug | 13,605 |
| Variance | (591) |
| %Δ | -4.2% |

| System Total | |
|---|---|
| FY17-Aug | 340,463 |
| FY18-Aug | 328,516 |
| Variance | (11,947) |
| %Δ | -3.5% |

| Fixed Route YTD | |
|---|---|
| YTD-FY17 | 616,332 |
| YTD-FY18 | 586,725 |
| Variance | (29,607) |
| %Δ | -4.8% |

| Paratransit YTD | |
|---|---|
| YTD-FY17 | 27,898 |
| YTD-FY18 | 26,121 |
| Variance | (1,777) |
| %Δ | -6.4% |

| System Total YTD | |
|---|---|
| YTD-FY17 | 644,230 |
| YTD-FY18 | 612,846 |
| Variance | (31,384) |
| %Δ | -4.9% |

Other Revenue - Favorable

- The favorable balance is due to higher revenues for August than budgeted amounts for outside fueling revenues and emissions credit revenues.

Operator & Mechanic Salaries & Wages - Favorable

- Contributing factors include operators using vacation time, sick time, short-term disability, long-term disability. Also, there are some vacant positions.

Operator & Mechanic Overtime - Unfavorable

- The unfavorable balance is primarily attributed to vacant operator positions.
- Other factors include operators and mechanics using vacation time, sick time, short-term disability, and long-term disability.
  To cover the actual workload, the active employees have to work extended hours.

Administration Salaries & Wages - Favorable

- Multiple positions were posted after the Board of Directors approved the budget in June, as of August some positions remain vacant.
- Also, consultant expenses vary throughout the year

Administration Overtime - Unfavorable

- Vacancies across the agency contributed to the unfavorable balance in overtime.

Fringe Benefits - Favorable

- Fringe benefits are favorable due to vacant positions across the agency

Communications - Favorable

- Budget is twelve-period allocation, but some expenses are yet to be incurred.
- The budget includes an allowance for additional internet circuits as well as additional devices for users and buses

Legal Services - General - Unfavorable

- General legal counsel costs are higher than anticipated. For August, there is an unfavorable variance of $3,179.
- Burke, Williams, and Sorenson had one invoice paid in August equaling $9,921.
- In August SunLine had 40.6 billable hours from Burke, Williams, and Sorenson.

Computer/Network Software Agreement - Favorable

- Budget is twelve-period allocation, but some expenses are yet to be incurred. The payments for software programs Barracuda, Keystone, Cummins Software, and Lansweeper will be incurred later in the year.

Unifor Uniforms - Favorable

- At the beginning of the fiscal year, operators are given a $300 credit toward uniform expenses.
- The favorable balance is due to operators not yet using their annual credit. The costs will vary throughout the year depending on when the operator uses his or her uniform credit.

Contracted Services - Favorable

- Contracted service expenses vary throughout the year.

Equipment Repairs - Unfavorable

- In August the Fleet Maintenance Department had to replace defective Graco Pumps.

Security Services - Favorable

- Security Service expenses are within an acceptable range of the budget.

Fuel - CNG - Favorable

- Internal consumption has decreased by 3,304 GGE's below FY17 YTD amounts.
  The lower internal consumption is primarily attributed to a decrease of 18,481 total miles traveled FY18 YTD in comparison to the last fiscal year.

Fuel - Hydrogen - Favorable

- In July there were mechanical issues with the hydrogen reformer, and it was temporarily out of service.
- There is an unfavorable variance in August due to the mechanical failure with the hydrogen reformer.
- Hydrogen gas was purchased from PRAXAIR, Inc. and the invoice was paid in August

Tires - Favorable

- Tire expenses are within an acceptable range of the budget.
- The favorable variance is primarily attributed to a decrease of 18,481 total miles traveled YTD in comparison to the last fiscal year.

Office Supplies - Unfavorable

- The unfavorable variance in office supplies is primarily attributed to cartridges and toners ordered in August for the agency's printers.
- Office supplies are a variable expense; costs vary throughout the year as required.

Travel/Training - Favorable

- Travel & training savings can be attributed to different times at which training sessions are attended.

Repair Parts -Unfavorable

- Aging fleet has led to the unpredictability of component failures and therefore have increased the number of repairs.
- In July repair part costs increased due to scheduled maintenance designed to enhance equipment reliability by replacing worn components before they fail.
- In August the repair part expenses are within the acceptable range of the budget for the month.

Facility Maintenance - Favorable

- Facility maintenance expenses are within an acceptable range of the budgeted amount.

Electricity - CNG & Hydrogen - Unfavorable

- Electricity for CNG and hydrogen costs are higher in the summer months and begin to decrease in the winter months.

Natural Gas - Unfavorable

- The unfavorable balance of natural gas costs is primarily attributed to an increase in outside fueling sales.
- GGE outside usage has increased 4,656 GGE's above FY17 YTD amounts.
- In August there were 6,375 more GGE's used for outside fueling sales than in the previous month.

Water - Favorable

- Water expenses are within an acceptable range of the budgeted amount.

Insurance Losses - Unfavorable

- In August there was a $195,979 cost to reconcile a deposit held by PERMA for workers compensation insurance. The reconciliation contributed to the unfavorable variance.
  Deposit premiums are intended to cover claim expenses and settlements. Annual deposit premiums are based on actuarially-determined rates for each coverage layer (pool), based on estimates of the probable losses.
- Insurance losses can vary widely from month to month

Insurance Premium - Property - Favorable

- Insurance premiums for the property are within an acceptable range of the budgeted amount.

Repair Claims - Favorable

- Repair claims can vary significantly from month to month.
- The favorable balance can be attributed to repairs not yet completed.

Fuel Taxes - Unfavorable

- The unfavorable balance of fuel taxes is due to a higher quantity of outside fueling sales.
- Outside fueling sales are currently $30,939 above FY17 YTD amounts.
- For August sales are up $14,800 from the previous month.

Other Expenses - Favorable

- Other expenses are within an acceptable range of the budgeted amount.

Self Consumed Fuel - Favorable

- The favorable balance FY18 YTD is primarily attributed to a decrease in total miles traveled FY18 YTD in comparison to FY17 YTD. There is a decrease of 18,481 miles traveled FY18 YTD in comparison to FY17 YTD.
- The unfavorable balance for the month is primarily attributed to an increase in total miles traveled in August.
- In August there was an increase of 18,607 total miles traveled in comparison to the previous month.

| | Total Miles FY18-Jul | Total Miles FY18-Aug | Variance |
|---|---|---|---|
| Fixed Route | 322,129 | 334,850 | 12,721 |
| Paratransit | 93,398 | 99,284 | 5,886 |
| System Total | 415,527 | 434,134 | 18,607 |

| | Total YTD Miles FY 2017 | Total YTD Miles FY 2018 | Variance |
|---|---|---|---|
| Fixed Route | 662,785 | 656,979 | (5,805) |
| Paratransit | 205,358 | 192,682 | (12,676) |
| System Total | 868,143 | 849,661 | (18,481) |

# Contracts Signed in Excess of $25,000

September 2017

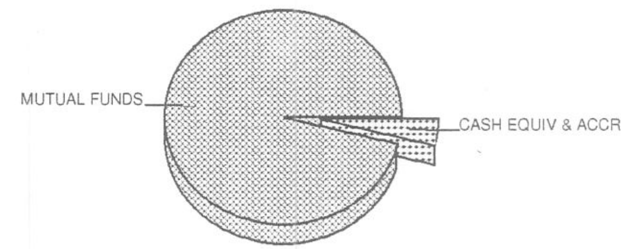
| Vendor | Product/Service | Need | Budgeted | Budgeted Amount | Cost | Type |
|---|---|---|---|---|---|---|
| New Flyer of America | Five (5) Hydrogen Electric Hybrid Fuel Cell Buses | Purchase of five Hydrogen Electric fixed route buses to replace existing CNG buses that will meet useful life as outlined by Federal guidelines | SRTP FY16/17 | $ 7,239,140.00 | $ 5,900,000.00 | Executed Agreement Board approved 5/24/2017 |
| Proton Energy Systems | Electrolyzer and Fueling Station | Upgrade SunLine's existing Hydrogen refueling station for SunLine's fleet and public use | SRTP FY16/17 | $ 8,497,440.00 | $ 8,334,391.00 | Executed Agreement Board Ratified 9/27/2017 |
| Psomas | Construction Management for CNG Fueling Station | Construction management to provide services throughout the construction phase of the CNG station replacement | SRTP FY14/15 | $ 5,500,778.00 | $ 180,896.12 | Executed Agreement Board approved 4/26/2017 |

SUNLINE TRANSIT AGENCY - UNION
ACCOUNT 6746032000


Period from August 1, 2017 to August 31, 2017

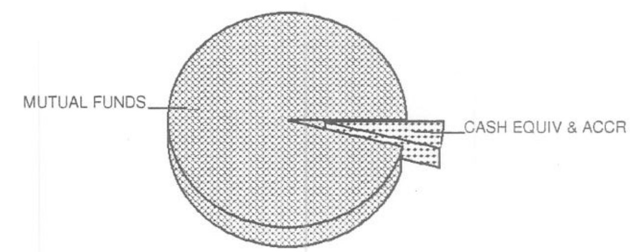
## ASSET SUMMARY

| ASSETS | 08/31/2017 MARKET | 08/31/2017 BOOK VALUE | % OF MARKET |
|---|---|---|---|
| Cash And Equivalents | 301,366.41 | 301,366.41 | 1.23 |
| Mutual Funds-Equity | 15,507,115.45 | 15,144,042.13 | 62.77 |
| Mutual Funds-Fixed Income | 8,894,332.33 | 8,861,134.82 | 36.00 |
| **Total Assets** | **24,702,814.19** | **24,306,543.36** | **100.00** |
| Accrued Income | 252.24 | 252.24 | 0.00 |
| **Grand Total** | **24,703,066.43** | **24,306,795.60** | **100.00** |
| | | | |
| **Estimated Annual Income** | **541,620.05** | | |



## ASSET SUMMARY

| ASSETS | 08/31/2017 MARKET | 08/31/2017 BOOK VALUE | % OF MARKET |
|---|---|---|---|
| Cash And Equivalents | 291,368.35 | 291,368.35 | 1.15 |
| Mutual Funds-Equity | 16,017,925.63 | 15,642,892.75 | 62.82 |
| Mutual Funds-Fixed Income | 9,187,445.20 | 9,153,153.18 | 36.03 |
| **Total Assets** | **25,496,739.18** | **25,087,414.28** | **100.00** |
| Accrued Income | 248.34 | 248.34 | 0.00 |
| **Grand Total** | **25,496,987.52** | **25,087,662.62** | **100.00** |




**Estimated Annual Income** **559,285.78**

# SunLine Transit Agency
## Monthly Ridership Report
## September 2017

| Line | Fixed Route Description | Sep 2017 | Sep 2016 | Aug 2017 | FY 2016 & 2017 Month Var. | % Var. | FY 2018 YTD | FY 2017 YTD | YTD Var. | % Var. | Bikes Monthly | Bikes YTD | Wheelchairs Monthly | Wheelchairs YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 14 | DHS/PS | 51,898 | 54,964 | 51,732 | (3,066) | -5.6% | 145,700 | 150,231 | (4,531) | -3.0% | 1,526 | 4,576 | 549 | 1,939 |
| 15 | DHS | 10,284 | 9,224 | 9,587 | 1,060 | 11.5% | 27,044 | 23,813 | 3,231 | 13.6% | 85 | 376 | 96 | 197 |
| 20 | DHS/PD | 2,279 | 2,575 | 1,486 | (296) | -11.5% | 4,997 | 5,316 | (319) | -6.0% | 76 | 245 | 14 | 19 |
| 24 | PS | 13,524 | 14,933 | 13,892 | (1,409) | -9.4% | 37,482 | 39,456 | (1,974) | -5.0% | 304 | 899 | 106 | 263 |
| 30 | CC/PS | 52,195 | 59,267 | 54,354 | (7,072) | -11.9% | 152,503 | 164,547 | (12,044) | -7.3% | 2,183 | 6,439 | 452 | 1,547 |
| 32 | PD/RM/TP/CC/PS | 19,462 | 21,696 | 18,155 | (2,234) | -10.3% | 53,128 | 58,141 | (5,013) | -8.6% | 761 | 2,295 | 79 | 225 |
| 53 | PD/IW | 3,842 | 4,557 | 2,918 | (715) | -15.7% | 9,194 | 10,795 | (1,601) | -14.8% | 124 | 381 | 7 | 61 |
| 54 | Indio/LQ/IW/PD | 6,810 | 7,814 | 4,261 | (1,004) | -12.8% | 14,366 | 16,475 | (2,109) | -12.8% | 211 | 565 | 25 | 72 |
| 70 | LQ/BD | 14,243 | 17,446 | 10,331 | (3,203) | -18.4% | 33,485 | 38,546 | (5,061) | -13.1% | 492 | 1,321 | 26 | 65 |
| 80 | Indio | 11,903 | 13,216 | 8,639 | (1,313) | -9.9% | 27,475 | 32,131 | (4,656) | -14.5% | 263 | 729 | 128 | 314 |
| 81 | Indio | 8,422 | 8,485 | 5,976 | (63) | -0.7% | 19,197 | 20,050 | (853) | -4.3% | 81 | 231 | 44 | 126 |
| 90 | Coachella/Indio | 9,540 | 13,485 | 9,555 | (3,945) | -29.3% | 27,434 | 35,818 | (8,384) | -23.4% | 134 | 556 | 69 | 216 |
| 91 | I/Cch/Th/Mec/Oas | 15,857 | 14,550 | 14,562 | 1,307 | 9.0% | 43,425 | 40,206 | 3,219 | 8.0% | 269 | 1,009 | 28 | 147 |
| 95 | I/Cch/Th/Mec/NS | 1,903 | 2,641 | 2,020 | (738) | -27.9% | 5,899 | 7,587 | (1,688) | -22.2% | 30 | 105 | 14 | 43 |
| 111 | PS to Indio | 109,746 | 116,300 | 106,197 | (6,554) | -5.6% | 314,932 | 332,083 | (17,151) | -5.2% | 4,305 | 13,234 | 572 | 2,016 |
| 220 | PD to Riverside | 1,190 | 1,202 | 1,246 | (12) | -1.0% | 3,562 | 3,492 | 70 | 2.0% | 39 | 99 | 10 | 37 |
| | **Fixed route total** | **333,098** | **362,355** | **314,911** | **(29,257)** | **-8.1%** | **919,823** | **978,687** | **(58,864)** | **-6.0%** | **10,883** | **33,060** | **2,219** | **7,287** |
| SolVan | | **1,222** | **-** | **1,090** | **1,222** | **0.0%** | **2,312** | **-** | **2,312** | **0.0%** | | | | |
| **Demand Response** | | | | | | | | | | | | | | |
| SunDial | | 13,359 | 14,574 | 13,605 | (1,215) | -8.3% | 13,402 | 14,617 | (1,215) | -8.3% | | | | |
| | **System total** | **347,679** | **376,929** | **329,606** | **(29,250)** | **-7.8%** | **935,537** | **993,304** | **(57,767)** | **-5.8%** | | | | |

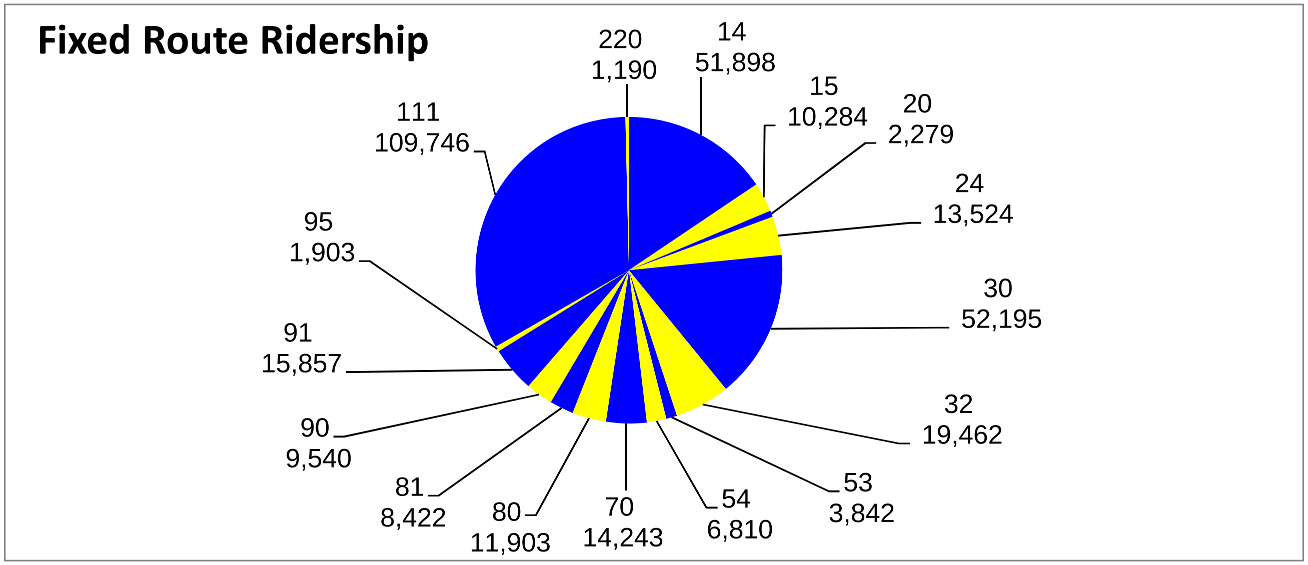
| | Sep-17 | Sep-16 | Aug-17 |
|---|---|---|---|
| **Weekdays:** | 20 | 21 | 23 |
| **Saturdays:** | 5 | 4 | 4 |
| **Sundays:** | * 5 | * 5 | 4 |
| **Total Days:** | **30** | **30** | **31** |

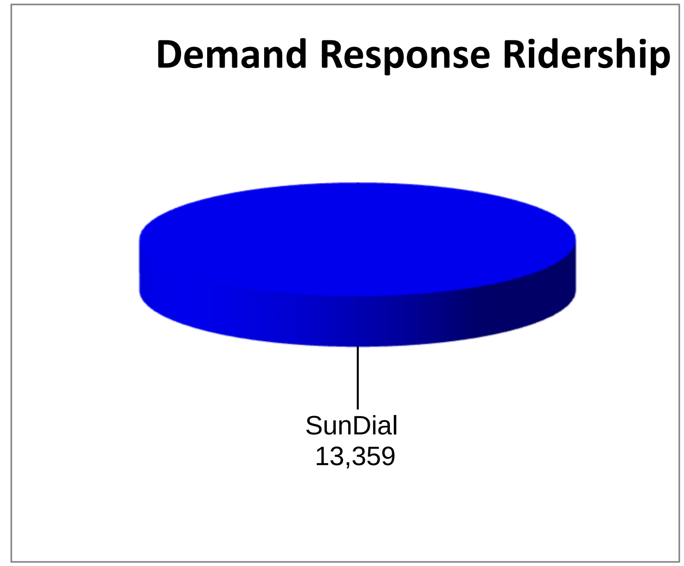
**Please note:**

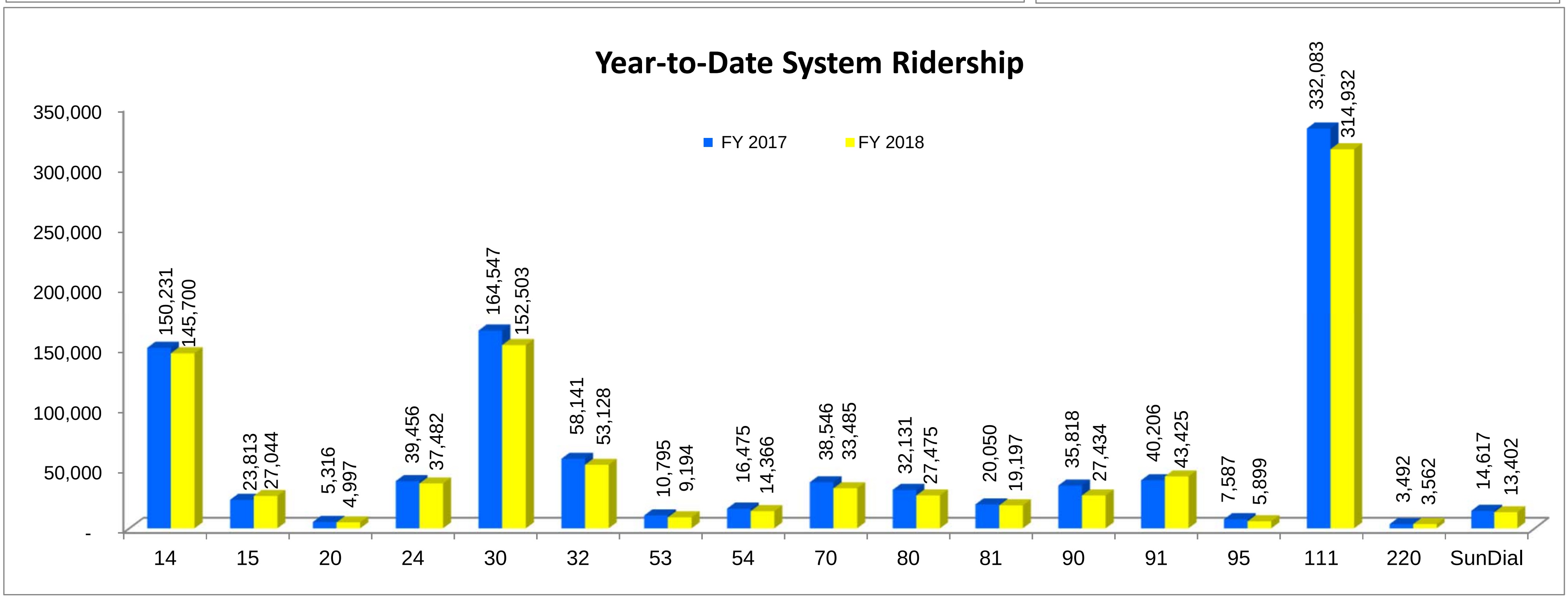
***Running the Saturday/Sunday service on September 5, 2016 and September 4, 2017 Labor Day Holiday. Weekday and Sunday total days reflect the change.**

Issued:8/10/2017

# SunLine Transit Agency
# Monthly Ridership Report
# September - 2017



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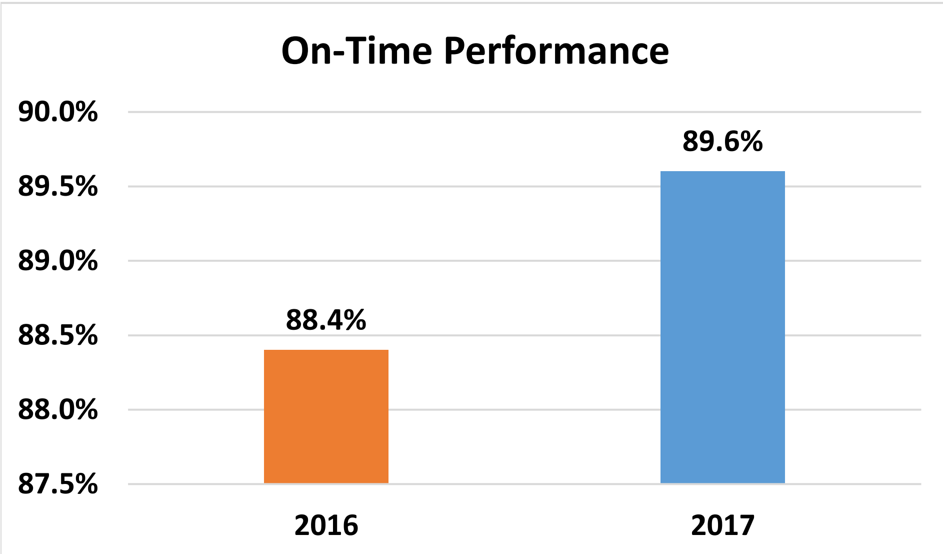
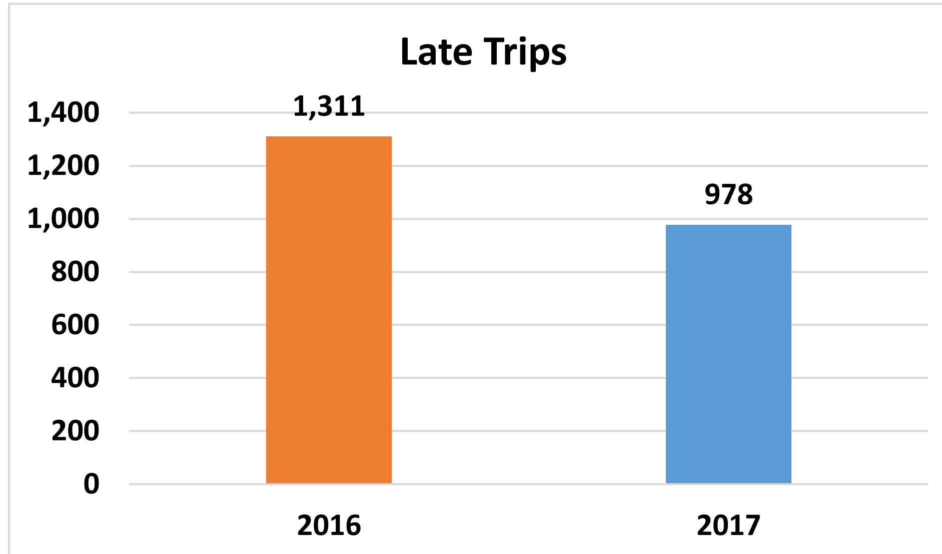
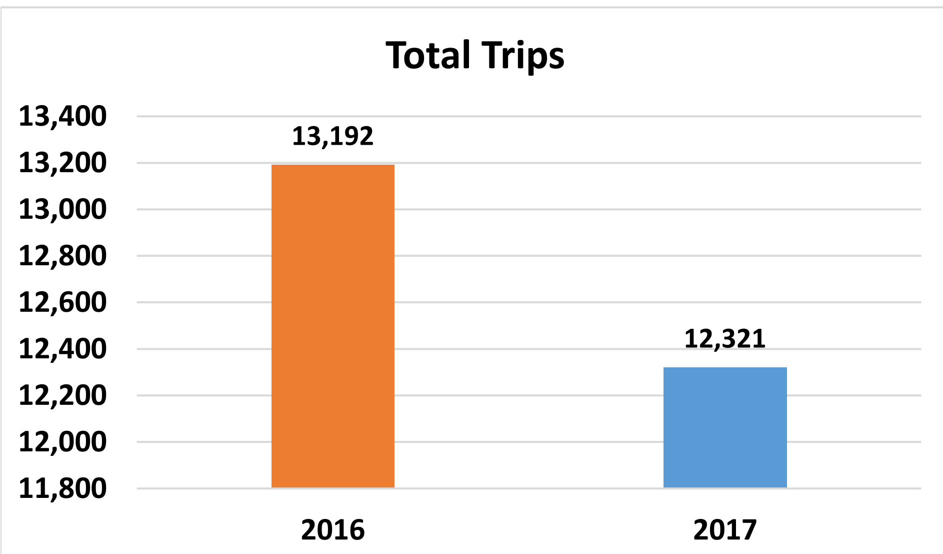
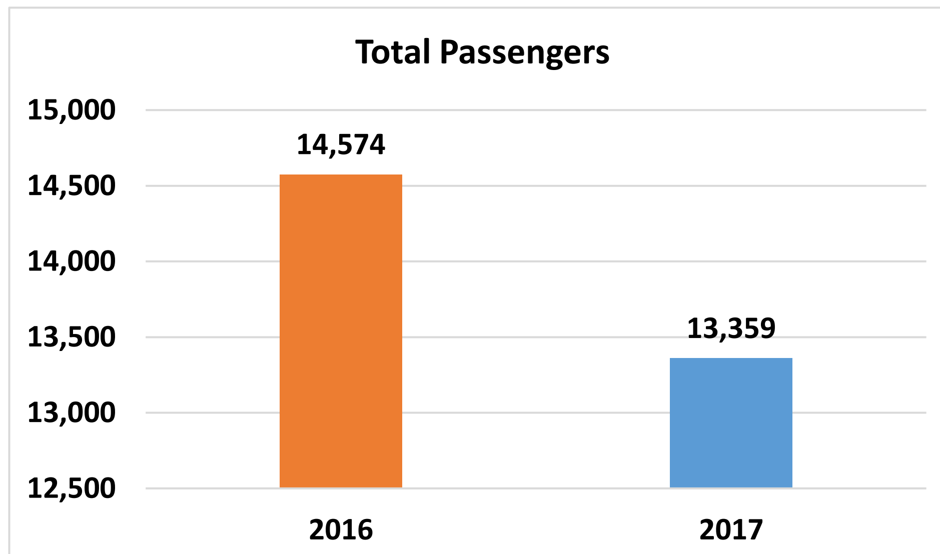
# SunDial Operational Notes
# SEPTEMBER 2016/2017

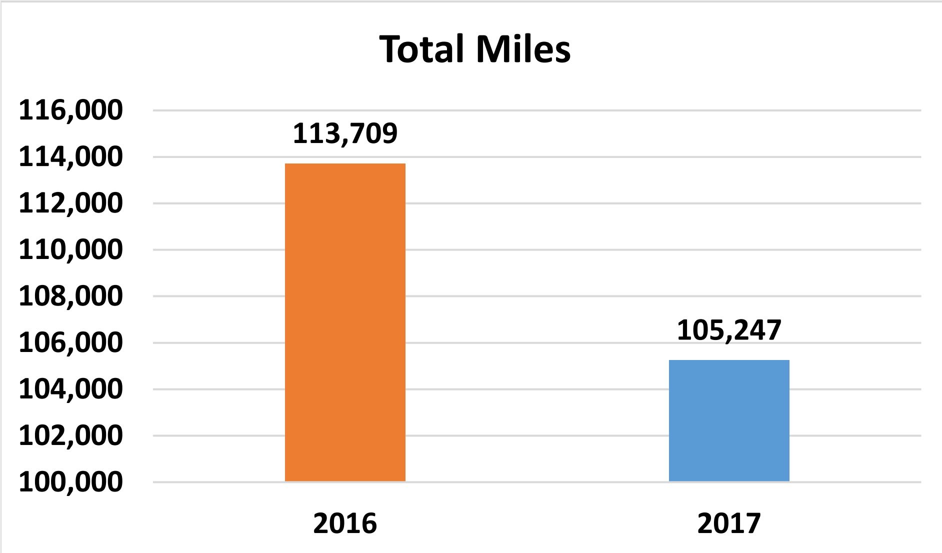


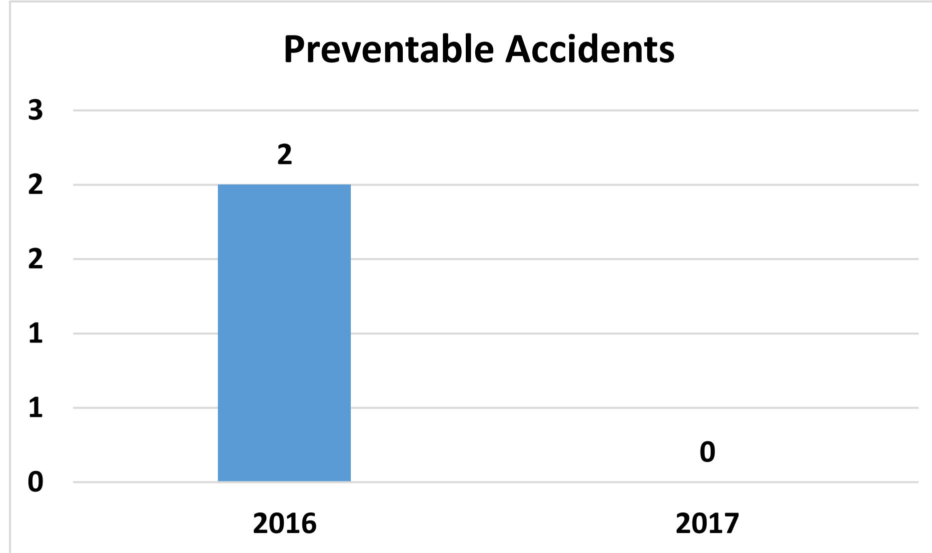



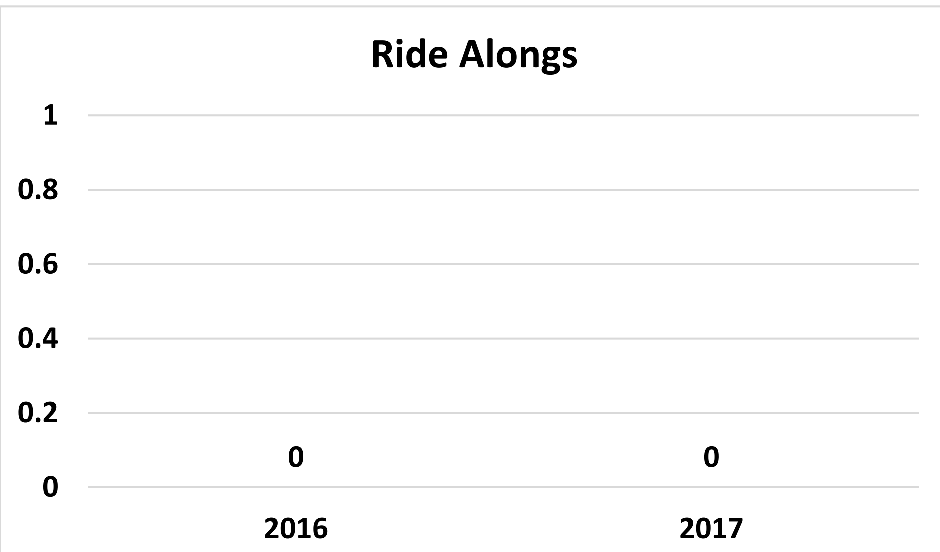



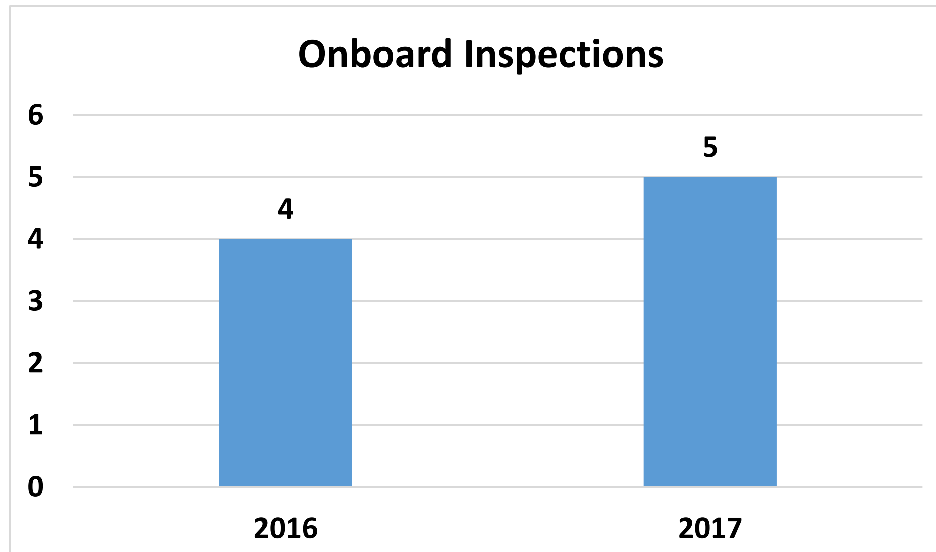



# SunDial Operational Notes
# SEPTEMBER 2016/2017

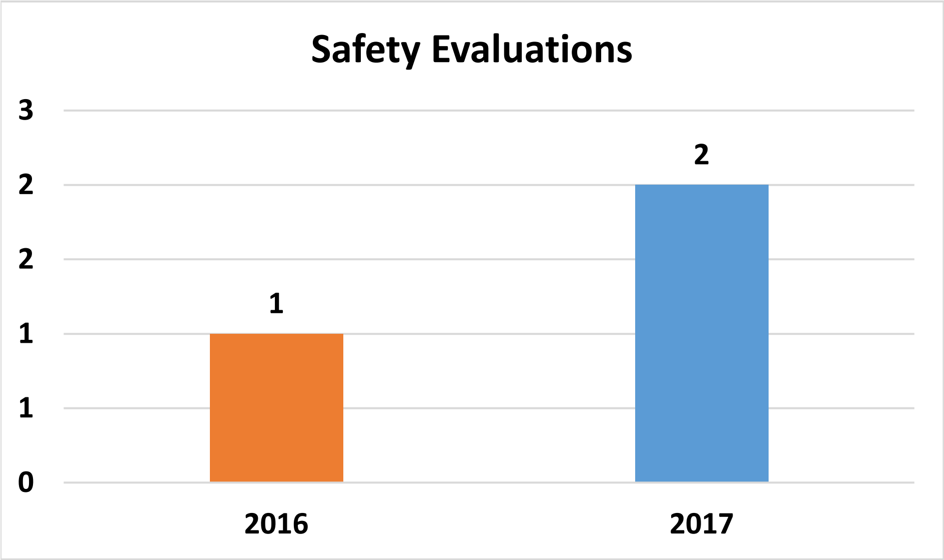


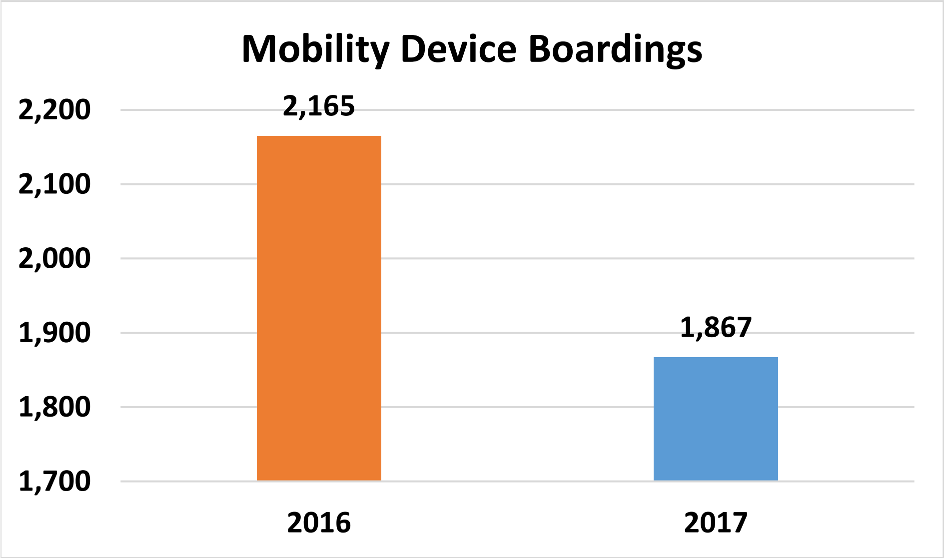



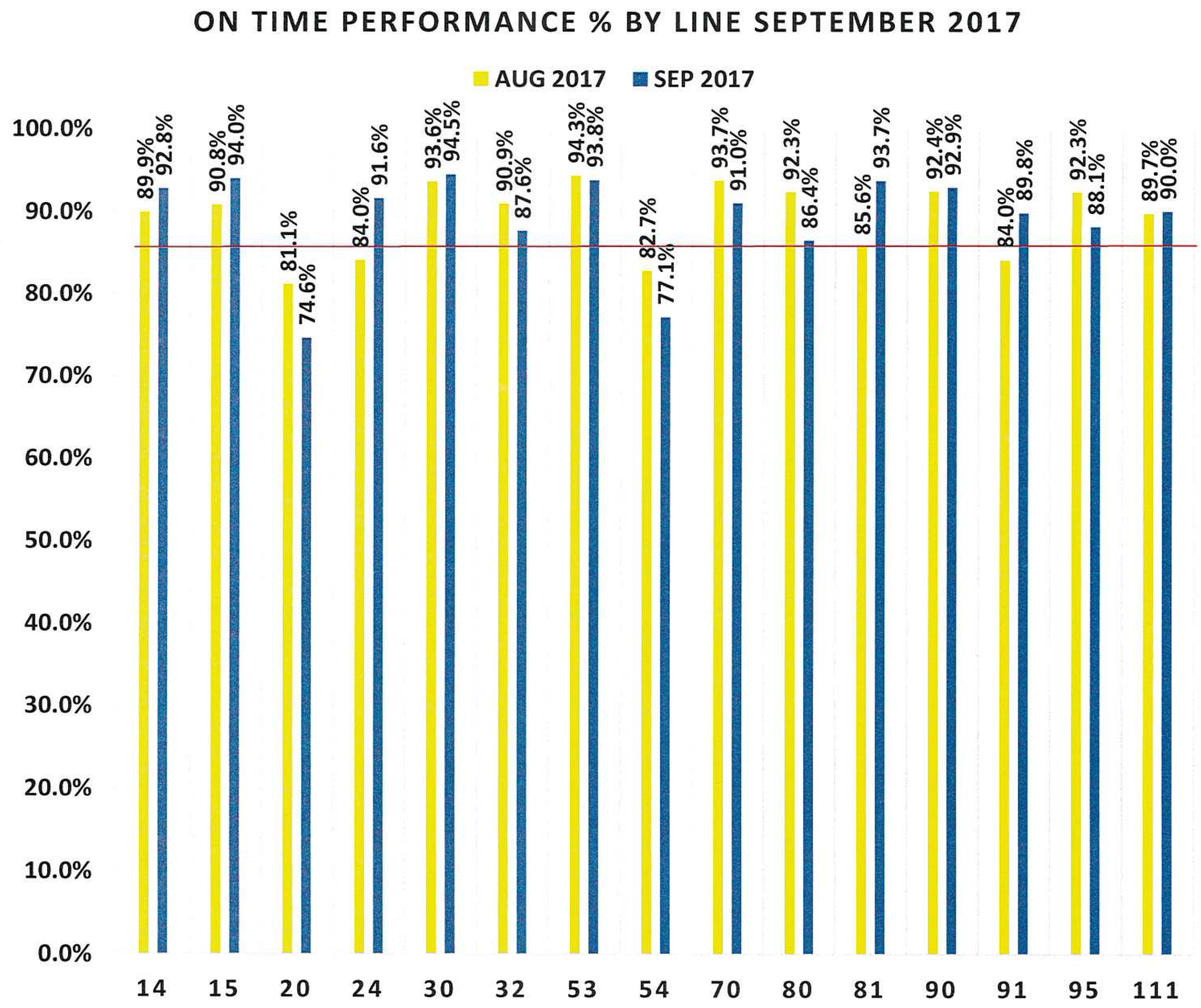



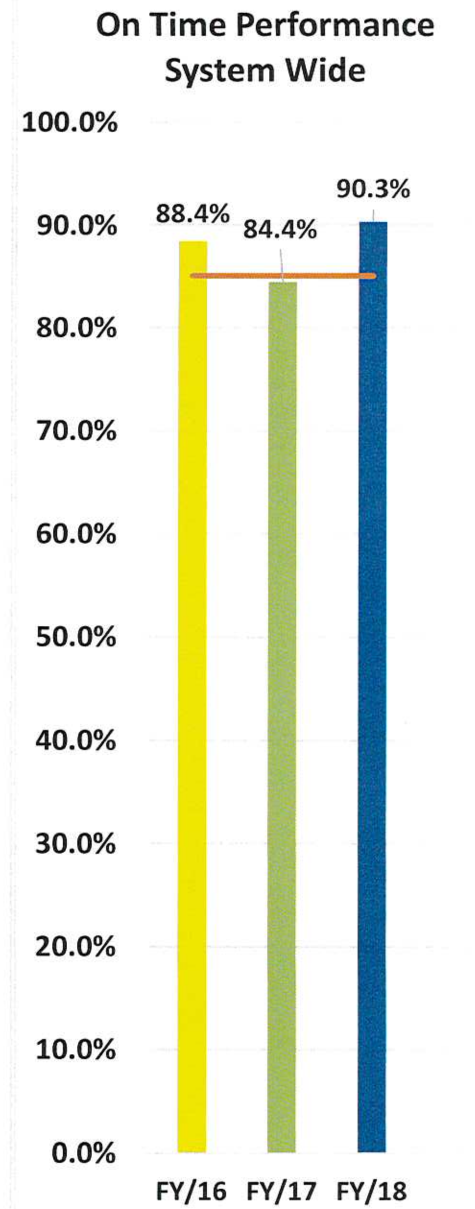
# SunDial Operational Notes
# SEPTEMBER 2016/2017







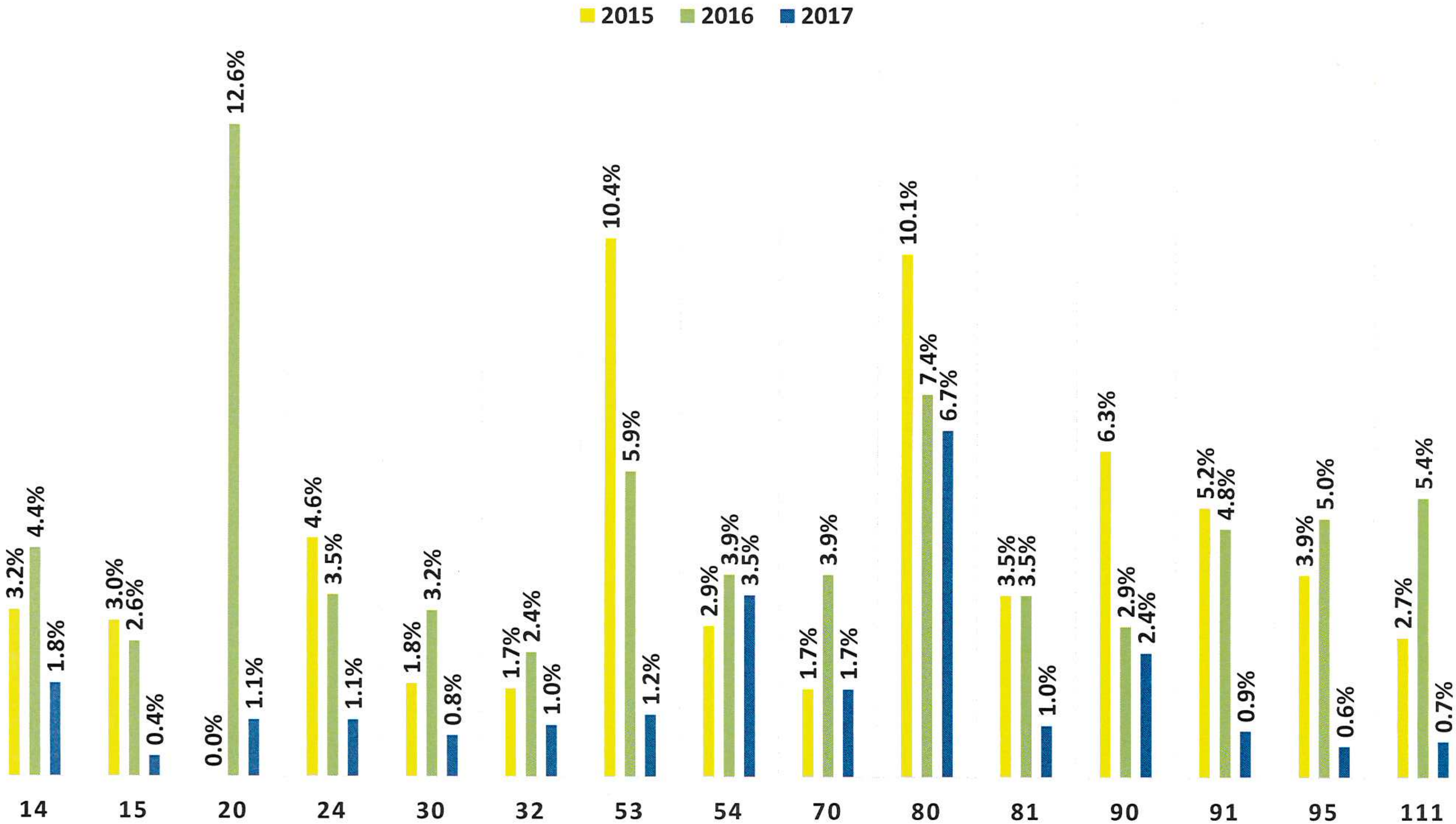



**Definintion: "On Time" - when a trip departs a timepoint within range of zero minutes early to five minutes late.**
**Goal: Minimum target for On Time performance is 85%.**

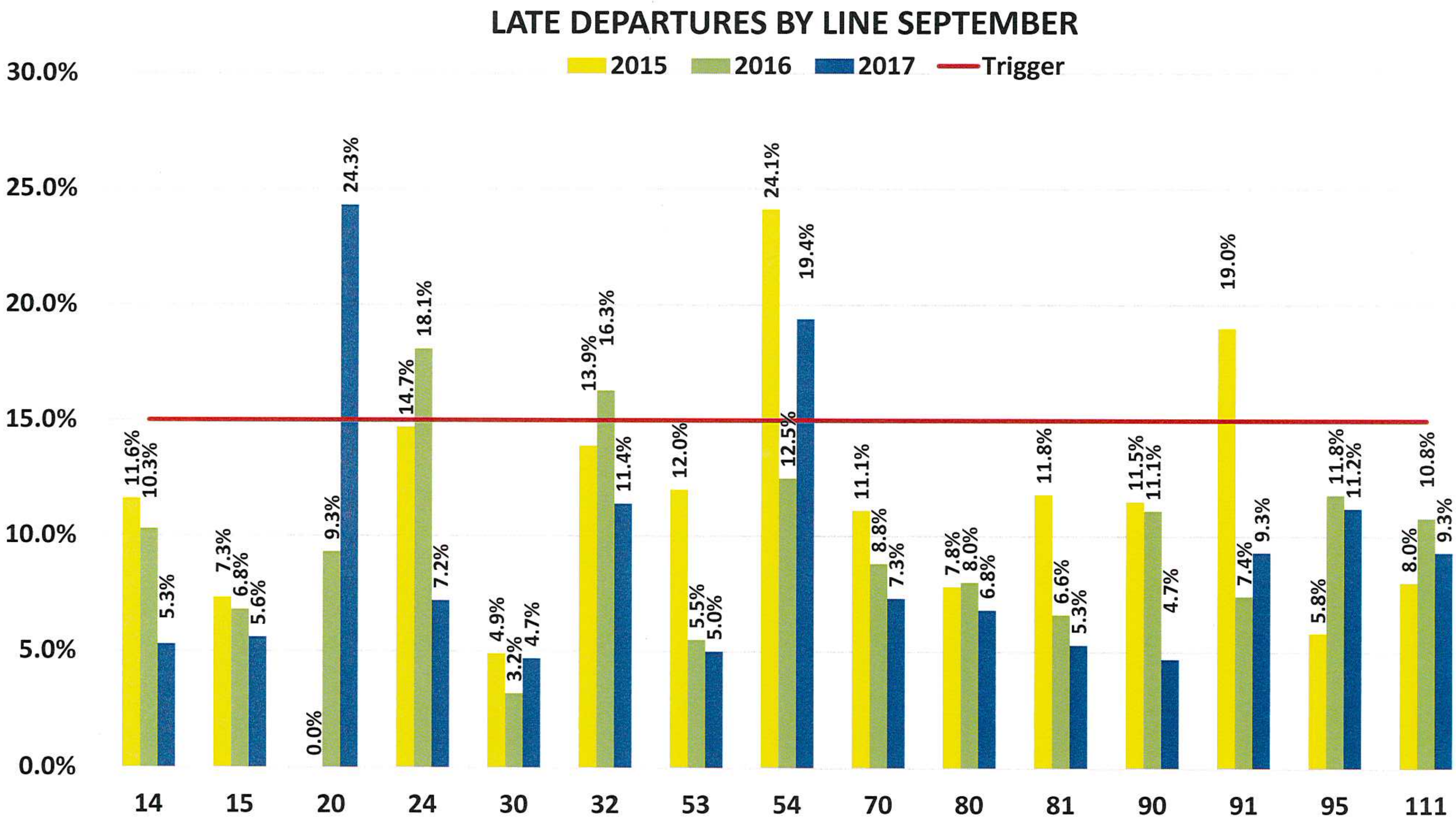
**Exceptions: Detours, train stuck on tracks, passenger problems, Avail System Issues**

## EARLY DEPARTURES BY LINE SEPTEMBER




**Definition: When a bus leaves a time point, ahead of the scheduled departure time.**

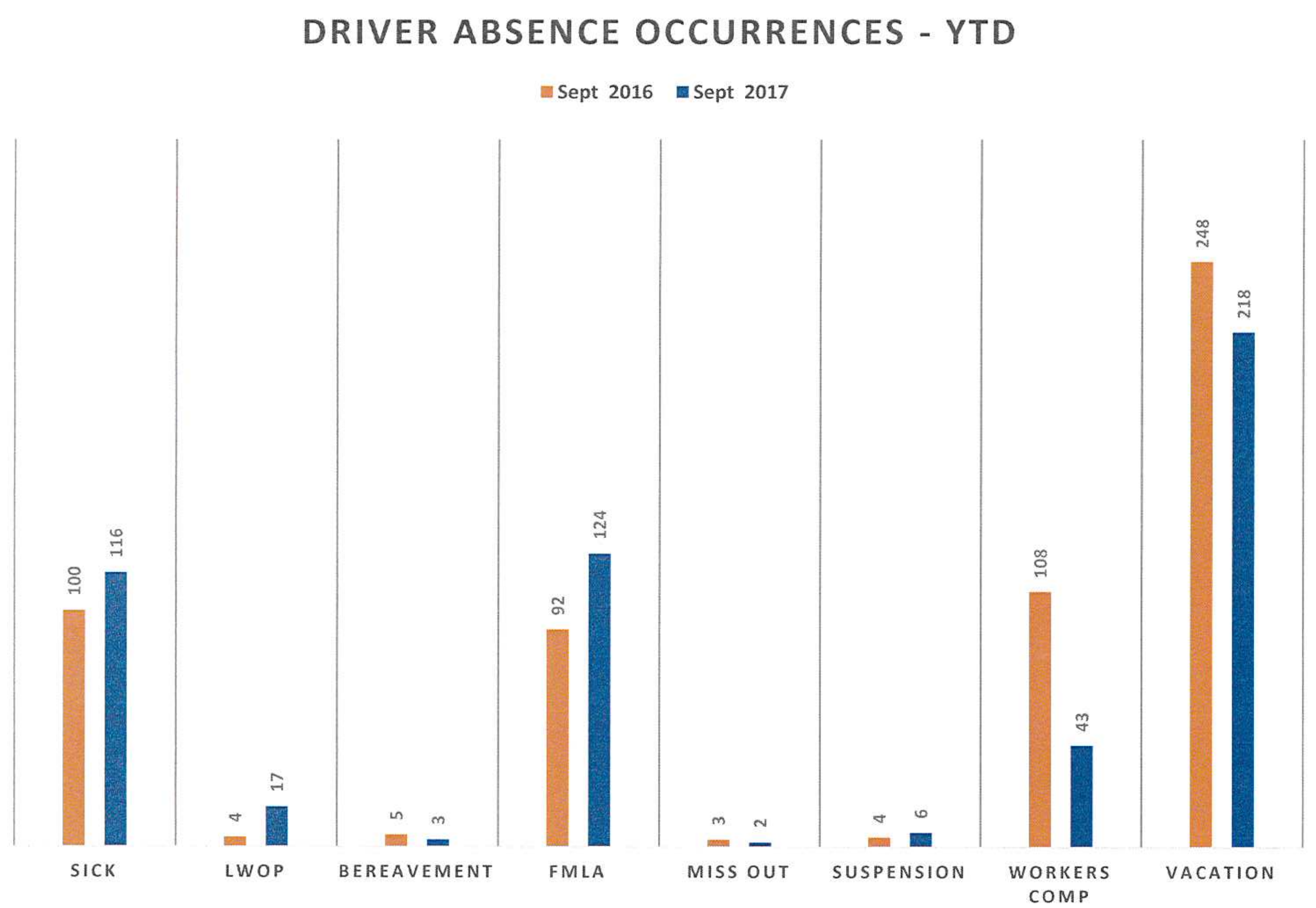
**Goal: To reduce early departures to 0%**

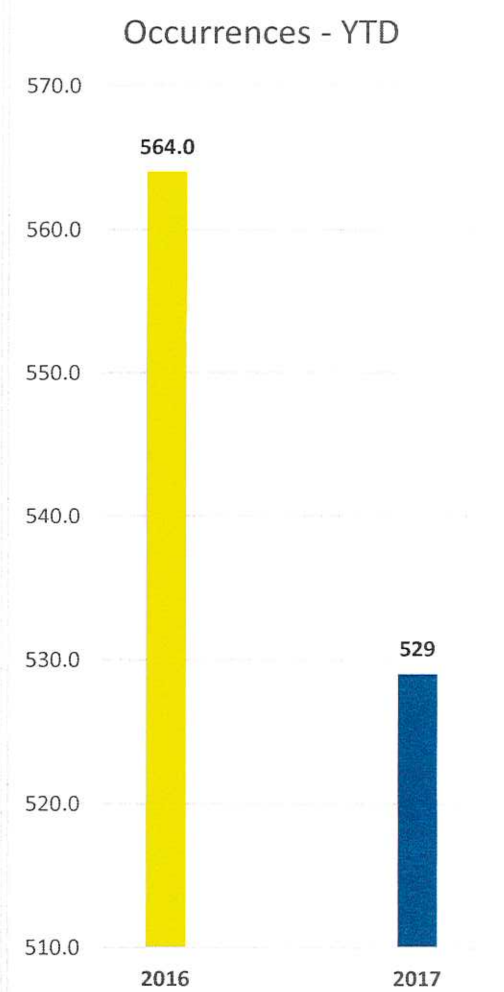



Definition: When a bus leaves a time point, behind the scheduled departure time.

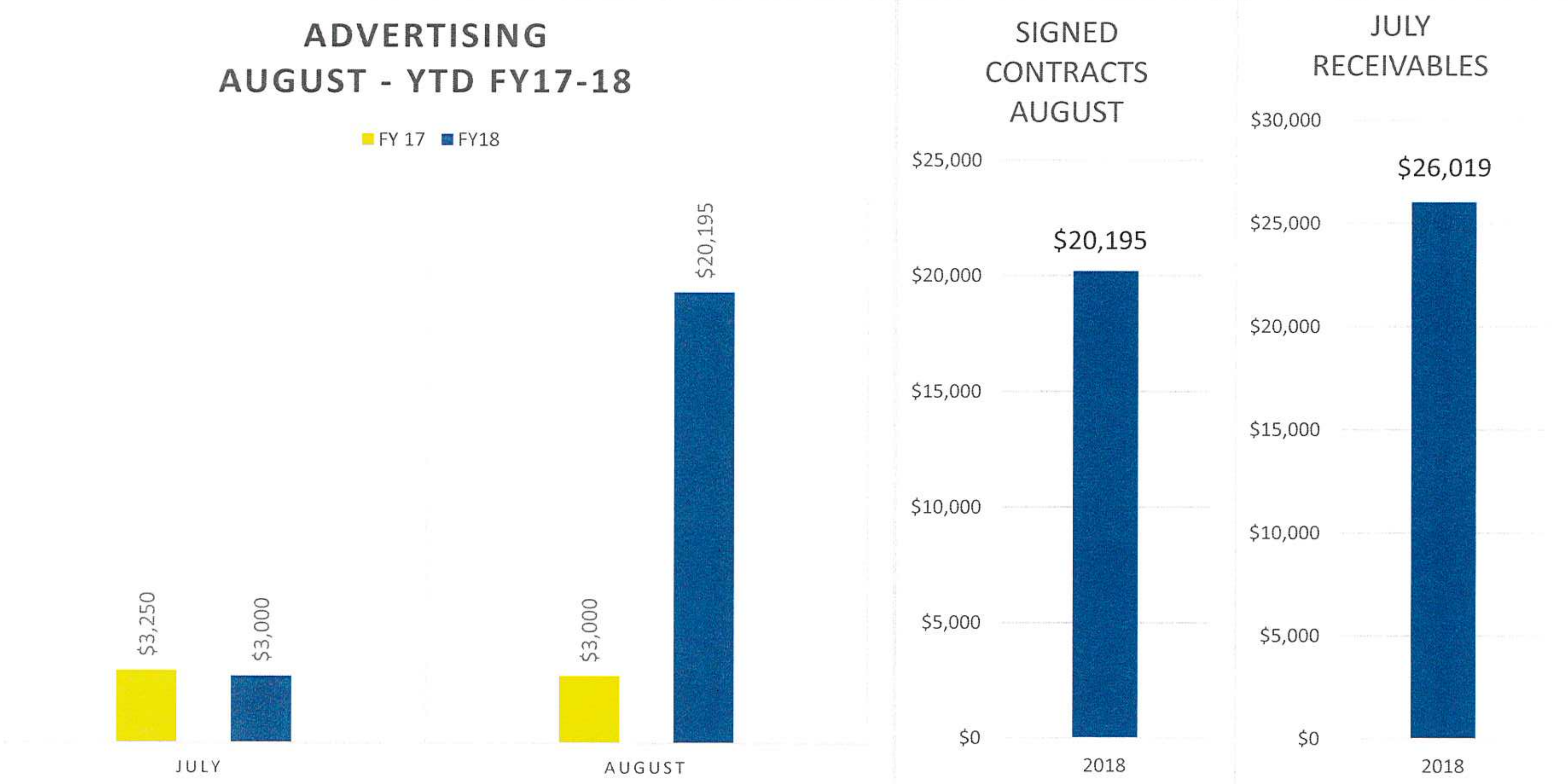
The line is running late with a departure greater than 5 minutes.

Goal: To reduce late departures to 15%



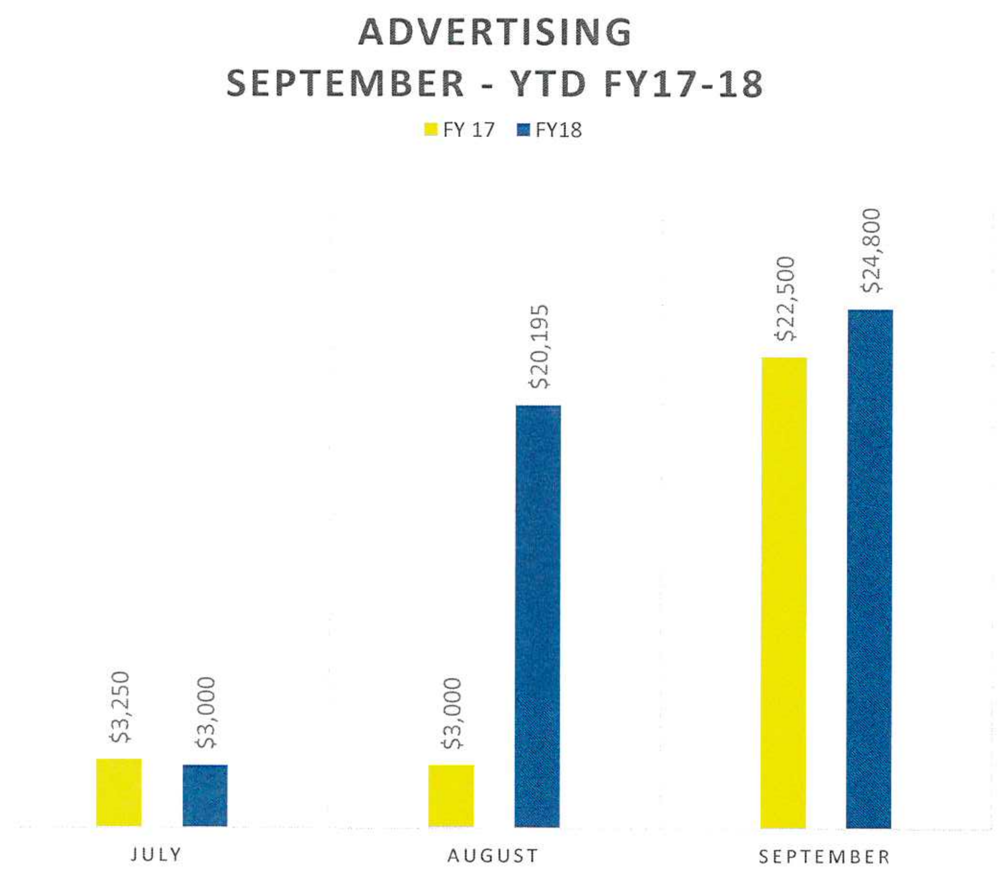



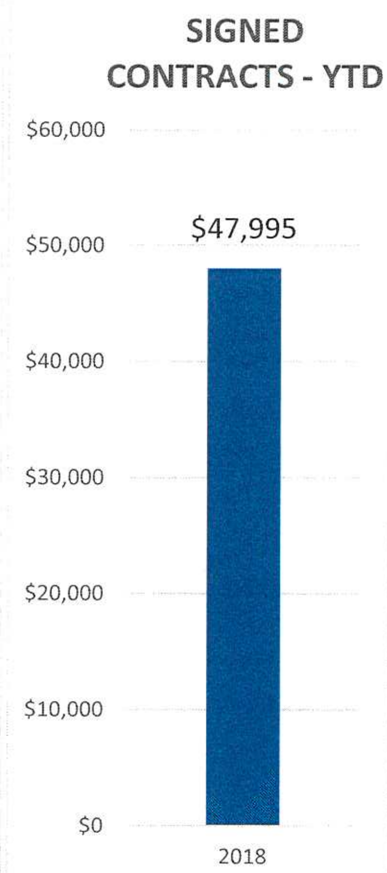

**Goal: reduce by 2% - By enforcing attendance policy regularly and monitor trending -**
Absences include scheduled &unscheduled for Fixed Route drivers.
Vacation occurrences added as of September 2015 metric.




Tracks monthly advertising revenue earned (contracted)and received for bus shelters and exterior bus advertising. Does not include "Barter Contracts." SunLine Transit Agency budgeted $225,000 in advertising revenue for FY 17/18.

**The goal is $225,000 for FY 18**



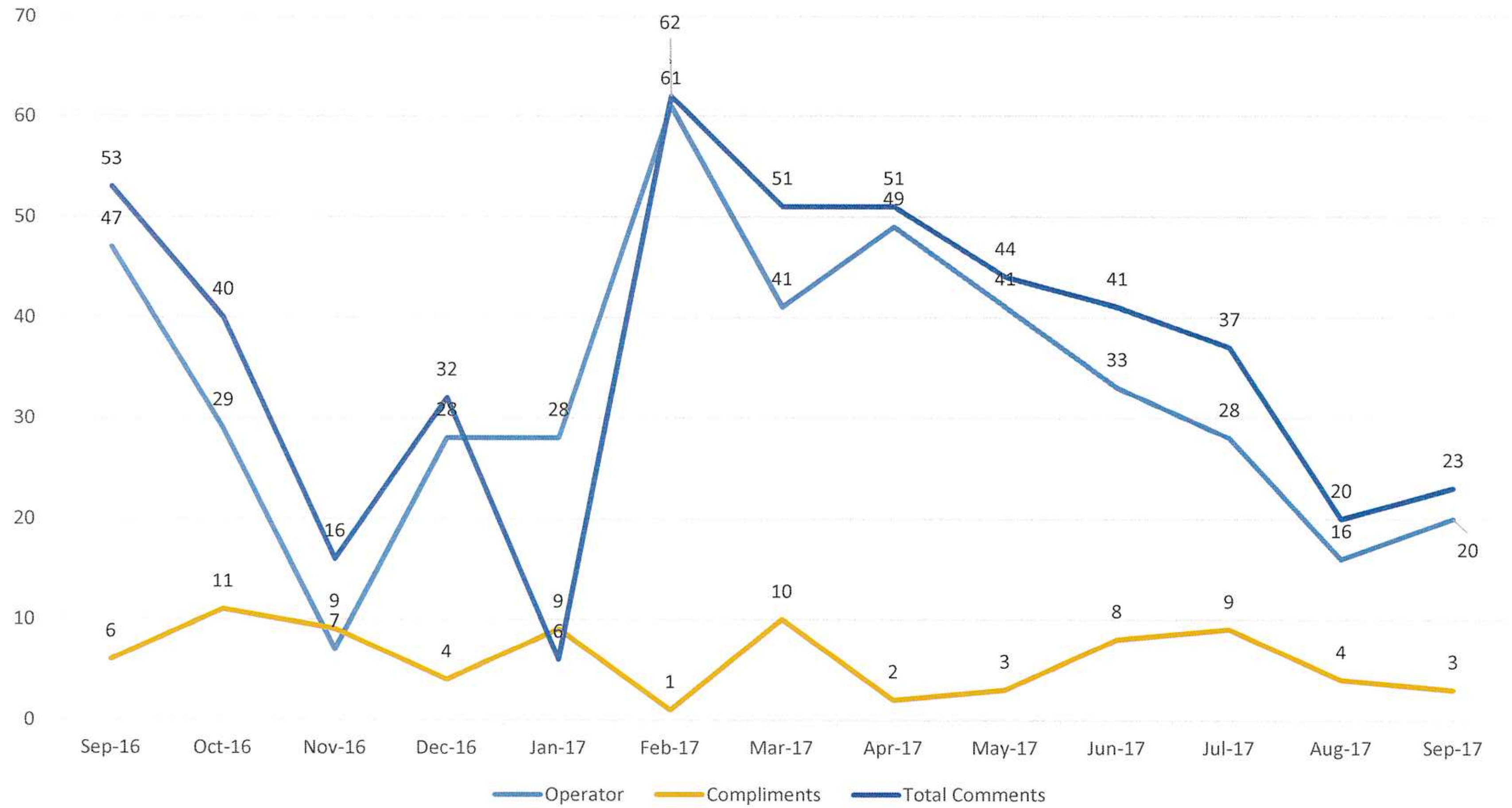


Tracks monthly advertising revenue earned (contracted)and received for bus shelters and exterior bus advertising. Does not include "Barter Contracts."
Tracks receivables - payments received for the previous month .
SunLine Transit Agency budgeted $225,000 in advertising revenue for FY 17/18.
**The goal is $225,000 for FY 18 - FY 17 YTD was $28,750 FY18 YTD is $47,995**

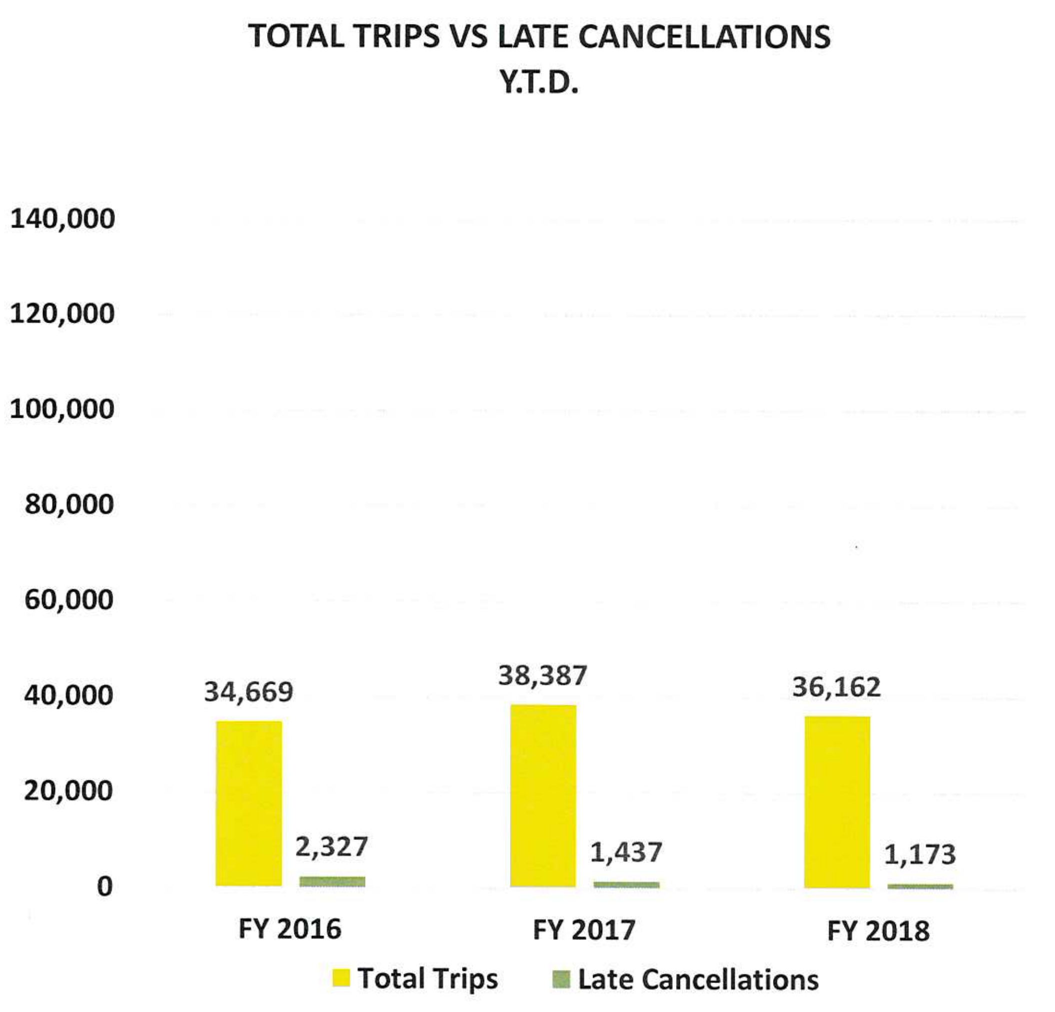
# FIXED ROUTE CUSTOMER COMMENTS FOR SEPTEMBER 2017

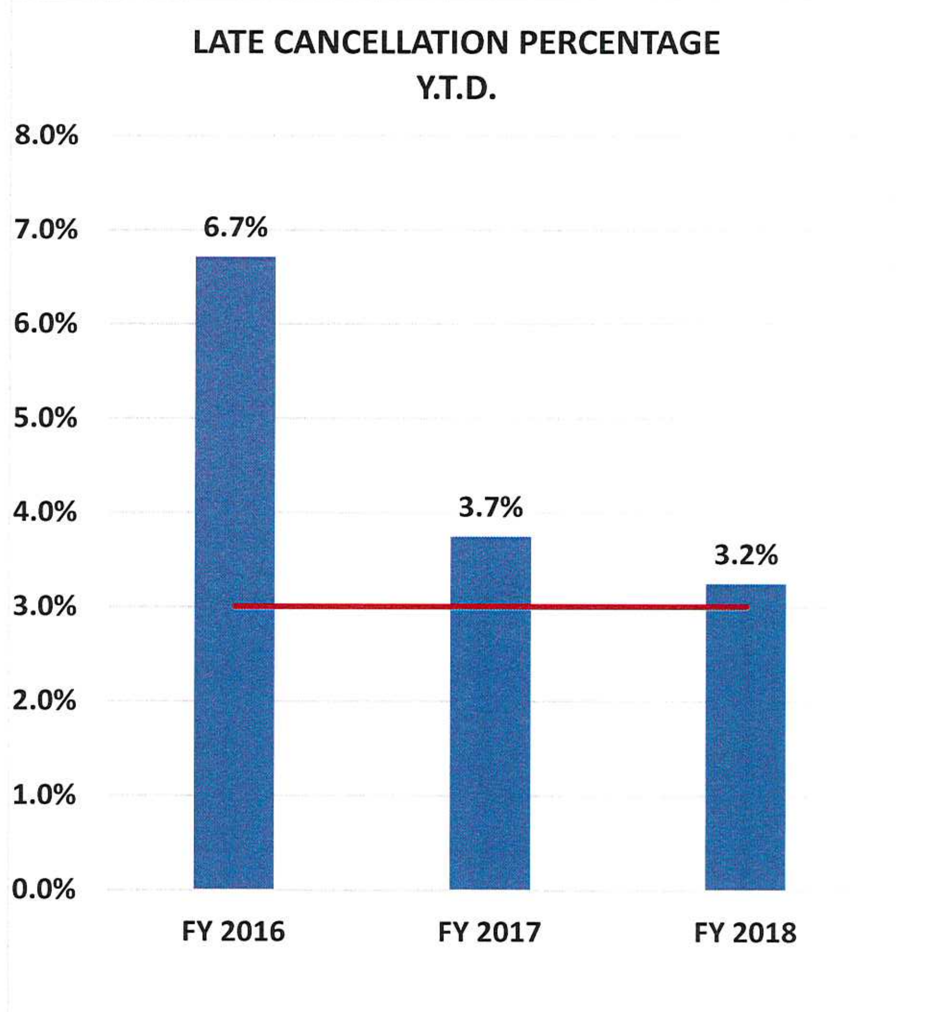

The 58 comments for September 2017 include 54 operator concerns, and 4 Operator compliments. From May 2017 we are experiencing a decline in concerns with a slight rise last month and this month. Rudeness and Pass-bys and were the higher concerns. But most were deemed not valid by the Investigator.

# PARATRANSIT CUSTOMER COMMENTS FOR SEPTEMBER 2017




The 23 comments for September 2017 include 20 operator concerns, and 3 Operator compliments. From February 2017 we are experiencing a decline in concerns with a slight raise in September. Arrived late or no shows and rudeness were the main concerns.




**Trip:** A one-way ride booked by the client. A round trip is counted as two trips.
**Late cancellation:** A trip for which an ADA client does not cancel within 2 hours before the scheduled pick up time.
**Goal for Late Cancellations:** 3% or below.

## QUARTERLY CAPITAL PROJECT UPDATE 3RD QUARTER 2017

| Project Title | Brief Description | Current Status | Current Funding |
|---|---|---|---|
| New CNG Fueling Station | This CNG Station will be located at the Thousand Palms facility and replace the existing Station that has exceeded its useful life. | Preliminary Design Complete, Construction Management firm selected. Bids are being reviewed for General Contractor. | $5,500,778 |
| Solar Canopies | Complete solar canopies at the SunLine's Administrative building parking in Thousand Palms . | Preliminary Engineering drawings submitted and approved. IFB is due in the fourth quarter of 2017. | $657,197 |
| New Operations Facility | The Operations Facility replacement project will allow SunLine to complete demolition, removal and rebuild an Operations Building in Thousand Palms. | Preliminary Architectural & Engineering contract awarded. Project kick-off meeting held at Sunline. | $7,000,000 |
| (5) Hydrogen Fuel Cell Buses – LoNo | Buses are required to meet growing demand for transit services. SunLine would like to continue its leadership in alternative fuels by acquiring the additional hydrogen fuel cell buses. | Contracts fully executed with project partners. Pre-production meeting held and buses are in production. | $13,103,860 |
| (5) Hydrogen Buses & Onsite Hydrogen Fueling Station | This project will deploy (5) new 40' fuel cell electric buses and include upgrading SunLine's existing hydrogen refueling station with a new electrolyzer. | Contracts fully executed with project partners. Project Kick-off meeting held at SunLine. | $16,836,791 |
| (4) Zero Emission Electric Buses | Purchase four zero emission buses (3 for replacement, 1 for expanded service) for cleaner and more frequent service on SunLine routes serving disadvantaged communities, accelerating SunLine's efforts to transition to an all zero-emission fleet. | SunLine is in the process of procuring these four buses. | $3,223,799 |
| Center of Excellence in Zero Emission Vehicle Training | Training facility in Thousand Palms to provide a comprehensive workforce training program in Zero emissions transportation technologies and maintain SunLine's zero emission buses. | Waiting on FTA funding. | $1,688,055 |
| Transportation Demand Management – Vanpool | Program will assist riders in identifying the correct mode of transportation given their particular transportation needs. This project will help reduce single occupant vehicle trips within Coachella Valley to surrounding areas | Seven Vanpools are getting subsidies under SolVan program. Outreach events underway to attract large employers towards this program. | $1,990,000 |

| | | | |
|---|---|---|---|
| | which will help improve air quality and ease congestion. This program features a Vanpool Pilot program to assist in the agricultural community and large employers. | | |
| (1) Battery Dominant Fuel Cell Buss | Project will provide a cost-effective and innovative system-level architecture supporting near term fuel cell commercialization. This new configuration will rely less on the fuel cell for propulsion and more on the battery system. | Bus test drive complete. Bus delivery expected in October, 2017. | $5,151,307 |
| Indio Division Yard Repaving | Project to repave the existing bus yard and staff car parking area along with CNG public fueling station in Indio operating division. | Engineering Design complete. Procurement for General Contractor in process. | $595,079 |
| (25) Transit Stop Enhancements | Enhance existing bus stops, purchase and install twenty five new shelters, including site improvements. | Bus shelters have been installed. Project close-out in progress. | $361,804 |
| Replacement Thousand Palms Maintenance Bay Bus Lift | Purchase two bus lifts to replace existing worn out bus lifts at Thousand Palms maintenance division. | Bus Lifts have been installed. Project close- out in progress. | $400,000 |
| New Accounting Tool (ERP/Tyler) | This project is to provide the agency a modern accounting tool to help improve financial management. | Software Product implementation is underway. | $699,222 |
| (15) Paratransit Vans | Purchase thirteen replacement CNG SunDial paratransit vans that have met their useful life. Purchase two expansion CNG SunDial paratransit vans for additional complementary demand response service for expanded fixed route service. | 15 vans have been delivered. Project close-out in progress. | $1,853,125 |
| New SunLine Main Entrance Sign | Install new sign for the Main Entrance of the SunLine's Administrative building | Contract approved for installation of new sign. | $24,200 |
| SunLine Division-I Fencing project | Project to install perimeter fencing on West and South side of SunLine's Thousand Palm facility. | Fence material purchased and delivered at SunLine. | $509,615 |

| FY 17/18 | Board Member Matrix Attendance | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Total Meetings | **Total Attended** |
| Desert Hot Springs | X | | X | | | | | | | | | | 10 | **2** |
| Palm Desert | X | | X | | | | | | | | | | 10 | **2** |
| Palm Springs | | | X | | | | | | | | | | 10 | **1** |
| Cathedral City | X | | X | | | | | | | | | | 10 | **2** |
| Rancho Mirage | X | | X | | | | | | | | | | 10 | **2** |
| Indian Wells | X | | X | | | | | | | | | | 10 | **2** |
| La Quinta | X | | X | | | | | | | | | | 10 | **2** |
| Indio | X | | X | | | | | | | | | | 10 | **2** |
| Coachella | X | | X | | | | | | | | | | 10 | **2** |
| County of Riverside | X | | X | | | | | | | | | | 10 | **2** |

**X - ATTENDED (Primary/Alternate)**

DARK=

**MINUTES**
**SunLine Transit Agency**
**Board of Directors Meeting**
**September 27, 2017**

A regular meeting of the SunLine Transit Agency Board of Directors was held at 12:00 pm on Wednesday, September 27, 2017 in the Board Room at SunLine Transit Agency, 32-505 Harry Oliver Trail, Thousand Palms, CA 92276.

**1. <u>Call to Order</u>**
The meeting was called to order at 12:10 p.m. by Chairperson Russell Betts.

**2. <u>Roll Call</u>**
Completed.

**<u>Members Present</u>**
Russell Betts, Chair, SunLine Agency Board Member, City of Desert Hot Springs
Troy Strange, Vice Chair, SunLine Agency Board Member, City of Indio
Greg Pettis, SunLine Agency Board Member, City of Cathedral City
Dana Hobart, SunLine Agency Board Member, City of Rancho Mirage
Kathleen Kelly, SunLine Agency Board Member, City of Palm Desert
Ty Peabody, SunLine Agency Board Member, City of Indian Wells
Robert Radi, SunLine Agency Board Member, City of La Quinta
Emmanuel Martinez, SunLine Agency Board Member, City of Coachella
V. Manuel Perez, SunLine Agency Board Member, County of Riverside
Ginny Foat, SunLine Agency Board Member City of Palm Springs

**<u>Members Absent</u>**
None

**3. <u>Presentations</u>**
Transportation Demand Management & Vanpool Program Updates – Harman Singh, Interim Project Manager & Debra Meier, Project Manager/WSP presented an update on the Vanpool program including an invitation the VanPool Launch Event on Wednesday October 4$^{th}$ 2017 at the SunLine Administration parking lot.

(Discussion)
SunLine Agency Board member Foat asked, ‘Do the business vans have Wi-Fi?’ Debra Meier, Project Manager/WSP responded by saying some of [Vanpools] them do, it is an option that can be selected. SunLine Agency Board member Foat also asked, ‘What would be the criteria for a worker being eligible?’. Debra Meier responded with an explanation of the process. The Vanpool has to have from 7 to 15 passengers, maintain 70% occupancy, for drivers they need to have a DMV screen check. SunLine Agency Board member Foat confirms, ‘a group must get together for a VanPool?’ but Debra Meier confirmed that it is the driver that initially applies and the driver will submit a passenger roster.
CEO/General Manager, Lauren Skiver added that the program is a connectivity process and many employers are also on board with the number of employees they have that travel long distances to get to work.

SunLine Agency Board member Foat asked if there is a mileage requirement. Debra Meier responded with a requirement of 25 mile round-trip to be eligible.
SunLine Agency Board member Martinez asked if in order to qualify for the Vanpool, would the individual have to get a van from Enterprise or CalVans? And Debra Meier confirmed that is correct. SunLine Agency Board Chair, Betts asked who is Enterprise? Debra Meier responded that Enterprise is a rental company that leases vans for the Vanpool program. CEO/General Manager Lauren Skiver added that the goal for SunLine is to create a Vanpool program that can withstand past the funding. Debra Meier added that uploading the Vanpool program triggers FTA dollars back to the program.
SunLine Agency Board member Martinez made a comment that he appreciates the launch of the program specifically for the Coachella valley where there are many agricultural workers in need. He mentioned the Green Raiteros program who also help disadvantage communities with transportation options.

**4. <u>Finalization of Agenda</u>**
Board members finalized the agenda with no changes.

**5. <u>Public Comments</u>**
Marcia Rose, Palm Springs resident, expressed concern regarding Paratransit service at Augustine Casino. She requested an explanation as to why the Paratransit vehicle is passing the casino entrance and dropping off further away. Lauren Skiver, CEO/General Manager thanked Ms. Rose for being a great customer and proceeded by requesting her staff in the Planning Department to contact Ms. Rose with information regarding her concern. She thanked the Board upon exit.

**6. <u>Board Member Comments</u>**
SunLine Agency Board Member Martinez expressed that the City of Coachella has been working on a project and would like to engage SunLine Transit Agency. Their goal is to have a transit center on the northeast corner of Harrison and 6th street, using cap and trade funds. They have been working with the county and the City of Coachella since they have been supported by the state and will need the support of SunLine for the greater outcome of this project. CEO/General Manager, Lauren Skiver confirmed that her staff will be in touch with SunLine Agency Board member Martinez' planning department.

SunLine Agency Board member Kelly suggested a study session for service routes and operations rather than a compilation of agenda items surrounding the topic of pick up and drop off locations.
SunLine Agency Board Chair Betts suggested a board item to discuss the Public Comment issue and perhaps have a time limit for the item so that it does not take up too much time.
CEO/General Manager, Lauren Skiver confirmed that there are plans for a study session/committee meeting prior to next board meeting to discuss all these issues. That meeting will take place in the coming weeks with the Strategic Planning and Operations committee.

SunLine Agency Board Member Perez commented that County of Riverside is organizing an event for seniors to receive hearing aids and a representative will be contacting CEO/General Manager Lauren Skiver with details.

**7. <u>Consent Calendar</u>**

All items on the Consent Calendar will be approved by one motion, and there will be no discussion of individual items unless a Board Member requests a specific item be pulled from the calendar for separate discussion. The public may comment on any item.

a) Checks over $1,000 report for June/July 2017
b) Credit Card Statement for June/July 2017
c) Monthly Budget Variance Report for June/July 2017
d) Contracts Signed in Excess of $25,000 June/July 2017
e) Ridership Report for June/July 2017
f) SunDial Operational Notes for June/July 2017
g) Metrics (On time Performance, Early Departures, Late Departures, Late Cancellations, Driver Absence, Advertising Revenue, Fixed Route Customer Comments, Paratransit Customer Comments)
h) Board Member Attendance July 2017

SunLine Agency Board Member Martinez moved to approve the consent calendar. The motion was seconded by SunLine Agency Board Member Foat. The consent calendar was approved by a vote of 9 yes; 0 no; 1 no vote; 0 abstain

**8. <u>Apply for Local Hire Preference for Operations Facility (Greg Pettis, Chair of Finance/Audit Committee; Staff: Rudy LeFlore)</u>**

SunLine Agency Board Member Pettis requested for SunLine staff Rudy LeFlore address the Board with this information item.

Rudy Leflore, Chief of Performance informed the Board that the Federal Transit Administration (FTA) extended its local preference pilot program to March 6, 2022. It is the CEO/General Manager's intent to direct staff to apply for FTA approval under this program. Said approval will be requested in support of SunLine's planned Operations Facility. Approval under this program will allow SunLine to construct a preference system for utilization on the approximately $4,000,000 construction contract for SunLine's Operations Facility.

SunLine Agency Board Member Hobart asked if there was any financial impact. Rudy LeFlore responded with an explanation that the certification will be provided to FTA as they apply for programs.

SunLine Agency Board Member Strange asked if this is something that we would promote throughout when bidding for projects. LeFlore responded with an explanation that the vendors can be from outside the area but the preference would be for local hire.

**9.** **Approval of Minutes**

SunLine Agency Board Member Perez moved to approve the minutes of the July 26, 2017 Board meeting. The motion was seconded by SunLine Agency Board Member Strange. The motion was approved by a vote of 9 yes; 0 no; 1 abstain

**10.** **Service Standards Policy #B-190613 Amendment**

**(Emmanuel Martinez, Chair of Strategic Planning & Operational Committee; Staff: Stephanie Buriel, Deputy Chief Administration Officer)**

SunLine Agency Board Member Martinez stated that he was unable to attend but was executed by Vice Chair Troy Strange. SunLine Agency Board Member Strange reported that the Strategic Planning and Operations Committee reviewed this item and determined that this change was of better benefit, with no financial impact. The motion was seconded by SunLine Agency Board Member Martinez. The motion carried by a unanimous vote of 10 yes; 0 no;

**11.** **Contract Authorized Under CARB Grant**

**(Greg Pettis, Chair of Finance/Audit Committee;**
**Staff: Rudy LeFlore, Chief of Performance)**

SunLine Agency Board Member Pettis stated that the Finance/Audit Committee reviewed this item and unanimously approved it and he moved to approve. The motion was seconded by SunLine Agency Board Member Radi. The motion carried by a unanimous vote of 10 yes; 0 no;

**12.** **Contract for STA New Entrance Sign**

**(Greg Pettis, Chair of Finance/Audit Committee;**
**Staff: Dean Holm, Superintendent of Facility Maintenance)**

SunLine Agency Board Member Pettis stated that the Finance/Audit Committee met and the committee did vote to approve a contract with PVL Signs & Graphics, Inc. in the amount of $20,750 for the Fabrication and Installation of a new STA Entrance sign and Improvements for the existing Employee Entrance sign.

This item was approved at the committee with one ‘no’ vote and Board Member Pettis moved to approve. The motion was seconded by SunLine Agency Board Member Kelly. The motion carried by a unanimous vote of 10 yes; 0 no;

**13.** **Contract for Renewable Natural Gas & Management of Federal/State Fuel Credits**

**(Greg Pettis, Chair of Finance/Audit Committee;**
**Staff: Eric Taylor, Financial Services & Support Manager)**

SunLine Agency Board Member Pettis stated that the Finance/Audit Committee reviewed this item and unanimously approved it and he moved to approve. The motion was seconded by SunLine Agency Board Member Radi. The motion carried by a unanimous vote of 10 yes; 0 no;

**14. Design/Build CNG Fueling Station**
**(Greg Pettis, Chair of Finance/Audit Committee;**
**Staff: Dean Holm, Superintendent of Facility Maintenance)**
SunLine Agency Board Member Pettis stated that the Finance/Audit Committee reviewed this item and unanimously approved it and he moved to approve. The motion was seconded by SunLine Agency Board Member Kelly. The motion carried by a unanimous vote of 10 yes; 0 no;

(Comment from CEO/General Manager, Lauren Skiver)
For any and all large construction projects, the Board will be provided with an informational document that will include historical decisions and change orders. CEO/General Manager, Lauren Skiver asked for suggestions on what the cities currently practice so that SunLine staff can accommodate and make it easier for all Board members to follow the progression of these projects.

**15. Contract for Telephone Line Services**
**(Greg Pettis, Chair of Finance/Audit Committee;**
**Staff: Joseph Friend, IT Administrator)**
SunLine Agency Board Member Pettis stated that the Finance/Audit Committee reviewed this item and unanimously approved it and he moved to approve. The motion was seconded by SunLine Agency Board Member Kelly. The motion carried by a unanimous vote of 10 yes; 0 no;

**16. CEO/General Manager's Report**
CEO/General Manager Lauren Skiver, addressed the Board with the results of this year's Annual Pack the Bus Event which collected more backpacks and school supplies than last year. Big thank you to staff for volunteering for this event.
Also addressed was the SolVan Launch Event and reminded the Board and the public that this is a big accomplishment for the community. CEO/General Manager, Lauren Skiver continued to invite the Board members for SunLine's Around the World Potluck where staff picks a country and brings food from that country as well as decorations. The event is being judged for a winner and the Board members are welcome to assist on that.
The Board was also reminded of the DBE Event coming up on October 18th, 2017.

That concluded the CEO/General Manager report.

**17. Closed Session**

Concluded discussion and there was no reportable action.

**18. Next Regular Board Meeting Date**
October 25, 2017
12 o'clock Noon – Board Room
32-505 Harry Oliver Trail
Thousand Palms, CA 92276

**20. Adjourn**

Meeting was adjourned at 1:00 p.m.

Respectfully Submitted,

Diane Beebe
Clerk of the Board

**SunLine Transit Agency**

| | | |
|---|---|---|
| **DATE:** | **October 25, 2017** | **ACTION** |
| **TO:** | **Finance/Audit Committee**<br>**Board of Directors** | |
| **FROM:** | **Chief Performance Consultant** | |
| **RE:** | **Affordable Housing and Sustainable Communities** | |

## Recommendation

Recommend that the Board of Directors grant authority to the CEO/General Manager to execute all documents necessary to support the submission of a grant application in conjunction with the City of Coachella for the Affordable Housing and Sustainable Communities grant as well as the Infill Infrastructure Grant Program.

## Background

SunLine has been meeting with the City of Coachella in order to increase public resources available to access transit oriented development projects in the Coachella Valley. There is a grant deadline of January 15, 2018 and only one SunLine Transit Board meeting between October 2017 and January ~~of~~ 2018.

SunLine will obtain funding to provide innovative transportation solutions to the Coachella area. This funding will help SunLine to explore more customized transit alternatives along with a Superstop that addresses public transportation needs in the area.

Public transportation systems are an integral part of the application process. Therefore, prior approval is being requested to facilitate a timely submission by the City of Coachella and those in partnership with the City.

This approval extends to those documents necessary to submit a complete grant application.

## Financial Impact

There is no financial impact attached to this action.

Rudy Le Flore

**SunLine Transit Agency**

**DATE:** **October 25, 2017** **ACTION**

**TO:** **Finance/Audit Committee**
**Board of Directors**

**FROM:** **Chief Performance Consultant**

**RE:** **Contracted Support For Rethink Effort**

## Recommendation

Recommend that the Board of Directors authorize the CEO/General Manager to negotiate and execute an agreement with HDR Inc. in an amount not to exceed $425,000 subject to approval as to form by legal Counsel.

## Background

SunLine, like many other agencies nationwide, is looking to increase the efficiency of its public transportation systems. Studies have shown that agencies that take a broad look at transportation possibilities are better situated to attract and retain ridership. In many cases, that broad look is only enhanced by the skills and experiences that outside consultants can add to the process.

SunLine is moving deliberately towards rethinking its transportation offerings. This is to minimize any impacts that reduced funding may have on the system. The temporary assistance of HDR will ensure that the many aspects of rethinking transit are properly vetted and that all recommendations are supported by objective data. It also ensures that external perspectives are considered as we look to think out-of the box.

## Reason for Selection of Procurement Process

This procurement transaction was solicited from a Single Source. SunLine is able to utilize state contracts to satisfy its service needs. HDR has a current contract in place with the State of California and has a reputation for providing satisfactory planning services in Riverside County. HDR has nearly 10,000 employees with more than 225 offices around the globe. Contracting through the State of California will save at least 90 days of procurement time and allow HDR to start supporting the efforts of the agency in a timely fashion.

## Reason for Selection of Contract Type

A labor hour contract was selected as HDR will be reimbursed for actual hours expended on the project. HDR exceeds the not to exceed hours at their own risk and expense.

**Reason for Selection of the Contractor**

HDR is uniquely qualified for this support effort because they have conducted planning studies in Riverside County for the Riverside County Transportation Commission as well as provided satisfactory services in the past for SunLine with the delivery of a Facilities Master Plan.

**How Price was Determined Fair and Reasonable**

HDR has a current contract in place with the State of California and has a reputation for providing satisfactory planning services in Riverside County. HDR offers market pricing based on General Services Administration Schedules offered to the federal government and the State of California. SunLine will take advantage of this pricing.

**Financial Impact**

The amount of $425,000 will be expensed from Capital Budget Funds previously approved by the Board and allocated for a BRT Study.

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Rudy LeFlore

**SunLine Transit Agency**

**DATE:** **October 25, 2017** **ACTION**

**TO:** **Finance/Audit Committee**
**Board of Directors**

**FROM:** **IT Administrator**

**RE:** **Approval of Contract for Telephone System Support**

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## Recommendation

Recommend that the Board of Directors delegate authority to the CEO/General Manager to execute a 3-year contract with Packet Fusion for Telephone System Support with a not to exceed amount of $26,014.

## Background

SunLine has utilized Packet Fusion's support for the ShoreTel telephone system since its installation in November of 2014. Annual support has been budgeted and utilized since that date. Through the execution of a longer duration contract, SunLine can benefit from a 10% discount resulting in annual savings of $900.

The contract covers support for the phone system switches and operating systems, including 24/7 health monitoring. The services have proven useful to provide early warning of potential issues as well as assistance in applying modifications to the system's configuration.

## Reason for Selection of Contract Type

SunLine is using the standard Packet Fusion service agreement.

## Reason for Selection of Contractor

The Packet Fusion support team has intimate knowledge of the system configuration, hardware installation and business practices. For the past 3-years, their support has been highly responsive to the Agency's needs. It is considered to be in the best interest of SunLine to continue using Packet Fusion as a sole source vendor.

## How Price was Determined Fair and Reasonable

Packet Fusion's price was determined to be fair and reasonable based on a **price analysis**.

**Financial Impact**

No financial impact. Telephone system support was budgeted in the FY18 Operating budget and will be included in future Operating budgets.

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Joseph L Friend

SunLine
TRANSIT AGENCY

Single Source
Maintenance Shoretel Phones
17-103

## PRICE ANALYSIS

| | Packet Fusion 2017 | | Packet Fusion 2016 | |
|---|---|---|---|---|
| Maintenance Support 1-Term | $ | 9,634.56 | $ | 9,721.68 |
| Maintenance Support 3-Term (price per year) | $ | 8,671.10 | | - |

| | | |
|---|---|---|
| Difference between Packet Fusion Maintenance Support for 1-year term in 2017 and 2016 | $ | (87.12) |
| Delta | | 0.90% |

| | | |
|---|---|---|
| Difference between Packet Fusion Maintenance Support 1-year term and 3-year term(price per year) | $ | (963.46) |
| Delta | | 10.00% |

Packet Fusion is the only vendor that can provide a quote to SunLine on ShoreTel products and services since they are SunLine's designated dealer. Packet Fusion's Maintenance Support price for 2017 was compared to the price from the Maintenance Support agreement in 2016 and has decreased by .90%. The Maintenance Support price for 2017's 3-year term was broken down per year and compared to the 1-year term. SunLine will save 10% per year when opting for the 3-year term. Based on the results, it is reasonable to assume that the price submitted by Packet Fusion is determined to be fair and reasonable.

Prepared by:

Jennifer Tran, Contracts Administrator

**SunLine Transit Agency**

**DATE:** **October 25, 2017** **ACTION**

**TO:** **Finance/Audit Committee**
**Board of Directors**

**FROM:** **IT Administrator**

**RE:** **Approval of Contract for Internet Service**

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## Recommendation

Recommend that the Board of Directors delegate authority to the CEO/General Manager to execute a 3-year contract with Spectrum Enterprise (formerly Time Warner Business) for Internet Services with a not to exceed amount of $108,800.

## Background

SunLine has an existing 5-year contract with Time Warner/Spectrum for Internet Service, at the Thousand Palms location, that expires on June 24, 2019. This new contract replaces the existing contract and extends the services until October 2020. Internet speed will be increased 10 times, from 100 Mb to 1 Gb, at no additional cost to the Agency.

## Reason for Selection of Contract Type

SunLine is using the standard Spectrum Enterprise service contract.

## Reason for Selection of Contractor

During the construction of the Administration building, Time Warner/Spectrum was the only vendor that could provide fiber Internet access to the physical location of the building. Spectrum is currently the only vendor that can provide a 1 Gb fiber connection to the Thousand Palms Administration building.

## Financial Impact

No financial impact. Internet services were budgeted in the FY18 Operating budget and will be included in future Operating budgets.

Joseph L Friend

**SunLine Transit Agency**

**DATE:** **October 25, 2017** **ACTION**

**TO:** **Board of Directors**

**FROM:** **Interim Clerk of the Board**

**RE:** **Approval of Board Meeting Dates for 2018**

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## Recommendation

Recommend that the Board of Directors approve the Board meeting dates for 2018 as listed on the attached schedule. All Board meetings will continue to be held on every fourth Wednesday of the month with a few exceptions.

## Background

Sunline Transit Agency Board of Directors will ‘go dark’ in August 2018 and November 2018. Board items will be presented on the following Board Meeting from that month. Also, the December Board meeting will be held on the first week to provide accommodations for the holiday season. There are no known conflicts with this schedule.

## Financial Impact

There is no financial impact.

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Diana Enriquez

# SunLine Transit Agency/SunLine Services Group

## BOARD MEETING SCHEDULE FOR 2018

**January 24**

**February 28**

**March 28**

**April 25**

**May 23**

**June 27**

**July 25**

**September 26**

**October 24**

**December 5**

NOTE: The majority of all Board meetings are held at noon on the 4th Wednesday of the month with a few exceptions. The Board of Directors go dark in August and November. Special Board meetings may be called by the Chairman if needed. All Regular meetings are held in the Board Room at the SunLine Transit Agency Thousand Palms headquarters.