SunLine Transit Agency
October 24, 2018
9:40 a.m. – 11:00 a.m.

AGENDA

FINANCE/AUDIT COMMITTEE

Wellness Training Room
32-505 Harry Oliver Trail
Thousand Palms, CA 92276

In compliance with the Brown Act and Government Code Section 54957.5, agenda materials distributed 72 hours prior to the meeting, which are public records relating to open session agenda items, will be available for inspection by members of the public prior to the meeting at SunLine Transit Agency's Administration Building, 32505 Harry Oliver Trail, Thousand Palms, CA 92276 and on the Agency's website, www.sunline.org.

In compliance with the Americans with Disabilities Act, Government Code Section 54954.2, and the Federal Transit Administration Title VI, please contact the Clerk of the Board at (760) 343-3456 if special assistance is needed to participate in a Board meeting, including accessibility and translation services. Notification of at least 48 hours prior to the meeting time will assist staff in assuring reasonable arrangements can be made to provide assistance at the meeting.

ITEM	RECOMMENDATION
1. CALL TO ORDER	
2. ROLL CALL	
3. PRESENTATIONS	
4. FINALIZATION OF AGENDA	
5. PUBLIC COMMENTS	**RECEIVE COMMENTS**

NON AGENDA ITEMS
Members of the public may address the Committee regarding any item within the subject matter jurisdiction of the Committee; however, no action may be taken on off-agenda items unless authorized. Comments shall be limited to matters not listed on the agenda. Members of the public may comment on any matter listed on the agenda at the time that the Board considers that matter. Comments may be limited to 3 minutes in length.

ITEM		**RECOMMENDATION**
6.	**COMMITTEE MEMBER COMMENTS**	**RECEIVE COMMENTS**
7.	**FISCAL YEAR 2018 AUDIT REPORTS** (Staff: Luis Garcia, Deputy Chief Financial Officer)	**RECEIVE & FILE** (PAGE 3-101)
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.

8a)Checks $1,000 and Over Report for August 2018	(PAGE 102-105)
8b) Credit Card Statement for August 2018	(PAGE 106-108)
8c) Monthly Budget Variance Report for August 2018	(PAGE 109-116)
8d) Contracts Signed in Excess of $25,000 September 2018	(PAGE 117-118)
8e) Union & Non-Union Pension Investment Asset Summary September 2018	(PAGE 119-121)
8f) Quarterly Capital Project Update for 3rd Quarter 2018	(PAGE 122-124)
8g) Ridership Report for September 2018	(PAGE 125-127)
8h) SunDial Operational Notes for September 2018	(PAGE 128-131)
8i) Metrics for September 2018	(PAGE 132-143)
8j) Board Member Attendance for September 2018	(PAGE 144-145)

9.	**FY 19 BUDGET AMENDMENT** (Staff: Luis Garcia, Deputy Chief Financial Officer)	**APPROVE** (PAGE 146-147)
10.	**APPROVAL OF PENSION AUDIT SERVICES** (Staff: Luis Garcia, Deputy Chief Financial Officer)	**APPROVE** (PAGE 148-149)
11.	**AWARD CONSTRUCTION CONTRACT FOR BUS SHELTERS** (Staff: Rudy Le Flore, Chief Project Consultant)	**APPROVE** (PAGE 150-158)
12.	**ADJOURN**	

SunLine Transit Agency

DATE: October 24, 2018 **RECEIVE AND FILE**

TO: Finance/Audit Committee
Board of Directors

FROM: Luis Garcia, Deputy Chief Financial Officer

RE: Fiscal Year 2018 Audit Reports

Recommendation

Recommend that the Board of Directors receive and file the fiscal year 2018 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 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 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.

Audit Outcome

The auditors presented an unmodified opinion with zero findings related to the financial statements or single audit.

SunLine Transit Agency
Audited Financial Statements
As of and for the Years Ended June 30, 2018 and 2017
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, 2018 and 2017
with Report of Independent Auditors

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777

www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego
Manila

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, 2018 and 2017 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, 2018 and 2017, 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 40 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 basic 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 October 19, 2018 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
October 19, 2018

The management of SunLine Transit Agency (STA) or Agency 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, 2018 and 2017. 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 $60,954,814 for 2018 and $53,140,341 for 2017. Net position at June 30, 2018 consists of $60,794,466 of net position invested in capital assets and $160,348 of unrestricted net position.

- STA's combined net position increased in fiscal year 2018 by $7,814,473. The increase was primarily due to additional capital contributions related to vehicle purchases, facility improvements and others, offset by total operating expenses exceeding operating revenues. This amount is higher than the change in net position in fiscal year 2017 which was an increase by $1,847,866 compared to fiscal year 2016. In fiscal year 2018, salaries and employee benefits and other expenses (utilities, fuel, taxes, leases and others) are lower than fiscal year 2017 due to unmanned position across departments, and less production of CNG. Casualty and liability costs increased in 2018 due to increase in workers' compensation and general liability claims. Fiscal year 2018 depreciation expense is higher than fiscal year 2017 due to increase in capital projects closed at the end of fiscal year 2017 while vehicle operating lease decreased because of lease contract that ended in fiscal year 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Financial statements;

- Notes to 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 revenues, 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, 2018, STA's assets exceeded liabilities by $60,954,814, a $7,814,473 increase from June 30, 2017. A condensed summary of the Statements of Net Position as of June 30, 2018 and 2017 is shown below:

	2018	2017	Changes
Current and other assets	**$ 17,898,719**	$ 16,816,689	$ 1,082,030
Net pension asset	**1,487,182**	-	1,487,182
Capital assets, net of depreciation	**60,794,466**	52,959,688	7,834,778
Deferred outflows of resources	**1,606,625**	2,782,255	(1,175,630)
Total assets and deferred outlfows of resources	**81,786,992**	72,558,632	9,228,360
Current liabilities	**12,591,360**	13,634,974	(1,043,614)
Long-term liabilities	**2,924,495**	3,499,047	(574,552)
Deferred inflows of resources	**5,316,323**	2,284,270	3,032,053
Total liabilities and deferred inflows of resources	**20,832,178**	19,418,291	1,413,887
Net position			
Net investment in capital assets	**60,794,466**	52,959,688	7,834,778
Unrestricted	**160,348**	180,653	(20,305)
Total net position	**$ 60,954,814**	$ 53,140,341	$ 7,814,473

STA's net 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 $7,834,778 in net investment in capital assets at June 30, 2018 resulted primarily from additions to capital assets related to five hydrogen buses project, battery dominant fuel cell bus project, facility improvements, refurbishing fuel station, fencing project, 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 decreased by $20,305, compared from $180,653 at June 30, 2017 to $160,348 at June 30, 2018. The decrease in net position is due to SSG's expenses (net of depreciation) exceeding revenues during fiscal year 2018.

Changes in Net Position

For the fiscal years ended June 30, 2018 and 2017, STA's combined revenues were $49,177,744 and $42,543,268, respectively, while the total controllable expenses, excluding vehicle operating lease and depreciation were $32,724,720 and $33,188,527, 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 $7,814,473 and $1,847,866 during the fiscal years ended June 30, 2018 and 2017, respectively. The significant increase in net position in 2018 was due to increase in capital contributions that funded STA's capital projects.

	2018	2017	Changes
Revenues			
Passenger fares	**$ 2,900,114**	$ 3,055,022	$ (154,908)
CNG and hydrogen fuel sales	**3,593,925**	3,125,917	468,008
Operating grants	**25,631,488**	26,170,975	(539,487)
Capital grants	**16,342,766**	9,295,954	7,046,812
Interest and other revenues	**709,451**	895,400	(185,949)
Total revenues	**49,177,744**	42,543,268	6,634,476
Controllable Operating Expenses			
Salaries and employee benefits	**23,175,862**	24,043,772	(867,910)
Services	**2,937,109**	2,838,499	98,610
Casualty and liability costs	**1,999,270**	1,421,017	578,253
Materials and supplies	**1,713,475**	1,688,687	24,788
Utilities	**1,706,997**	1,956,125	(249,128)
Tires and tubes	**229,481**	213,033	16,448
Taxes	**182,038**	194,224	(12,186)
Administrative	**180,336**	166,582	13,754
Fuel and lubricants	**168,095**	274,061	(105,966)
Miscellaneous	**432,057**	392,787	39,270
Total controllable operating expenses	**32,724,720**	33,188,527	(463,807)
Depreciation and Lease			
Vehicle lease	**131,324**	258,178	(126,854)
Depreciation	**8,507,227**	7,248,697	1,258,530
Total expenses	**41,363,271**	40,695,402	667,869
Changes in Net Position	**7,814,473**	1,847,866	5,966,607
Net position			
Beginning of year	**53,140,341**	51,292,475	1,847,866
Ending of year	**$ 60,954,814**	$ 53,140,341	$ 7,814,473

Revenues

The national trends in fixed route ridership have shown decreasing ridership. As such, passenger fare revenues decreased in fiscal year 2018 by $154,908 due to continuing decline in ridership.

CNG and hydrogen fuel revenues which reflect outside fuel revenues, state emission credits and CNG rebates increased in fiscal year 2018 by $468,008 compared to fiscal year 2017 due to extended Federal excise tax rebates for calendar year 2017.

Operating grants in fiscal year 2018 decreased by $539,487 mainly due to decrease in Measure A funds and federal operating assistance offset by increase in Local Transportation Fund (LTF), Low-Carbon Transit Operations Program (LCTOP) funds and operating subsidy from state transit assistance. Fiscal year 2017 operating grants increased by $1,687,480 compared to fiscal year 2016 due to the increase in Local Transportation Fund (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.

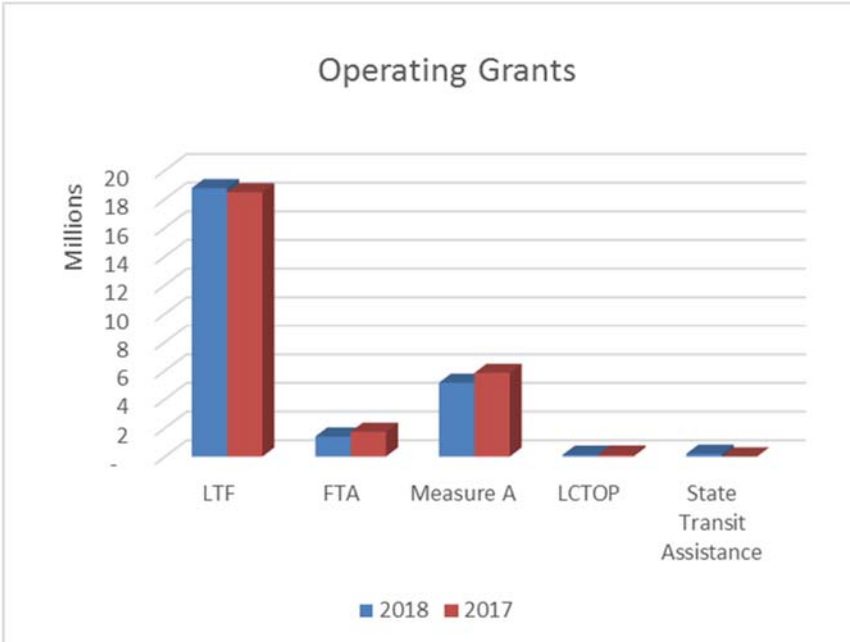
Capital grants in fiscal year 2018 increased by $7,046,812 due to increase in capital projects. Projects included facility improvements, equipment, transit, continued fencing, enterprise resource planning, fueling station, hydrogen low no emission fuel cell buses and battery dominant fuel cell bus projects. Capital grants in fiscal year 2017 increased by $4,283,857 compared to fiscal year 2016 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.

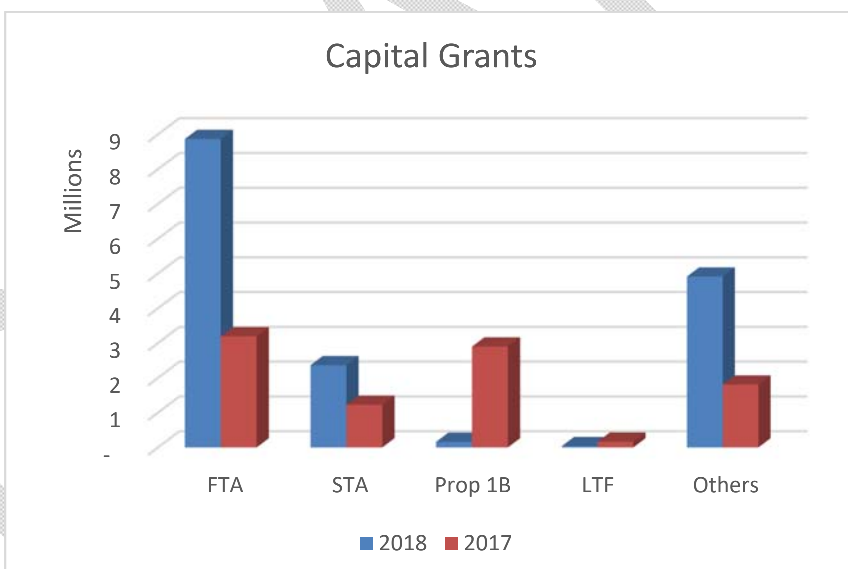
Interest and other revenues in fiscal year 2018 decreased by $185,949 due to decrease in advertising revenue and decrease in SSG's operating vehicle permits, inspection fees and surcharge fees.

The combined amount of operating and capital grants in fiscal year 2018 and 2017 reflects 85% and 83% 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 (LCTOP) 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
Millions
20
18
16
14
12
10
8
6
4
2
-
LTF
FTA
Measure A
LCTOP
State Transit Assistance
2018
2017


Capital Grants
Millions
9
8
7
6
5
4
3
2
1
-
FTA
STA
Prop 1B
LTF
Others
2018
2017

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 $32,724,720 during fiscal year 2018, a decrease of $463,807 from fiscal year 2017 of $33,188,527. The decrease attributed mainly to decrease in salaries and wages, utilities, fuel and lubricants and taxes offset by increase in casualty and liability costs and other expenses.

Salaries, administrative, and benefits decreased in fiscal year 2018 by $867,910. Fringe benefits decreased mainly due to decrease in health insurance premiums and pension contribution.

Services increased in fiscal year 2018 by $98,610 mainly due to increase in third party contract services for SunLine's vanpool program, center of excellence, advertising, repairs, computer software licenses, audit, security, and temporary help.

Casualty and liability costs increased in fiscal year 2018 by $578,253 due to increase in insurance premiums and claims on worker's compensation and general liability.

Materials and supplies increased in fiscal year 2018 by $24,788 due to increase in repair parts of aging vehicles and maintenance of old facilities.

Utilities expense decreased in fiscal year 2018 by $249,128 mainly due to decrease in cost of natural gas and transmission charge.

Tires and tubes increased in fiscal year 2018 by $16,448 due to increase in vehicle miles travelled.

Taxes represent fuel taxes paid based on the generation of CNG and hydrogen. In fiscal year 2018, STA generated less volume compared to fiscal year 2017.

Fuel and lubricants decreased in fiscal year 2018 by $105,966 mainly due to less production and sale of CNG.

Miscellaneous expenses increased in fiscal year 2018 by $39,270 due mostly to increase in tuition reimbursements, recruitment fees, employee development program, consulting and trainings and seminars.

A breakdown of operating expenses is reflected on page 6.

CAPITAL ASSETS

STA's capital assets (net of accumulated depreciation), as of June 30, 2018 and 2017, amounted to $60,794,466 and $52,959,688 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 2018 included the following:

- Purchase of Five (5) Hydrogen Fuel Cell Buses
- Battery Dominant Fuel Cell Bus (continued)
- Replacement of bus lifts (continued)
- Enterprise Resource Planning (continued)
- CNG and Hydrogen Fueling Station (continued)
- Facility improvements (continued)
- Bus rehabilitation and equipment

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

A summary of the capital assets balances as of June 30, 2018 and 2017 and related activity for the fiscal years then ended is presented in Note 5 of the financial statements.

ECONOMIC AND OTHER FACTORS

The transportation industry is undergoing massive transformation, and SunLine is studying ways to improve and change its service model in order to remain competitive and continue to provide valued service to the community. The national decreasing ridership trend for fixed route continues to impact Agency's financial stability. The proposed combined operating budgets for FY 2019 are $39,086,932, which represents an increase of 11% over the fiscal year 2018 combined operating budget of $35,133,623. The majority of the costs associated with the increase can be attributed to the following:

Continued Vanpool program

Additional route (Quick Bus to the Line 111) to help improve frequency and performance

Launching a SunRide ride share program.

Haul Pass program

Utilization of legal consultants for labor negotiations.

Ten new capital project investments to cover necessities in fleet, facilities and technology
Increase in SRA legal expenses during the ordinance amendment to comply with AB1069.
SRA's utilization of contingency funds to cover the projected deficit in FY2018/19.

SunLine continues to identify ways to strengthen its overall financial position in order to continue to serve a diverse community of transit users.

In FY 2019, SunLine will focus on strengthening its existing services and piloting new mobility services to invest in the development of advanced transit scheduling expertise in-house and to enhance SunLine's ability to create efficient transit schedules to better serve customers. SunLine will also focus on improving its most successful trunk routes. Lines 14, 30 and 111 together, account for 64% of all daily boardings. Improving these services will increase farebox revenue on the entire network. Additionally, SunLine is exploring the possibility of providing service to the Coachella Valley Art and Music Festival, Stagecoach Festival and realignment of Line 70 or 11 to stop near the BNP Paribas Open.

SunLine relies on operating and capital grants for approximately 85% 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

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 depreciation, vehicle lease and SSG's operating revenues and expenses) approved by RCTC and the California Department of Transportation. The fiscal year 2018 required farebox recovery ratio was 17.46%; the Agency's actual ratio was 21.49% 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.

ASSETS	June 30 2018	2017
Current assets		
Cash and investments	$ 9,029,161	$ 7,775,755
Accounts receivable, net	1,686,087	512,148
Due from other governmental agencies	5,049,135	6,658,320
Inventory	870,436	799,895
Prepaid items	98,206	481,043
Total current assets	16,733,025	16,227,161
Noncurrent assets		
Deposits	1,165,694	589,528
Net pension asset	1,487,182	-
Capital assets, not depreciated	22,290,886	8,608,925
Capital assets, depreciated	38,503,580	44,350,763
Total noncurrent assets	63,447,342	53,549,216
Total assets	80,180,367	69,776,377
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pension	1,606,625	2,782,255
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	4,813,929	970,343
Accrued payroll and related liabilities	253,690	270,710
Due to other governmental agency	-	3,000,000
Net pension liability - current portion	-	2,026,177
Compensated absences	1,584,952	1,509,712
Claims payable - current portion	902,378	846,581
Unearned revenue	5,036,411	5,011,451
Total current liabilities	12,591,360	13,634,974
Noncurrent liabilities		
Net pension liability - noncurrent portion	-	755,380
Claims payable - noncurrent portion	2,924,495	2,743,667
Total noncurrent liabilities	2,924,495	3,499,047
Total liabilities	15,515,855	17,134,021
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pension	5,316,323	2,284,270
NET POSITION		
Net investment in capital assets	60,794,466	52,959,688
Unrestricted	160,348	180,653
Total net position	$ 60,954,814	$ 53,140,341

See notes to financial statements.

		Years ended June 30	
		2018	2017
OPERATING REVENUES			
Passenger fares	**$**	**2,900,114**	$ 3,055,022
CNG and hydrogen fuel sales		**3,593,925**	3,125,917
Taxi license fees		**225,347**	284,465
Other		**455,335**	606,215
Total operating revenues		**7,174,721**	7,071,619
OPERATING EXPENSES			
Salaries and employee benefits		**23,175,862**	24,043,772
Depreciation		**8,507,227**	7,248,697
Services		**2,937,109**	2,838,499
Casualty and liability costs		**1,999,270**	1,421,017
Materials and supplies		**1,713,475**	1,688,246
Utilities		**1,706,997**	1,956,298
Tires and tubes		**229,481**	213,033
Taxes		**182,038**	194,232
Administrative		**180,336**	166,582
Fuel and lubricants		**168,095**	274,061
Vehicle lease		**131,324**	258,178
Miscellaneous		**432,057**	392,787
Total operating expenses		**41,363,271**	40,695,402
OPERATING LOSS		**(34,188,550)**	(33,623,783)
NONOPERATING REVENUES			
Operating grants:			
Local Transportation Fund		**18,753,800**	18,470,028
Measure A		**5,153,400**	5,835,696
Federal Transit Administration - Section 5307		**-**	438,668
Federal Transit Administration - Section 5309		**114,887**	6,693
Federal Transit Administration - Section 5310		**23,901**	40,042
Federal Transit Administration - Section 5311		**344,995**	341,572
Federal Transit Administration - Section 5311(f)		**365,767**	300,000
Federal Transit Administration - Section 5316		**-**	15,079
Federal Transit Administration - Section 5317		**29,520**	76,964
Federal Transit Administration - Others		**518,737**	510,642
State Transit Assistance		**131,324**	-
Low-Carbon Transit Operations Program (LCTOP) Grant		**195,157**	135,591
Total operating grants		**25,631,488**	26,170,975
Interest income		**7,460**	4,069
Miscellaneous income		**-**	200
Gain on sale of capital assets, net		**21,309**	451
Total nonoperating revenues		**25,660,257**	26,175,695
LOSS BEFORE CAPITAL CONTRIBUTIONS		**(8,528,293)**	(7,448,088)
CAPITAL CONTRIBUTIONS			
Capital grants:			
Federal Transit Administration		**8,868,886**	3,196,010
State Transit Assistance		**2,365,227**	1,226,297
Proposition 1B		**160,424**	2,899,239
Local Transportation Fund		**36,154**	165,729
Other		**4,912,075**	1,808,679
Total capital contributions		**16,342,766**	9,295,954
CHANGES IN NET POSITION		**7,814,473**	1,847,866
NET POSITION			
Beginning of year		**53,140,341**	51,292,475
End of year	**$**	**60,954,814**	$ 53,140,341

See notes to financial statements.

	Years ended June 30	
	2018	2017
Cash flows from operating activities		
Cash received from customers	**$ 6,000,782**	$ 7,196,159
Cash payments to suppliers for goods and services	**(5,683,505)**	(9,919,788)
Cash payments to employees for services	**(23,359,034)**	(23,588,297)
Net cash used in operating activities	**(23,041,757)**	(26,311,926)
Cash flows from noncapital financing activities		
Cash received from operating grants	**27,235,145**	22,750,064
Loan proceeds from RCTC	**-**	3,000,000
Payment of loan to RCTC	**(3,000,000)**	-
Net cash provided by noncapital financing activities	**24,235,145**	25,750,064
Cash flows from capital and related financing activities		
Cash received from capital grants	**16,373,254**	11,703,644
Acquisition and construction of capital assets	**(16,342,005)**	(9,037,775)
Proceeds from sale of capital assets	**21,309**	451
Cash provided by capital and related financing activities	**52,558**	2,666,320
Cash flows from investing activity		
Interest income received	**7,460**	4,069
Net cash provided by investing activity	**7,460**	4,069
Change in cash and cash equivalents	**1,253,406**	2,108,527
Cash and cash equivalents, beginning of year	**7,775,755**	5,667,228
Cash and cash equivalents, end of year	**$ 9,029,161**	$ 7,775,755
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (34,188,550)**	$ (33,623,783)
Provision for doubtful accounts	**-**	829
Depreciation	**8,507,227**	7,248,697
Changes in operating assets, liabilities and deferred outflows and inflows of resources:		
Accounts receivable	**(1,173,939)**	123,711
Inventory	**(70,541)**	(34,935)
Prepaid items	**382,837**	(322,382)
Deposits	**(576,166)**	(90,013)
Deferred outflows of resources related to pension	**(311,552)**	1,175,629
Accounts payable and accrued liabilities	**3,843,586**	159,279
Accrued payroll and related liabilities	**(17,020)**	(349,698)
Net pension asset/liability	**(2,781,557)**	(1,325,182)
Compensated absences	**75,240**	98,564
Claims payable	**236,625**	(395,386)
Deferred inflows of resources related to pension	**3,032,053**	1,022,744
Net cash used in operating activities	**$ (23,041,757)**	$ (26,311,926)

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.

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.

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 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

The Government Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension (OPEB)*, which is effective for the fiscal year ended June 30, 2018. The Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employees. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed in this Statement. STA does not have an OPEB plan, thus, the implementation of this Statement did not have an impact on STA's financial statements.

NOTE 3 CASH AND INVESTMENTS

Cash and investments consisted of the following:

June 30, 2018

	STA	SSG	Total
Cash on hand	**$ 1,100**	**$ 100**	**$ 1,200**
Deposits with financial institutions	**8,013,160**	**442,349**	**8,455,509**
Investments - LAIF	**572,452**	**-**	**572,452**
Total cash and investments	**$ 8,586,712**	**$ 442,449**	**$ 9,029,161**

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Demand Deposits

At fiscal year-end of 2018 and 2017, the carrying amount of demand deposits was $8,455,509 (2017 - $7,208,789) and the bank balance was $9,791,258 (2017 - $8,322,029) 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.

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 Issuer
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, 2018 was not rated.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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, 2018 and 2017, 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.

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, 2018 and 2017, the Agency's investment in LAIF had a contractual withdrawal value of $572,452 and $565,766, 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, 2018 and 2017 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, 2018 and 2017, due from other governmental agencies consisted of the following:

	2018	2017
Federal Transportation Administration (FTA)	$ 705,411	$ 5,042,533
State Transit Assistance (STA)	644,505	730,915
Measure A	429,450	555,407
Local Transportation Fund (LTF)	2,055	32,820
CalStart	146,791	289,952
California Air Resource Board (CARB)	3,120,923	-
Others	-	6,693
Total	$ 5,049,135	$ 6,658,320

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)
Local Transportation Fund (LTF) and the State Transit Assistance (STA) programs are created under the Transportation Development Act (TDA) by the State of California (State). Funds are available to the Agency for maintenance costs, acquisition, construction, improvement and maintenance of transit facilities, transit vehicles and equipment. Funds are administered by the Riverside County Transportation Commission.

Measure A
Measure A is a voter-approved one-half of one percent sales tax for the purpose of improving the transportation system of the Riverside County.

CalStart and State of California Air Resource Board (ARB)
Funds represents cost reimbursements in accordance with the Cooperative Agreements with CalStart and State of California Air Resource Board.

NOTE 5 CAPITAL ASSETS

Summary of changes in capital assets is as follows:

June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2018
Non-depreciable assets					
Land	$ 3,141,003	$ -	$ -	$ -	$ 3,141,003
Construction in progress	5,467,922	16,284,258	-	(2,602,297)	19,149,883
Total nondepreciable assets	8,608,925	16,284,258	-	(2,602,297)	22,290,886
Depreciable Assets					
Buildings	29,228,586	-	-	-	29,228,586
Land improvements	3,698,014	-	-	-	3,698,014
Facility improvements	949,994	-	-	389,032	1,339,026
Office furniture and equipment	6,513,299	9,340	(4,302)	267,383	6,785,720
Vehicles	58,192,251	41,798	(859,742)	1,462,337	58,836,644
Equipment	5,807,256	7,370	(59,483)	483,545	6,238,688
Total depreciable assets	104,389,400	58,508	(923,527)	2,602,297	106,126,678
Less accumulated depreciation	(60,038,637)	(8,507,227)	922,766	-	(67,623,098)
Total depreciable assets, net	44,350,763	(8,448,719)	(761)	2,602,297	38,503,580
Total capital assets, net	$ 52,959,688	$ 7,835,539	$ (761)	$ -	$ 60,794,466

June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Transfers/ Adjustments	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 improvements	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

Depreciation expense for the years ended June 30, 2018 and 2017 comprised of:

	2018	2017
SunLine Transit Agency	**$ 8,501,403**	$ 7,242,077
SunLine Services Group	**5,824**	6,620
Total	**$ 8,507,227**	$ 7,248,697

NOTE 5 CAPITAL ASSETS (CONTINUED)

Changes in capital assets by funding source were as follows:

June 30, 2018

	Federal Funds	STA/Prop 1B Funds	TDA Funds	Measure A	Operator/ Other	Total
Balance at July 1, 2017	**$ 45,393,915**	**$ 40,085,924**	**$ 15,936,330**	**$ 10,000**	**$ 11,572,156**	**$ 112,998,325**
Additions	**8,868,886**	**2,525,651**	**36,154**	**-**	**4,912,075**	**16,342,766**
Deletions	**(574,683)**	**(334,483)**	**(12,377)**	**-**	**(1,984)**	**(923,527)**
Balance at June 30, 2018	**$ 53,688,118**	**$ 42,277,092**	**$ 15,960,107**	**$ 10,000**	**$ 16,482,247**	**$ 128,417,564**

June 30, 2017

	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	3,196,010	4,125,535	165,729	-	1,808,679	9,295,953
Transfers/adjustments	-	(258,178)	-	-	45,663	(212,515)
Deletions	(108,781)	(28,144)	-	-	-	(136,925)
Balance at June 30, 2017	$ 45,393,915	$ 40,085,924	$ 15,936,330	$ 10,000	$ 11,572,156	$ 112,998,325

NOTE 6 UNEARNED REVENUE

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

	2018	2017
Capital Assistance		
Federal Transit Authority	**$ 6,406**	$ 1,216
State Transit Assistance	**36,932**	144,401
Proposition 1B	**4,298,101**	4,158,330
Transportation Development Act	**102,464**	106,335
Operators/Others	**1,660**	4,793
Total capital assistance	**4,445,563**	4,415,075
Operating Assistance		
Low Carbon Transit Operations Program	**458,297**	403,782
Transportation Development Act	**-**	181,844
Operator/Others	**132,551**	10,750
Total operating assistance	**590,848**	596,376
Total	**$ 5,036,411**	$ 5,011,451

NOTE 6 UNEARNED REVENUE (CONTINUED)

Capital Assistance

Changes in unearned revenue by funding source for the years ended June 30, 2018 and 2017 were as follows:

Year ended June 30, 2018

	Federal Funds	STA Funds	Prop 1 B Funds	TDA Funds	Operator/ Other Funds	Total
Excess capital funds at July 1, 2017	$ 1,216	$ 144,401	$ 4,158,330	$ 106,335	$ 4,793	$ 4,415,075
Interest earned	-	-	1,286	-	-	1,286
Allocation received/deferred	8,874,076	2,257,758	298,909	32,283	4,908,942	16,371,968
Funds available	8,875,292	2,402,159	4,458,525	138,618	4,913,735	20,788,329
Less: eligible costs - capitalized	(8,868,886)	(2,365,227)	(160,424)	(36,154)	(4,912,075)	(16,342,766)
Excess capital funds at June 30, 2018	$ 6,406	$ 36,932	$ 4,298,101	$ 102,464	$ 1,660	$ 4,445,563

Year ended 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/deferred	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: eligible 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

Operating Assistance

Changes in unearned revenue by funding source for the years ended June 30, 2018 and 2017 were as follows:

Year ended June 30, 2018

	Federal Funds	TDA Funds	LCTOP Funds	Operator/ Other Funds	Total
Excess operating funds at July 1, 2017	$ -	$ 181,844	$ 403,782	$ 10,750	$ 596,376
Allocation received/deferred	1,397,807	18,571,956	249,672	124,551	20,343,986
Funds available	1,397,807	18,753,800	653,454	135,301	20,940,362
Eligible costs	(1,397,807)	(18,753,800)	(195,157)	(2,750)	(20,349,514)
Excess operating funds at June 30, 2018	$ -	$ -	$ 458,297	$ 132,551	$ 590,848

Year ended June 30, 2017

	Federal Funds	TDA Funds	LCTOP Funds	Operator/ Other Funds	Total
Excess operating funds at July 1, 2016	$ -	$ -	$ 539,373	$ 42,250	$ 581,623
Allocation received/deferred	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

NOTE 7 COMPENSATED ABSENCES

Summary of changes in compensated absences at June 30, 2018 and 2017 were as follows:

	2018	2017
Compensated absences, beginning	**$ 1,509,712**	$ 1,411,148
Additions	**2,023,920**	1,306,476
Reductions	**(1,948,680)**	(1,207,912)
Compensated absences, ending	**$ 1,584,952**	$ 1,509,712

There is no fixed payment schedule for compensated absences.

NOTE 8 LONG-TERM OBLIGATIONS

Summary of changes in long-term obligations for the years ended June 30, 2018 and 2017 were as follows:

June 30, 2018

	Balance July 1, 2017	**Additions**	**Deletions**	**Balance June 30, 2018**	**Due Within One Year**	**Due In More Than One Year**
Claims payable	**$ 3,590,248**	**$ 1,363,451**	**$ (1,126,826)**	**$ 3,826,873**	**$ 902,378**	**$ 2,924,495**
Net pension liability	**2,781,557**	**2,280,599**	**(5,062,156)**	**-**	**-**	**-**
Total	**$ 6,371,805**	**$ 3,644,050**	**$ (6,188,982)**	**$ 3,826,873**	**$ 902,378**	**$ 2,924,495**

June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year	Due In More Than One Year
Claims payable	$ 3,985,634	$ 554,784	$ (950,170)	$ 3,590,248	$ 846,581	$ 2,743,667
Net pension liability	4,106,739	1,076,507	(2,401,689)	2,781,557	2,026,177	755,380
Total	$ 8,092,373	$ 1,631,291	$ (3,351,859)	$ 6,371,805	$ 2,872,758	$ 3,499,047

Claims Payable

Claims payable at June 30, 2018 and 2017, amounted to $3,826,873 and $3,590,248, respectively. There is no fixed payment schedule for claims payable. See Note 9 for more detail.

Net Pension Liability

Refer to Note 10 for information.

NOTE 9 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.

NOTE 9 RISK MANAGEMENT (CONTINUED)

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
2016-2017	$ 3,985,634	$ 554,784	$ (950,170)	$ 3,590,248
2017-2018	3,590,248	1,363,451	(1,126,826)	3,826,873

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

NOTE 10 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.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Plan Description

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.

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.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

The Plans' provisions and benefits in effect at June 30, 2018 and 2017, 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	1.6%	2.0% to 2.5%
Required employee contribution rates	none	3%
Required employer contribution rates	12.12%	20.22%

Employees Covered – At December 31, 2017, valuation date, the following employees were covered by the benefit terms of each Plan:

	Bargaining	Non-Bargaining
Inactive employees or beneficiaries currently receiving benefits	94	51
Inactive employees entitled to but not yet receiving benefits	91	91
Active employees	272	104
	457	246

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 10 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, 2017, using an actuarial valuation as of the same date. 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 December 31, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Bargaining	Non-Bargaining
Valuation Date	January 1, 2018	January 1, 2018
Measurement Date	December 31, 2017	December 31, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Discount Rate	6.0%	6.0%
Cost-of-living Increases	None	3% per year, compounded annually
Payroll Growth	3.0%	4.0%
Projected Salary	3.0% (1)	4.0% (1)
Investment Rate of 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) Compounded annually. Compensation for the year beginning on the valuation date is based on the hourly rate on the valuation date multiplied by 2,080. Future compensation is limited to $275,000 per year. For participants subject to PEPRA, future compensation is limited to $145,666. This limit is assumed to increase by 3% per year.

(2) Net of investment expenses, compounded annually

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

[2] These are the RP-2006 Disabled Retiree 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 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 6.00% for both Plans. 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 12/31/2016	$ 48,582,863	$ 45,801,306	$ 2,781,557
Changes recognized for the measurement period:			
Service cost	2,086,334	-	2,086,334
Interest	2,996,585	-	2,996,585
Differences between expected and actual experiences	(758,814)	-	(758,814)
Contributions from the employer	-	2,297,351	(2,297,351)
Contributions from the employee	-	139,280	(139,280)
Net Investment Income	-	6,497,450	(6,497,450)
Administrative expenses	-	(341,237)	341,237
Benefit payments, including refunds of employee contributions	(1,452,227)	(1,452,227)	-
Net changes during 2017	2,871,878	7,140,617	(4,268,739)
Balance at 12/31/2017	$ 51,454,741	$ 52,941,923	$ (1,487,182)

NOTE 10 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	$	3,324,335	$	2,478,492
Current Discount Rate		6.00%		6.00%
Net Pension Liability (Asset)	$	(270,370)	$	(1,216,812)
1% Increase		7.00%		7.00%
Net Pension Liability (Asset)	$	(3,255,733)	$	(4,251,656)

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, 2018, STA recognized pension expense of $3,088,267. At June 30, 2018, 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 expected and actual experience	$	43,228	$	(1,479,661)
Changes in assumptions		316,239		(470,342)
Net differences between projected and actual earnings on pension plan investments		1,247,158		(3,366,320)
Total	$	1,606,625	$	(5,316,323)

NOTE 10 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
2018	$ (475,382)
2019	(607,843)
2020	(1,329,663)
2021	(1,028,885)
2022	(114,836)
Therafter	(153,095)

Payable to the Pension Plan

At June 30, 2018, the Agency has no outstanding amount of contributions to the pension plan.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Lawsuits

STA and SSG were named in certain legal actions pending at June 30, 2018. 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.

Commitments

As of June 30, 2018, there were no outstanding commitments that would have a significant effect on the financial position of the SunLine Transit Agency.

NOTE 12 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 17.46% in 2018 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, 2018 was 21.49%, as calculated below. STA is in compliance with the provisions of PUC Section 99270.1.

Farebox and other revenues	$	6,970,683
Interest		7,460
Total revenues		6,978,143
Net Revenues	$	6,978,143
Operating expenses	$	41,111,797
Less: Depreciation		8,502,165
Vehicle lease		131,324
Net operating expenses	$	32,478,309
Fare ratio		21.49%
Target ratio		17.46%

NOTE 13 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, 2018 was as follows:

	PTMISEA	TSSSDRA	Total
Unspent Prop 1B funds at July 1, 2017	$ 2,950,866	$ 1,207,464	$ 4,158,330
Prop 1 B funds received/returned	-	298,909	298,909
Prop 1 B funds spent	(63,021)	(97,403)	(160,424)
Interest revenue earned on unspent Prop 1B funds	879	407	1,286
Unspent Prop 1B funds at June 30, 2018	$ 2,888,724	$ 1,409,377	$ 4,298,101

NOTE 14 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 term of the agreement was changed to a month-to-month lease.

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

NOTE 15 SUBSEQUENT EVENTS

The Agency has evaluated events subsequent to June 30, 2018 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 19, 2018, 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 2018		Reporting Period 2017	
	Bargaining	**Non-Bargaining**	Bargaining	Non-Bargaining
Total Pension Liability				
Service cost	$ 1,014,181	$ 1,072,153	$ 963,077	$ 987,864
Interest	1,501,976	1,494,609	1,396,512	1,443,007
Differences between expected and actual experience	(341,121)	(417,693)	(97,435)	(866,759)
Benefits payments, including refunds of employee contributions	(616,895)	(835,332)	(494,152)	(741,407)
Net change in total pension liability	1,558,141	1,313,737	1,768,002	822,705
Total pension liability - beginning	24,327,197	24,255,666	22,559,195	23,432,961
Total pension liability - ending [(a)]	$ 25,885,338	$ 25,569,403	$ 24,327,197	$ 24,255,666
Plan fiduciary net pension				
Contributions from the employer	$ 1,240,460	$ 1,056,891	$ 1,171,779	$ 1,043,297
Contributions from the employee	-	139,280	-	131,637
Net investment income	3,196,447	3,301,003	1,553,438	1,619,088
Benefits payments, including refunds of employee contributions	(616,895)	(835,332)	(494,152)	(741,407)
Administrative expenses	(164,498)	(176,739)	(181,447)	(186,344)
Net change in plan fiduciary net position	$ 3,655,514	$ 3,485,103	$ 2,049,618	$ 1,866,271
Plan fiduciary net position - beginning	22,500,194	23,301,112	20,450,576	21,434,841
Plan fiduciary net position - ending [(b)]	$ 26,155,708	$ 26,786,215	$ 22,500,194	$ 23,301,112
Net pension liability - ending [(a) - (b)]	$ (270,370)	$ (1,216,812)	$ 1,827,003	$ 954,554
Plan fiduciary net position as a percentage of the total pension liability	101.04%	104.76%	92.49%	96.06%
Covered - employee payroll	$ 9,937,276	$ 4,939,705	$ 9,306,674	$ 4,429,828
Net pension liability as a percentage of covered - employee payroll	-2.72%	-24.63%	19.63%	21.55%

Note to Schedule

* Fiscal Year 2015 was the 1st year of implementation

Sunline Transit Agency
Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)
As of June 30, 2018
Last Ten Years*

	Reporting Period 2016		Reporting Period 2015	
	Bargaining	Non-Bargaining	Bargaining	Non-Bargaining
Total Pension Liability				
Service cost	$ 786,230	$ 838,631	$ 722,633	$ 832,999
Interest	1,319,280	1,380,214	1,168,813	1,248,085
Differences between expected and actual experience	43,602	(461,064)	38,118	(491,252)
Benefits payments, including refunds of employee contributions	(452,533)	(718,599)	(415,646)	(603,943)
Net change in total pension liability	1,131,153	908,726	2,462,633	2,253,842
Total pension liability - beginning	21,428,042	22,524,235	18,965,409	20,270,393
Total pension liability - ending (a)	$ 22,559,195	$ 23,432,961	$ 21,428,042	$ 22,524,235
Plan fiduciary net pension				
Contributions from the employer	$ 1,017,569	$ 972,058	$ 838,727	$ 850,854
Contributions from the employee	-	124,295	-	119,857
Net investment income	(134,851)	(140,493)	827,017	878,786
Benefits payments, including refunds of employee contributions	(452,533)	(718,599)	(415,646)	(603,943)
Administrative expenses	(162,245)	(172,502)	(16,569)	(16,079)
Net change in plan fiduciary net position	$ 267,940	$ 64,759	$ 1,233,529	$ 1,229,475
Plan fiduciary net position - beginning	20,182,636	21,370,082	18,949,107	20,140,607
Plan fiduciary net position - ending (b)	$ 20,450,576	$ 21,434,841	$ 20,182,636	$ 21,370,082
Net pension liability - ending (a) - (b)	$ 2,108,619	$ 1,998,120	$ 1,245,406	$ 1,154,153
Plan fiduciary net position as a percentage of the total pension liability	90.65%	91.47%	94.19%	94.88%
Covered - employee payroll	$ 7,395,958	$ 3,608,769	$ 7,171,287	$ 3,626,818
Net pension liability as a percentage of covered - employee payroll	28.51%	55.37%	17.37%	31.82%

Note to Schedule

* Fiscal Year 2015 was the 1st year of implementation

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
2008	$ 820,368	$ 890,759	$ (70,391)	$ 6,415,771	13.88%
2009	1,118,112	1,095,054	23,058	6,688,432	16.37%
2010	1,021,656	1,118,615	(96,959)	6,514,916	17.17%
2011	959,580	1,028,823	(69,243)	6,593,082	15.60%
2012	1,011,840	1,045,458	(33,618)	6,862,649	15.23%
2013	916,788	999,727	(82,939)	7,171,287	13.94%
2014	693,586	838,727	(145,141)	7,395,958	11.34%
2015	891,288	1,017,569	(126,281)	9,306,674	10.93%
2016	1,175,179	1,171,779	3,400	9,937,276	11.79%
2017	1,276,570	1,240,460	36,110	10,495,187	11.82%

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
2008	$ 951,600	$ 1,062,471	$ (110,871)	$ 3,525,248	$ 30.14%
2009	1,265,400	1,222,443	42,957	3,725,878	32.81%
2010	1,162,812	1,192,577	(29,765)	3,512,416	33.95%
2011	1,013,700	1,072,780	(59,080)	3,295,632	32.55%
2012	1,063,500	1,120,580	(57,080)	3,288,878	34.07%
2013	960,708	1,168,010	(207,302)	3,626,818	32.20%
2014	709,392	970,711	(261,319)	3,608,769	26.90%
2015	838,188	972,058	(133,870)	4,429,828	21.94%
2016	1,053,887	1,043,297	10,590	4,939,705	21.12%
2017	1,088,228	1,056,891	31,337	4,842,573	21.82%

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

	2018 STA	2018 SSG	2018 Total	2017 STA	2017 SSG	2017 Total
ASSETS						
Current assets:						
Cash and investments	$ 8,586,712	$ 442,449	$ 9,029,161	$ 7,278,660	$ 497,095	$ 7,775,755
Accounts receivable, net	1,647,722	38,365	1,686,087	477,034	35,114	512,148
Due from other governmental agencies	5,049,135	-	5,049,135	6,658,320	-	6,658,320
Due from (to) SRA	4,336	(4,336)	-	45,548	(45,548)	-
Inventory	870,436	-	870,436	799,895	-	799,895
Prepaid items	98,206	-	98,206	481,043	-	481,043
Total current assets	16,256,547	476,478	16,733,025	15,740,500	486,661	16,227,161
Noncurrent assets:						
Deposits	1,165,694	-	1,165,694	589,528	-	589,528
Net pension asset	1,487,182	-	1,487,182	-	-	-
Capital assets, not depreciated	22,290,886	-	22,290,886	8,608,925	-	8,608,925
Capital assets, depreciated	38,500,267	3,313	38,503,580	44,341,626	9,137	44,350,763
Total noncurrent assets	63,444,029	3,313	63,447,342	53,540,079	9,137	53,549,216
Total assets	79,700,576	479,791	80,180,367	69,280,579	495,798	69,776,377
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amounts related to pension	1,606,625	-	1,606,625	2,782,255	-	2,782,255
LIABILITES						
Current liabilities:						
Accounts payable and accrued liabilities	4,801,790	12,139	4,813,929	966,639	3,704	970,343
Accrued payroll and related liabilities	253,168	522	253,690	269,572	1,138	270,710
Due to other governmental agency						
Riverside County Transportation Commission	-	-	-	3,000,000	-	3,000,000
Net pension liability - current portion	-	-	-	2,026,177	-	2,026,177
Compensated absences	1,578,203	6,749	1,584,952	1,505,264	4,448	1,509,712
Claims payable - current portion	902,378	-	902,378	846,581	-	846,581
Unearned revenue	5,036,411	-	5,036,411	5,011,451	-	5,011,451
Total current liabilities	12,571,950	19,410	12,591,360	13,625,684	9,290	13,634,974
Noncurrent liabilities:						
Net pension liability - noncurrent portion	-	-	-	755,380	-	755,380
Claims payable - noncurrent portion	2,924,495	-	2,924,495	2,743,667	-	2,743,667
Total noncurrent liabilities	2,924,495	-	2,924,495	3,499,047	-	3,499,047
Total liabilities	15,496,445	19,410	15,515,855	17,124,731	9,290	17,134,021
DEFERRED INFLOWS OF RESOURCES						
Deferred amounts related to pension	5,316,323	-	5,316,323	2,284,270	-	2,284,270
NET POSITION						
Net investment in capital assets	60,791,153	3,313	60,794,466	52,950,551	9,137	52,959,688
Unrestricted	(296,720)	457,068	160,348	(296,718)	477,371	180,653
Total net position	$ 60,494,433	$ 460,381	$ 60,954,814	$ 52,653,833	$ 486,508	$ 53,140,341

See report of independent auditors.

	2018			2017		
	STA	SSG	Total	STA	SSG	Total
OPERATING REVENUES						
Passenger fares	$ 2,900,114	$ -	$ 2,900,114	$ 3,055,022	$ -	$ 3,055,022
CNG and hydrogen fuel sales	3,593,925	-	3,593,925	3,125,917	-	3,125,917
Taxi license fees	-	225,347	225,347	-	284,465	284,465
Other	455,335	-	455,335	606,215	-	606,215
Total operating revenues	6,949,374	225,347	7,174,721	6,787,154	284,465	7,071,619
Operating expenses						
Salaries and employee benefits	23,175,862	-	23,175,862	24,043,772	-	24,043,772
Depreciation	8,501,403	5,824	8,507,227	7,242,077	6,620	7,248,697
Services	2,895,448	41,661	2,937,109	2,803,801	34,698	2,838,499
Casualty and liability costs	1,987,158	12,112	1,999,270	1,409,171	11,846	1,421,017
Materials and supplies	1,709,748	3,727	1,713,475	1,685,163	3,083	1,688,246
Utilities	1,702,497	4,500	1,706,997	1,949,540	6,758	1,956,298
Tires and tubes	229,481	-	229,481	213,033	-	213,033
Taxes	181,757	281	182,038	194,224	8	194,232
Administrative	-	180,336	180,336	-	166,582	166,582
Fuel and lubricants	168,095	-	168,095	274,061	-	274,061
Vehicle lease	131,324	-	131,324	258,178	-	258,178
Miscellaneous	429,024	3,033	432,057	389,884	2,903	392,787
Total operating expenses	41,111,797	251,474	41,363,271	40,462,904	232,498	40,695,402
OPERATING LOSS	(34,162,423)	(26,127)	(34,188,550)	(33,675,750)	51,967	(33,623,783)
NONOPERATING REVENUES						
Operating grants:						
Local Transportation Fund	18,753,800	-	18,753,800	18,470,028	-	18,470,028
Measure A	5,153,400	-	5,153,400	5,835,696	-	5,835,696
Federal Transit Administration -Section 5307	-	-	-	438,668	-	438,668
Federal Transit Administration -Section 5309	114,887	-	114,887	6,693	-	6,693
Federal Transit Administration -Section 5310	23,901	-	23,901	40,042	-	40,042
Federal Transit Administration -Section 5311	344,995	-	344,995	341,572	-	341,572
Federal Transit Administration -Section 5311(f)	365,767	-	365,767	300,000	-	300,000
Federal Transit Administration -Section 5316	-	-	-	15,079	-	15,079
Federal Transit Administration -Section 5317	29,520	-	29,520	76,964	-	76,964
Federal Transit Administration - Others	518,737	-	518,737	510,642	-	510,642
State Transit Assistance	131,324	-	131,324	-	-	-
Low-Carbon Transit Operations Program (LCTOP) Grant	195,157	-	195,157	135,591	-	135,591
Total operating grants	25,631,488	-	25,631,488	26,170,975	-	26,170,975
Interest income	7,460	-	7,460	4,069	-	4,069
Miscellaneous income	-	-	-	-	200	200
Gain on sale of capital assets, net	21,309	-	21,309	451	-	451
Total nonoperating revenues	25,660,257	-	25,660,257	26,175,495	200	26,175,695
LOSS BEFORE CAPITAL CONTRIBUTIONS	(8,502,166)	(26,127)	(8,528,293)	(7,500,255)	52,167	(7,448,088)
CAPITAL CONTRIBUTIONS						
Capital grants:						
Federal Transit Administration	8,868,886	-	8,868,886	3,196,010	-	3,196,010
State Transit Assistance	2,365,227	-	2,365,227	1,226,297	-	1,226,297
Proposition 1B	160,424	-	160,424	2,899,239	-	2,899,239
Local Transportation Fund	36,154	-	36,154	165,729	-	165,729
Other	4,912,075	-	4,912,075	1,808,679	-	1,808,679
Total capital contributions	16,342,766	-	16,342,766	9,295,954	-	9,295,954
CHANGE IN NET POSITION	7,840,600	(26,127)	7,814,473	1,795,699	52,167	1,847,866
NET POSITION						
Beginning of year	52,653,833	486,508	53,140,341	50,858,134	434,341	51,292,475
End of year	$ 60,494,433	$ 460,381	$ 60,954,814	$ 52,653,833	$ 486,508	$ 53,140,341

See report of independent auditors.

	2018			2017		
	STA	**SSG**	**Total**	STA	SSG	Total
Cash flows from operating activities						
Cash received from customers	**$ 5,778,686**	**$ 222,096**	**$ 6,000,782**	$ 6,934,558	$ 261,601	$ 7,196,159
Cash payments to suppliers for goods and services	**(5,626,626)**	**(56,879)**	**(5,683,505)**	(9,850,796)	(68,992)	(9,919,788)
Cash payments to employees for services	**(23,180,383)**	**(178,651)**	**(23,359,034)**	(23,410,007)	(178,290)	(23,588,297)
Net cash provided by (used in) operating activities	**(23,028,323)**	**(13,434)**	**(23,041,757)**	(26,326,245)	14,319	(26,311,926)
Cash flows from noncapital financing activities						
Cash received from operating grants	**27,235,145**	**-**	**27,235,145**	22,750,064	-	22,750,064
Loan proceeds from RCTC	**-**	**-**	**-**	3,000,000	-	3,000,000
Advances to/from SSG	**41,212**	**(41,212)**	**-**	1,854	(47,402)	(45,548)
Payment of loan to RCTC	**(3,000,000)**	**-**	**(3,000,000)**	-	-	-
Net cash provided by (used in) noncapital financing activities	**24,276,357**	**(41,212)**	**24,235,145**	25,751,918	(47,402)	25,704,516
Cash flows from capital and related financing activities						
Cash received from capital grants	**16,373,254**	**-**	**16,373,254**	11,703,644	-	11,703,644
Acquisition and construction of capital assets	**(16,342,005)**	**-**	**(16,342,005)**	(9,037,775)	-	(9,037,775)
Proceeds from sale of capital assets	**21,309**	**-**	**21,309**	451	-	451
Net cash provided by capital and related financing activities	**52,558**	**-**	**52,558**	2,666,320	-	2,666,320
Cash flows from investing activity						
Interest income received	**7,460**	**-**	**7,460**	4,069	-	4,069
Cash provided by investing activity	**7,460**	**-**	**7,460**	4,069	-	4,069
Change in cash and cash equivalents	**1,308,052**	**(54,646)**	**1,253,406**	2,096,062	(33,083)	2,062,979
Cash and cash equivalents, beginning of year	**7,278,660**	**497,095**	**7,775,755**	5,182,598	484,630	5,667,228
Cash and cash equivalents, end of year	**$ 8,586,712**	**$ 442,449**	**$ 9,029,161**	$ 7,278,660	$ 451,547	$ 7,730,207
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	**$ (34,162,423)**	**$ (26,127)**	**$ (34,188,550)**	$ (33,675,750)	$ 51,967	$ (33,623,783)
Provision for doubtful accounts	**-**	**-**	**-**	829	-	829
Depreciation	**8,501,403**	**5,824**	**8,507,227**	7,242,077	6,620	7,248,697
Changes in operating assets, liabilities and deferred outflows and inflows of resources:						
Accounts receivable	**(1,170,688)**	**(3,251)**	**(1,173,939)**	146,575	(22,864)	123,711
Inventory	**(70,541)**	**-**	**(70,541)**	(34,935)	-	(34,935)
Prepaid items	**382,837**	**-**	**382,837**	(322,382)	-	(322,382)
Deposits	**(576,166)**	**-**	**(576,166)**	(90,013)	-	(90,013)
Deferred outflows of resources related to pension	**(311,552)**	**-**	**(311,552)**	1,175,629	-	1,175,629
Accounts payable and accrued liabilities	**3,835,151**	**8,435**	**3,843,586**	168,975	(9,696)	159,279
Accrued payroll and related liabilities	**(16,404)**	**(616)**	**(17,020)**	(346,715)	(2,983)	(349,698)
Net pension asset/liability	**(2,781,557)**	**-**	**(2,781,557)**	(1,325,182)	-	(1,325,182)
Compensated absences	**72,939**	**2,301**	**75,240**	107,289	(8,725)	98,564
Claims payable	**236,625**	**-**	**236,625**	(395,386)	-	(395,386)
Deferred inflows of resources related to pension	**3,032,053**	**-**	**3,032,053**	1,022,744	-	1,022,744
Net cash provided by (used in) operating activities	**$ (23,028,323)**	**$ (13,434)**	**$ (23,041,757)**	$ (26,326,245)	$ 14,319	$ (26,311,926)

See report of independent auditors.

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777

www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego
Manila

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 statement of net position as of June 30, 2018, 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, 2018.

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
October 19, 2018

www.vasquezcpa.com

801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777

SunLine Transit Agency
Single Audit Report
Year Ended June 30, 2018
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

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego
Manila

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, 2018, 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, 2018.

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, 2018

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego
Manila

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, 2018. 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, 2018.

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, 2018, and have issued our report thereon dated October 19, 2018, 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, 2018

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				
Federal Transit Cluster:				
Direct Assistance:				
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital)	20.507	CA-90-Y964	$ -	$ 138,409
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital)	20.507	CA-90-Z036	-	23,961
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital)	20.507	CA-90-Z201	-	40,740
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital)	20.507	CA-90-Z225	-	107,524
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital)	20.507	CA-90-Z330	-	144,186
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital)	20.507	CA-90-Z341	-	180,569
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Operating)	20.507	CA-95-X327	-	518,738
Subtotal - Federal Transit - Formula Grants (Urbanized Area Formula Program) (Section 5307)			-	1,154,127
Passed through from the Southern California Association of Governments				
Formula Grant for Other Than Urbanized Areas (Capital) (Section 5339)	20.526	M-008-016	-	716,175
Passed through from the Center for Transportation and the Environment (CTE)				
Discretionary Grant for Operating & Planning Assistance Program for National Fuel Cell Bus Program (Section 5309)	20.500	GA-04-7006-04	-	114,887
Total Federal Transit Cluster			-	1,985,189
Transit Services Programs Cluster				
Direct Assistance:				
New Freedom Program (Operating) (Section 5317)	20.521	CA-57-X102	-	29,520
Passed through from the State of California, Department of Transportation				
Formula Grant for Other Than Urbanized Areas (Operating) (Section 5310)	20.513	64AC06-00188	-	23,901
Total Transit Services Programs Cluster			-	53,421
Formula Grants for Rural Areas				
Passed through from the Southern California Association of Governments				
Formula Grant for Other Than Urbanized Areas (Operating) (Section 5311)	20.509	64C017-00458/ 64C017-00473	-	352,874
Formula Grant for Other Than Urbanized Areas (Operating) (Section 5311(f))	20.509	64C015-00344	-	365,767
Total Formula Grants for Rural Areas Cluster			-	718,641
Passed through from CalStart				
Discretionary Grant for Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions (Capital) (Section 5312)	20.523	15-084	-	1,087,688
Passed through from the Southern California Association of Governments				
Formula Grant for Other Than Urbanized Areas (Capital) (Section 5312)	20.514	M-008-016	-	7,517,323
Total Expenditures of Federal Programs			**$ -**	**$ 11,362,262**

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, 2018. 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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

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 Title 2 CFR 200.516 (a) of the Uniform Guidance?	No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.514	Public Transportation Innovation Research Program: Section 5312 - Low or No Emission Vehicle Deployment (LoNo) Program

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, 2018.

Section III – Federal Award Findings and Questioned Costs

There were no federal awards findings and questioned costs noted during the fiscal year ended June 30, 2018.

Section IV – Status of Prior Year Finding

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 existing policies and procedures 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.

Status
This finding has been corrected. The Agency developed policies and procedures on allowability of costs and had it approved by the Board on December 29, 2017.

DRAFT

SunLine Services Group
Audited Financial Statements
As of and for the Years Ended June 30, 2018 and 2017
with Report of Independent Auditors

An independently owned member
RSM US Alliance
RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

SunLine Services Group
Audited Financial Statements
As of and for the Years Ended June 30, 2018 and 2017
with Report of Independent Auditors

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

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 the SunLine Services Group (SSG), a component unit of SunLine Transit Agency (STA), which comprise the statements of net position as of June 30, 2018 and 2017 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 the SunLine Services Group as of June 30, 2018 and 2017, 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 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 October 19, 2018 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 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 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
October 19, 2018

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, 2018 and 2017. 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 $460,381 in 2018 and $486,508 in 2017. At June 30, 2018, net position consisted of $3,313 net investment in capital assets and $457,068 of unrestricted net position. Accordingly, operating revenues decreased, and, operating expenses increased during the year.

- SSG's net position decreased in FY 2018 by $26,127. The decrease in net position in FY 2018 when compared to FY 2017 was due to the decrease in operating vehicle permits and passenger surcharge fees in FY 2018 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, 2018, SSG's assets exceeded liabilities by $460,381, a $26,127 decrease from June 30, 2017. A condensed summary of the Statements of Net Position as of June 30, 2018 and 2017 is shown below:

	2018	2017	Changes
Current and other assets	$ 476,478	$ 532,209	$ (55,731)
Capital assets	3,313	9,137	(5,824)
Total assets	479,791	541,346	(61,555)
Current liabilities	19,410	54,838	(35,428)
Total liabilities	19,410	54,838	(35,428)
Net Position:			
Net investment in capital assets	3,313	9,137	(5,824)
Unrestricted	457,068	477,371	(20,303)
Total net position	$ 460,381	$ 486,508	$ (26,127)

SSG's investment in capital assets represents acquisition of service vehicles, facilities/structures, 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 $5,824 in net investment in capital assets at June 30, 2018, 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 decreased by $20,303 due to lower revenues generated than expenses incurred during FY 2018.

Changes in Net Position

For the fiscal years ended June 30, 2018 and 2017, SSG's revenues were $225,347 and $284,665, respectively, while the total expenses, excluding depreciation, were $245,650 and $225,878, respectively. The table below presents financial data related to the decrease in net position of $26,127 and $52,167 during the fiscal years ended June 30, 2018 and 2017, respectively. The change in net position in 2018 was primarily due to lower revenues from operating vehicle permits and passenger surcharge fees because of competition from the Uber transport services.

	2018	2017	Changes
REVENUES			
Operating vehicle permit	**$ 67,950**	$ 79,150	$ (11,200)
Passenger surcharge fees	**138,811**	181,645	(42,834)
Driving permits and inspection fees	**18,571**	17,460	1,111
Interest and other revenues	**15**	6,410	(6,395)
Total revenues	**225,347**	284,665	(59,318)
CONTROLLABLE OPERATING EXPENSES			
Administrative	**180,336**	166,582	13,754
Services	**41,661**	34,698	6,963
Casualty and liability	**12,112**	11,846	266
Utilities	**4,500**	6,758	(2,258)
Materials and supplies	**3,727**	3,083	644
Taxes	**281**	8	273
Miscellaneous	**3,033**	2,903	130
Total controllable operating expenses	**245,650**	225,878	19,772
Depreciation	**5,824**	6,620	(796)
Total expenses	**251,474**	232,498	18,976
CHANGES IN NET POSITION	**(26,127)**	52,167	(78,294)
NET POSITION			
Beginning of year	**486,508**	434,341	52,167
End of year	**$ 460,381**	$ 486,508	$ (26,127)

Revenues

Operating revenues decreased by $59,318 from FY 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 $245,650 and $225,878 during the fiscal years ended June 30, 2018 and 2017, respectively. Operating expenses before depreciation increased by $19,772 from FY 2017. The increase is primarily due to increases in administrative expenses such as increases in salaries expenses allocated by STA during the year.

Capital assets

SSG's investment in capital assets amounted to $3,313 and $9,137 (net of accumulated depreciation), as of June 30, 2018 and 2017, 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

The following significant factors were considered as budget assumptions when preparing SSG's budget for FY 2019:

- 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 FY 2018/19 revenues are 17.0% below the FY 2017/18 revenues.
- The increase in service expenditures is attributed to estimated legal fees that will be incurred during the ordinance amendment to comply with AB1069.
- Budgeted casualty and liability expense increased due to an increase in premiums.
- SSG will use contingency funds to cover the deficit in FY 2018/19.

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	
		2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	$	**442,449**	$ 497,095
Accounts receivable		**34,029**	35,114
Total current assets		**476,478**	532,209
Noncurrent assets			
Capital assets, net of accumulated depreciation		**3,313**	9,137
Total assets		**479,791**	541,346
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**7,803**	3,704
Advances from SunLine Transit Agency		**4,336**	45,548
Accrued payroll and related liabilities		**522**	1,138
Compensated absences		**6,749**	4,448
Total current liabilities		**19,410**	54,838
NET POSITION			
Net investment in capital assets		**3,313**	9,137
Unrestricted		**457,068**	477,371
Total net position	$	**460,381**	$ 486,508

See notes to financial statements.

	Years ended June 30	
	2018	2017
OPERATING REVENUES		
Operating vehicle permit fees	**$ 67,950**	$ 79,150
Passenger surcharge fees	**138,811**	181,645
Driving permits and inspection fees	**18,571**	17,460
Other	**15**	6,410
Total operating revenues	**225,347**	284,665
CONTROLLABLE OPERATING EXPENSES		
Administrative	**180,336**	166,582
Services	**41,661**	34,438
Casualty and liability	**12,112**	11,846
Utilities	**4,500**	6,585
Materials and supplies	**3,727**	3,524
Taxes	**281**	-
Miscellaneous	**3,033**	2,903
Total controllable operating expenses	**245,650**	225,878
Depreciation	**5,824**	6,620
Total expenses	**251,474**	232,498
CHANGE IN NET POSITION	**(26,127)**	52,167
NET POSITION		
Beginning of year	**486,508**	434,341
End of year	**$ 460,381**	$ 486,508

See notes to financial statements.

	Years ended June 30	
	2018	2017
Cash flows from operating activities:		
Cash received from customers	**$ 226,432**	$ 261,601
Cash payments to suppliers for goods and services	**(61,215)**	(68,992)
Cash payments to employees for services	**(178,651)**	(178,290)
Net cash provided by (used in) operating activities	**(13,434)**	14,319
Cash flows from financing activity:		
Advances (to) / from SunLine Transit Agency	**(41,212)**	(1,854)
Cash used in financing activity	**(41,212)**	(1,854)
Change in cash and cash equivalents	**(54,646)**	12,465
Cash and cash equivalents, beginning of year	**497,095**	484,630
Cash and cash equivalents, end of year	**$ 442,449**	$ 497,095
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	**$ (26,127)**	$ 51,967
Depreciation	**5,824**	6,620
Change in operating assets and liabilities:		
Accounts receivable	**1,085**	(22,864)
Accounts payable and accrued liabilities	**4,099**	(9,696)
Accrued payroll and related liabilities	**(616)**	(2,983)
Compensated absences	**2,301**	(8,725)
Net cash provided by (used in) operating activities	**$ (13,434)**	$ 14,319

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 the SSG 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 $442,449 and $497,095 at June 30, 2018 and 2017, respectively. Bank balances at June 30, 2018 and 2017 was $468,242 and $507,409 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, 2018 and 2017 is as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Depreciable assets:				
Vehicles	**$ 342,357**	**$ -**	**$ -**	**$ 342,357**
Equipment	**50,087**	**-**	**-**	**50,087**
Total depreciable assets	**392,444**	**-**	**-**	**392,444**
Accumulated depreciation	**(383,307)**	**(5,824)**	**-**	**(389,131)**
Net capital assets	**$ 9,137**	**$ (5,824)**	**$ -**	**$ 3,313**

	Balance at July 1, 2016	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

Depreciation expense was $5,824 and $6,620 for the years ended June 30, 2018 and 2017, 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 years ended June 30, 2018 and 2017, STA charged SSG $180,336 and $166,582 respectively, for administrative services.

NOTE 6 COMPENSATED ABSENCES

Compensated absences at June 30, 2018 and 2017, amounted to $6,749 and $4,448, 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, 2018 and 2017 are displayed in the financial statements of STA in the amount of $3,826,873 and $3,590,248, 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 SUBSEQUENT EVENTS

SSG has evaluated events subsequent to June 30, 2018 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 19, 2018, 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.

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

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 financial position as of June 30, 2018, 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, 2018.

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
October 19, 2018

www.vasquezcpa.com

801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777

Sunline Transit Agency
Letter of Comments to Management
Year Ended June 30, 2018

Sunline Transit Agency
Letter of Comments to Management
Year Ended June 30, 2018

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

To the Board of Directors and Management
Sunline Transit Agency
Thousand Palms, California 92276

In planning and performing our audit of the financial statements of Sunline Transit Agency (STA) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered STA's internal control over financial reporting (internal control) as a basis for designing our auditing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

Following are descriptions of identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

A. Financial Audit

1. Policies and Procedures

Comments
STA's grant agreement with the State of California Air Resource Board provides that it will, at all times, comply with and require its contractors and subcontractors to comply with the applicable federal and State laws, rules, guidelines, regulations, and requirements. The Agency is responsible for ensuring the Procurement and Suspension and Debarment compliance requirements are met, therefore STA is required to ensure that no party listed on the Federal Government's Excluded Parties List is awarded a contract. To ensure this does not happen, STA has to check the Excluded Parties List System (EPLS) prior to award of any contract.

The suspension and debarment status of a vendor (Proton) under its grant agreement with the State of California Air Resource Board were verified on October 19, 2017, which is after the contract amendment date (February 9, 2017).

Recommendation
We recommend that STA perform the verification of the suspension and debarment status of each vendor prior to the awarding of the contract. This will help ensure grant monies are not paid to entities that are suspended or debarred or whose principals are suspended or debarred.

STA's Response
SunLine's standard practice is to validate the suspension and debarment status of each vendor prior to the award of any contract over $3,000. A clause is included in each contract awarded which may utilize federal funds over $25,000 to certify that the vendor is not suspended, debarred or ineligible to participate in the transaction. Further validation will be put into place to ensure the suspension and debarment status is documented prior to the execution date of a contract.

B. Information Technology General Controls

1. Formal Change Control Process Required

Comments
Formal change control procedures have not been implemented for purposes of IT Operations control. Change control processes ensure that changes to a system are introduced in a controlled and coordinated manner. Typical examples are patches to software products, installation of new or updated operating systems, upgrades to network routing tables, or changes to supporting infrastructure. Currently, all changes and test procedures/results and related information are not adequately documented and maintained.

By not having a formal change control process in place, Management faces the risk of unauthorized changes, errors and processing disruptions, which can have negative operational and/or security impact to the organization. Unauthorized changes may occur without the benefit of Management involvement. This can also lead to future IT initiatives being performed without the benefit of proper knowledge management.

1. Formal Change Control Process Required (continued)

Recommendation
Best business practice calls for a change control process that provides for involvement by key stakeholders to help ensure that system changes are approved and will operate as intended. The process should take into consideration how changes will be identified, the prioritization of changes, impact assessments for each change, communication of all changes to internal and external stakeholders, authorization process and documentation, scheduling of change dates, and the manner in which changes are released into production.

We recommend that a formal IT change control process be implemented to ensure all system changes are fully authorized, tested, and documented. The change control process should consist of the following six methodological steps:

1. Planning/Scoping
2. Assessment and analysis
3. Review and approval
4. Build (if necessary) and test
5. Implement
6. Close

In addition, change requests should be adequately documented via an approved change request form. The change request form should contain, at a minimum, the following information:

- Business justification for the change
- Nature of defect (if applicable) / enhancement
- Testing required
- Back-out procedures
- Systems affected
- User contact

STA's Response
Operational systems do need better definition and documentation. SunLine will develop an SOP for system changes, including a test and sign off form for change acceptance prior to implementation into production systems. The SOP will address the recommendations. In addition, SunLine will deploy a change log database to track changes made to primary business systems. The creation of the SOP, change request form, and change log database will be completed by February 1, 2019.

2. **Formalize Periodic System Access Review**

Comments
During our fieldwork, we noted that management has not documented nor implemented a formal user access review process to help ensure correct levels of access to their network and financial management systems. Additionally, we noted that IT personnel possesses production access permissions on all STA systems. Greater access level of the IT staff was noted to be necessary in order to perform security maintenance activities.

The purpose of properly establishing periodic user access review, coupled with limiting and monitoring administrative access within the system, is to ensure management's understanding of the overall systems operation, its internal workflow requirements, and the segregation of duties within the systems that is required so that employees are not granted incompatible system access levels and workflow capabilities.

Management faces the risk of segregation of duty violations within the systems and the pertaining manual procedures, compromised system information, and access control management that potentially fails business requirements. This can lead to opportunities for the enablement of errors, and the possibility of fraud.

Recommendation
We recommend that management revisit current procedures and reevaluate the different user profile templates for the various job function, using a Segregation of Duties Matrix as a method for authenticating and authorizing users to reinforce access rights in line with sensitivity of information and functional application requirements users require. In addition, the matrix should be developed to consider compliance with manual workflow requirements, regulations, internal policies, and contractual agreements. This will allow Management to perform a sufficient analysis of user access levels that would identify incompatibilities and excessive user access levels that end-users may have been granted. Management should ensure that roles and access authorization criteria for assigning user access rights consider:

- Sensitivity of information and modules/applications involved (data classification)
- Policies for information protection and dissemination (legal, regulatory, internal policies and contractual requirements)
- Roles and responsibilities as defined within the organization
- The need-to-have access rights associated with STA function and workflows
- Standard but individual user access profiles for common job roles in the organization
- Requirements to guarantee appropriate segregation of duties between different financial functions that are system and non-system based.

Management approval and sign off should be acquired post review. Additionally, system audit logs should be generated to facilitate review of IT Security Admin activities on a periodic basis in order to monitor changes being introduced to key business systems by the responsible IT personnel.

2. Formalize Periodic System Access Review (Continued)

STA's Response

User access rights for Tyler Incode, Fleet-Net, Trapeze, and AVAIL are reviewed on a monthly basis. This is part of the IT Department's Monthly task list. Reports are run from Tyler Incode that identify terminations and position changes for staff that has access to these systems. In addition, IT identifies employees that it has determined may be uncertain. Uncertain employees are those who are on administrative leave, suspension, or leave of absence. IT also verifies any temporary staff, non-employees, that may have been termed or had role changes. Security access to the network and systems is reviewed in detail for each staff member that fall into the above categories. A monthly report is created regarding permission changes for users in financial related systems.

The IT Department Monthly task list will be amended to add distribution of systems security reports to Chiefs, Deputies, and Managers to oversee staff access to systems. Chiefs, Deputies, and Managers will be requested to approve of the security reports or submit change requests systems access.

Traditionally, the IT Department at SunLine has been responsible for all security access to all systems. The IT Department will review IT Administrative access to systems in conjunction with Finance. The goal of the review will to be to reduce access to IT personnel to production systems functions where not required for IT activities.

The amendment to the IT Monthly task list will be completed by December 1, 2018. The review and reduction of IT access to systems function will be completed by January 31, 2019.

3. **Management Sign-off Required on all Project Phases**

Comments
During our fieldwork, we noted that approval of all documented functional and technical requirements and specifications, conversion process and reconciliation verification, system test results, training completion, final setup and Go Live acknowledgement documentation is only signed off by the IT Administrator/Project Manager. Typically, the various phases of an ERP implementation are performed in coordination with end-user groups and departments, vendor analysts, and the internal IT organization. Regardless of the type of involvement each group has been assigned, end user acceptance and approval are critical at every phase of an ERP implementation.

By not having documented end-user approval evidence from all end-user stakeholders, there is a high probability that users are not in agreement of and support the goals, deliverables, and requirements of the project. This leads to a lack of business accountability for the completion of various ERP implementation project stages and can lead to lessened value level derived from the newly implemented system. Typically, with this type of scenario, productivity and operational issues may be experienced with a new system after going live.

Recommendation
The responsible party for an ERP implementation, whether it be a vendor or an organization's IT group, should always ensure management/business approval and sign off at each stage of an implementation process, and prior to any systems going live. Having a formal deliverable verification and sign off process can help ensure user expectations and requirements are met prior to moving to the next steps of the project, make the transition smoother and help the company's project stay on a path of success. Considering that Sunline will be entering the Maintenance Phase of the new ERP system, up until retirement, policies and procedures should be compiled requiring proper user involvement and documentation of all approvals as future changes to the system occur.

STA's Response
Approval of all documented functional and technical specifications, conversion verification, test results, training completion, final setup and Go Live acknowledgement were approved by the DCFO and/or the CFO before the Project Manager signed the documents for the vendor.

Although stakeholders were included in the approval process there was minimal documentation for verification. For future changes in existing systems, SunLine is developing stakeholder sign off documentation. In addition, the Performance team will develop templates for project managers to garner stakeholder participation and acceptance of project deliverables.

SunLine will have stakeholders templates designed for project managers completed by March 1, 2019.

3. Formal Disaster Recovery Plan and Annual Testing Needed

Comments

Although a formal disaster recovery plan is in place, current documentation provided inadequate evidence that required testing via Quarterly Walkthroughs, Semi Annual Simulations, Quarterly Parallel Testing and Annual Full-Interruption Testing has been performed. Critical Information Technology (IT) systems and technology platforms should be tested as planned for operational readiness at alternate processing sites in order to ensure these can be activated correctly to proceed with operations during a disaster.

By not performing planned organization-wide disaster recovery tests for operational readiness at an offsite location, Management faces the risk of outdated recovery plans that do not reflect the current architecture, potential configuration issues that can stop a recovery effort from occurring, inappropriate recovery steps and processes, and failure to recover business-critical systems and services in a timely manner should a real disaster occur.

Recommendation

Management should ensure adoption of a feasible IT disaster recovery plan and perform an enterprise-wide test on a yearly basis, especially after major changes to the IT infrastructure or to the business and related applications have taken place. Detailed testing schedules should be based on established recovery priorities and realistic test scenarios. Tests should include recovery of critical business application processing and should not be limited to portions of the recovery of infrastructure. All testing activity should be thoroughly documented from planning stages until completion.

STA's Response

Quarterly Walkthroughs, Semi Annual Simulations, Quarterly Parallel Testing have been completed since the completion of the DR Plan. Verification of the tests is difficult because of taxonomy issues with the DR Plan. In the testing details of the DR Plan tests are named and defined differently than in the Maintenance and Testing Sections. SunLine will amend the language of the test procedures and/or title so that it is easier to identify test results.

We have yet to organize a Full-Interruption Test. SunLine Business operation hours are from 4:00 AM to 12:00 Midnight 7 days per week. Systems for safety and vehicle management are required to be operational during that time period. Additionally, we have a legal requirement to provide telephone access for ADA clients from 8:00 AM to 5:00 PM 7 days per week.

IT is working with the Safety Department to determine the feasibility of the Full-Interruption Testing. The DR Plan may be amended to reflect whether Full-Interruption can be done or a substitute process put in its place. Amendments to the DR Plan and feasibility of all tests will be completed by January 31, 2019.

4. Tyler ERP Master File Maintenance

Comments
Policies and procedures related to the additions, changes, and access levels to the Tyler ERP system master files (i.e. vendor, customer, fees table) are not adequately documented and monitored. The Master Files are the foundational elements of the various general ledger processes and contain vital information about vendor and customers Sunline does business with, including the establishment of fees. These files generally include data such as vendor names, addresses, contact information, tax identification numbers, customer data, and board approved fees that impact the revenue cycle. The information is used to facilitate transactions such as payments to vendors in the procurement of goods and services. It is essential to effectively maintain these files to avoid unauthorized or inappropriate activity, prevent duplicate payments, and reduce inefficiencies.

Lack of monitoring and documentation of changes to system master files decreases data integrity and increases the probability of fraud. This lack of support makes it difficult to determine the origin and/or purpose for a change, its impact on the operation of the entire general ledger, and approvals for a change. Accountability must be maintained for any changes to the master files.

Recommendation
We recommend that management performs periodic master file reviews to ensure that Sunline's ERP system functions as intended, with a minimized probability for fraud and error. Management should ensure the following:

- Develop policies and procedures that guide employees and provide direction on all major aspects of maintaining and protecting the master files.
- Enforce segregation of duties by restricting access to allow only the ability to either enter or approve changes to the master files.
- Develop a process to review user accounts on a regular basis to ensure the number of users and their level of permission to the master files is commensurate with their responsibilities.
- Develop monitoring reports that records changes to the master files, including when the change was made and by whom.
- Review the change reports on a regular basis to detect errors.
- Establish a process that records requests for additions or changes to the master files and maintains them in an accessible format.
- Verify the legitimacy of new vendors before adding them to the master vendor file.
- Develop an ongoing monitoring process to ensure Sunline realizes vendor discounts for which they are eligible.

STA's Response
Staff understands the need for segregation of duties and monitoring processes for control purposes. The Finance Department emphasizes these controls across the department in various roles. For example, changes to the master files are done independent from the Accounts Payable (AP) function to ensure appropriate segregation of duties related to vendor payments. In addition, invoices are viewed by accounting staff independent of the AP function and payments must also be reviewed and approved by the Senior Accountant or Accounting Manager prior to payment. Staff agrees that a more formal "new vendor" form would increase the level of controls in the process. Along with this, staff will review the remainder of the vendor master file maintenance and introduce reviews and procedures where appropriate. The review shall be completed semi-annually. SunLine will review the master files for the top 20 vendors to ensure no changes have been made before issuing large payments.

* * * * *

This communication is intended solely for the information and use of the management and members of the Board of Directors of the Sunline Transit Agency and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, California
October 19, 2018

(This page intentionally left blank.)

www.vasquezcpa.com

801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777

SunLine Transit Agency

CONSENT CALENDAR

DATE: October 24, 2018 **RECEIVE & FILE**

TO: Finance/Audit Committee
Board of Directors

RE: Checks $1,000 and Over Report for August 2018

Summary:

The checks $1,000 and over report lists all of the checks processed at the Agency with a value of over $1,000 for a given month. Items identified in bold font represent "pass through" payments that were, or will be, reimbursed to SunLine under the provisions of specific grants or contracts. Items identified with underlines represent "shared" payments with SunLine and specific vendors/employees.

- For the month of August, the largest payment issued was for delivery on the Proton Milestone 15.1, 15.2 and 15.6 Hydrogen Fueling Station Replacement project which is funded primarily through the Federal Transit Administration’s 5307 Grant program.

Recommendation:

Receive and file.

SunLine Transit Agency
Checks $1,000 and Over
For the month of August 2018

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 Filed As Name	Description	Check #	Payment Date	Payment Amount
PROTON ENERGY SYSTEMS, INC.	***WIP-Hydrogen Fueling Station Replacement***	***676332***	***08/01/2018***	***2,285,000.00***
BAE SYSTEMS CONTROLS, INC.	***WIP-Hydrogen FCB LoNo (Parts)***	***676361***	***08/06/2018***	***462,625.00***
CALPERS	Group Health Ins Prem	676565	08/31/2018	338,669.65
NEW FLYER OF AMERICA INC.	***Five Hydrogen Fuel Cell buses-AQIP***	***676331***	***08/01/2018***	***335,923.01***
ENGLISH LLOYD & ARMENTA	Settlement M. Alzayat v. G. Hebb/STA	676362	08/06/2018	150,000.00
PERMA - INSURANCE	Gen Liability/WC Prem	676493	08/24/2018	146,135.61
MAHMOUD ALZAYAT	Settlement M. Alzayat v. G. Hebb/STA	676363	08/06/2018	100,000.00
STATE OF CALIFORNIA'S GENERAL FUND	Settlement M. Alzayat v. G. Hebb/STA	676364	08/06/2018	100,000.00
U.S. BANK INSTITUTIONAL TRUST-WESTERN	Pension Deposit	676436	08/17/2018	99,641.76
U.S. BANK INSTITUTIONAL TRUST-WESTERN	Pension Deposit	676533	08/28/2018	99,072.71
ELEMENT MARKETS RENEWABLE ENERGY, LLC	CNG/Hydrogen	676469	08/24/2018	71,439.97
BAE SYSTEMS CONTROLS, INC.	***WIP-Fuel Cell Bus Parts***	***676562***	***08/31/2018***	***62,400.00***
BURKE, WILLIAMS & SORENSEN, LLP	Legal Service	676455	08/24/2018	53,548.55
HDR ENGINEERING, INC.	***WIP-Transit Redesign & Network Analysis***	***676383***	***08/10/2018***	***49,856.06***
SO CAL GAS CO.	Utilities	676496	08/24/2018	34,229.63
HDR ENGINEERING, INC.	***WIP-Transit Redesign & Network Analysis***	***676577***	***08/31/2018***	***33,571.29***
STANTEC ARCHITECTURE, INC.	***WIP- Operations Facility***	***676434***	***08/17/2018***	***29,072.62***
IMPERIAL IRRIGATION DIST	Utilities	676385	08/10/2018	22,601.33
PRUDENTIAL OVERALL SUPPLY	Uniforms	676427	08/17/2018	21,808.62
WSP USA INC.	***TDM & Vanpool Program***	***676629***	***08/31/2018***	***21,655.35***
WESTGATE CENTER FOR LEADERSHIP	Staff Development	676441	08/17/2018	16,425.00
THE LE FLORE GROUP LLC	Consulting Services	676431	08/17/2018	15,711.31
ANDREA CARTER & ASSOCIATES	Marketing Service Consultant	676368	08/10/2018	9,950.00
TEC OF CALIFORNIA, INC.	Inventory Repair Parts	676616	08/31/2018	9,545.09
IMPERIAL IRRIGATION DIST	Utilities	676483	08/24/2018	9,133.52
NEW FLYER PARTS	Inventory Repair Parts	676445	08/24/2018	9,085.62
NAPA AUTO PARTS	Inventory Repair Parts	676591	08/31/2018	8,844.15
VERIZON WIRELESS	Wireless Telephone Service	676500	08/24/2018	8,386.16
ADMIRAL SECURITY SERVICES, INC.	Security Guard Service	676444	08/24/2018	8,356.68
GENFARE	Fare Box Printing Expense	676381	08/10/2018	8,130.82
CPAC INC.COM	Annual Computer Network Software Agreement	676567	08/31/2018	8,049.90
CREATIVE BUS SALES, INC,	Inventory Repair Parts	676373	08/10/2018	7,290.96
PE FACILITY SOLUTIONS, LLC	Janitorial Service	676600	08/31/2018	7,240.00
BRIGHT MOMENTS	HR Consulting	676472	08/24/2018	7,200.00
CUMMINS PACIFIC, LLC	Inventory Repair Parts	676461	08/24/2018	6,710.03
AMALGAMATED TRANSIT UNION	**Union Dues**	**676397**	**08/17/2018**	**6,657.06**
AMALGAMATED TRANSIT UNION	**Union Dues**	**676502**	**08/28/2018**	**6,576.98**
ROMAINE ELECTRIC CORP.	Inventory Repair Parts	676608	08/31/2018	6,285.44
AUGER CONSULTING GROUP LLC	Consulting Service	676583	08/31/2018	5,830.00

SunLine Transit Agency
Checks $1,000 and Over
For the month of August 2018

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 Filed As Name	Description	Check #	Payment Date	Payment Amount
SOCO GROUP INC, THE	Lubricants-Oils	676612	08/31/2018	5,760.62
DESERT PARADISE CONSTRUCTION, LLC	Consulting Service	676466	08/24/2018	5,520.00
ZEN AND THE ART OF CLEAN ENERGY	***WIP-Refurbished Hydrogen Fueling Station***	***676442***	***08/17/2018***	***5,060.00***
HENSON CONSULTING GROUP, LLC	Staff Development Consultant	676462	08/24/2018	4,943.75
TK SERVICES, INC.	Inventory Repair Parts	676497	08/24/2018	4,828.49
TRAPEZE SOFTWARE GROUP INC.	Annual Ops Software Agreement	676621	08/31/2018	4,624.00
TPX COMMUNICATIONS	Telephone Service	676619	08/31/2018	4,453.24
CARQUEST AUTO PARTS STORES	Inventory Repair Parts	676456	08/24/2018	4,229.93
IMPERIAL IRRIGATION DIST	Utilities	676416	08/17/2018	4,185.45
CALIFORNIA DENTAL NETWORK, INC.	Dental Insurance	676564	08/31/2018	4,084.44
PALM SPRINGS MOTORS, INC.	Paratransit Repair Parts	676597	08/31/2018	4,045.61
PRUDENTIAL OVERALL SUPPLY	Uniforms	676604	08/31/2018	4,035.33
NEW FLYER PARTS	Inventory Repair Parts	676366	08/10/2018	3,905.04
ALEXANDER COHN, ESQ	Legal Services	676396	08/17/2018	3,832.23
HEPTAGON SEVEN CONSULTING, INC.	***WIP-Yard Repaving Engineering Services***	***676415***	***08/17/2018***	***3,815.70***
<u>PRINCIPAL LIFE INSURANCE COMPANY</u>	<u>Dental Insurance PPO</u>	<u>676603</u>	<u>08/31/2018</u>	<u>3,720.41</u>
MURCHISON & CUMMING, LLP	Insurance Losses	676590	08/31/2018	3,663.30
SAFETY-KLEEN CORPORATION	Contract Service-Hazardous Waste Removal	676609	08/31/2018	3,636.10
PALM SPRINGS MOTORS, INC.	Inventory Repair Parts	676492	08/24/2018	3,491.42
ENGINEERING PROCUREMENT &	***WIP-Refurbished Hydrogen Fueling Station***	***676470***	***08/24/2018***	***3,490.65***
FIESTA FORD, INC.	Inventory Repair Parts	676473	08/24/2018	3,367.21
CREATIVE BUS SALES, INC,	Inventory Repair Parts	676460	08/24/2018	3,213.79
EYE MED	Vision Insurance	676341	08/03/2018	3,165.77
NEW FLYER PARTS	Inventory Repair Parts	676559	08/31/2018	3,062.07
TIME WARNER CABLE	Utilities	676358	08/03/2018	3,050.93
OFFICE DEPOT	Office Supplies	676596	08/31/2018	3,007.21
COUNTY OF RIVERSIDE	***WIP- Operation Facility Deposit***	***676365***	***08/07/2018***	***3,000.00***
ROMAINE ELECTRIC CORP.	Inventory Repair Parts	676388	08/10/2018	2,906.92
TRANSIT PRODUCTS & SERVICES	Inventory Repair Parts	676620	08/31/2018	2,851.50
SOCALGAS	Utilities	676390	08/10/2018	2,740.72
SOCO GROUP INC, THE	Lubricants-Oils	676357	08/03/2018	2,705.46
DECALS BY DESIGN, INC.	Inventory Repair Parts	676375	08/10/2018	2,634.49
ANDREA CARTER & ASSOCIATES	Marketing Service Consultant	676560	08/31/2018	2,600.00
HD INDUSTRIES	Inventory Repair Parts	676382	08/10/2018	2,588.98
DESERT PARADISE CONSTRUCTION, LLC	Consulting Service	676376	08/10/2018	2,520.00
SMARTDRIVE SYSTEMS, INC.	Paratransit Repair Parts	676355	08/03/2018	2,400.82
CALIFORNIA STATE DISBURSEMENT UNIT	**Garnishments**	**676519**	**08/28/2018**	**2,141.84**
FLEET-NET CORPORATION	Computer Network Software Agreement	676344	08/03/2018	2,130.00
CUMMINS PACIFIC, LLC	Inventory Repair Parts	676569	08/31/2018	2,125.11

SunLine Transit Agency
Checks $1,000 and Over
For the month of August 2018

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 Filed As Name	Description	Check #	Payment Date	Payment Amount
BYD COACH & BUS LLC	Inventory Repair Parts	676563	08/31/2018	2,120.43
CALIFORNIA STATE DISBURSEMENT UNIT	**Garnishments**	**676402**	**08/17/2018**	**2,095.69**
DESERT URGENT CARE AND SANTA ROSA DEL	Medical Exams	676417	08/17/2018	1,965.00
HOME DEPOT CREDIT SERVICES	Bus Stop Supplies	676578	08/31/2018	1,920.33
AVAIL TECHNOLOGIES	Inventory Repair Parts	676370	08/10/2018	1,822.49
WESTPORT DALLAS, INC.	Inventory Repair Parts	676628	08/31/2018	1,821.17
VALLEY OFFICE EQUIPMENT, INC.	Office Equipment Maintenance	676626	08/31/2018	1,809.42
DESERT AIR CONDITIONING, INC.	A/C Service	676409	08/17/2018	1,782.40
FRANKLIN TRUCK PARTS, INC	Inventory Repair Parts	676477	08/24/2018	1,769.03
GENFARE	Inventory Repair Parts	676572	08/31/2018	1,704.44
HD INDUSTRIES	Inventory Repair Parts	676575	08/31/2018	1,685.84
APOLLO VIDEO TECHNOLOGY	Inventory Repair Parts	676452	08/24/2018	1,668.34
SMARTDRIVE SYSTEMS, INC.	General Services	676611	08/31/2018	1,520.00
SOCO GROUP INC, THE	Lubricants-Oils	676433	08/17/2018	1,378.26
OFFICE DEPOT	Office Supplies	676487	08/24/2018	1,342.19
RUTAN & TUCKER, LLP	Legal Services	676495	08/24/2018	1,226.20
NORTON MEDICAL INDUSTRIES	Medical Exams	676486	08/24/2018	1,219.45
ATWORK FRANCHISE, INC.	Temporary Help	676380	08/10/2018	1,188.10
ATWORK FRANCHISE, INC.	Temporary Help	676571	08/31/2018	1,188.10
PALM SPRINGS MOTORS, INC.	Repair Parts	676386	08/10/2018	1,124.33
C V WATER DISTRICT	Utilities	676407	08/17/2018	1,096.43
GLOBAL EQUIPMENT CO. INC.	Podium for Agency	676481	08/24/2018	1,096.08
FRANCHISE TAX BOARD	**Garnishments**	**676529**	**08/28/2018**	**1,056.55**
JACKSON LEWIS P.C.	Insurance Losses	676581	08/31/2018	1,054.50
BURRTEC WASTE & RECYCLING SERVICES	Utilities	676399	08/17/2018	1,033.97
MAGALDI & MAGALDI, INC.	Inventory Repair Parts	676584	08/31/2018	1,010.64
BURRTEC WASTE & RECYCLING SERVICES	Utilities	676400	08/17/2018	1,004.70
TOTALFUNDS	Postage Supplies	676392	08/10/2018	1,000.00

Total Checks Over $1,000	$4,860,902.49
Total Checks Under $1,000	$39,179.81
Total Checks	$4,900,082.30

SunLine Transit Agency

CONSENT CALENDAR

DATE: October 24, 2018 **RECEIVE & FILE**

TO: Finance/Audit Committee
Board of Directors

RE: Credit Card Statement for August 2018

Summary:

The attached report summarizes the Agency's credit card expenses for August 2018 with a statement closing date of September 3, 2018.

Recommendation:

Receive and file.

SunLine Transit Agency Visa Credit Card Statement
Closing Date: 09/03/18
Name on Card: Lauren Skiver

	Trans. Date	Post Date	Reference	Detail - Description	Credits	Charges
1	8/7/2018	8/7/2018	iSTOCK	iStock; Student Art Contest Stock Art for Bus Wrap		$29.70
2	8/13/2018	8/13/2018	Dickeys	Dickeys Catering; Maintenance Supervisor Meeting		$109.46
3	8/13/2018	8/13/2018	Dickeys	Dickeys Catering; Maintenance Supervisor Meeting		$44.84
4	8/15/2018	8/15/2018	APTA Housing	Lodging for 4 Nights (Deposit); APTA 2018 Annual Meeting - Lauren Skiver, CEO/General Manager & Andrea Carter, Marketing Consultant		$694.20
5	8/15/2018	8/15/2018	American Airlines	Flight on American Airlines; APTA 2018 Annual Meeting - Lauren Skiver, CEO/General Manager **(flight subsequently changed and credit towards new ticket)**		$437.61
6	8/15/2018	8/15/2018	American Airlines	Flight on American Airlines; APTA 2018 Annual Meeting - Andrea Carter, Marketing Consultant **(flight subsequently changed and credit towards new ticket)**		$437.61
7	8/15/2018	8/15/2018	American Airlines	Flight on American Airlines; APTA 2018 Annual Meeting - Lauren Skiver, CEO/General Manager **(flight subsequently changed and credit towards new ticket)**		$117.79
8	8/15/2018	8/15/2018	American Airlines	Flight on American Airlines; APTA 2018 Annual Meeting - Andrea Carter, Marketing Consultant **(flight subsequently changed and credit towards new ticket)**		$117.79
9	8/18/2018	8/18/2018	Alamo	Alamo Rent-A-Car; APTA Nominating Committee - Lauren Skiver, CEO/General Manager		$56.45
10	8/18/2018	8/18/2018	Hyatt Regency	Lodging for 2 Nights; APTA Nominating Committee - Lauren Skiver, CEO/General Manager		$674.10
11	8/20/2018	8/20/2018	APTA Housing	Lodging for 3 Nights (Deposit); APTA 2018 Annual Meeting - Tommy Edwards, Chief Performance Officer & Rudy Le Flore, Chief Project Consultant		$694.20
12	8/22/2018	8/22/2018	Panera	Panera Catering; Ad Hoc Committee Meeting - Board of Directors		$30.14
13	8/22/2018	8/22/2018	American Airlines	Flight on American Airlines; APTA 2018 Annual Meeting - Tommy D. Edwards, Chief Performance Officer (Flight from BNA to PSP)		$338.80
14	8/22/2018	8/22/2018	American Airlines	Flight on American Airlines; APTA 2018 Annual Meeting - Lauren Skiver, CEO/General Manager		$439.98
15	8/22/2018	8/22/2018	American Airlines	Flight on American Airlines; APTA 2018 Annual Meeting - Andrea Carter, Marketing Consultant		$439.98
16	8/22/2018	8/22/2018	Expedia	Flight on American Airlines; APTA 2018 Annual Meeting - Tommy D. Edwards, Chief Performance Officer (Expedia booking fee)		$5.51

	Trans. Date	Post Date	Reference	Detail - Description	Credits	Charges
17	8/22/2018	8/22/2018	United	Flight on United Airlines; APTA 2018 Annual Meeting - Tommy D. Edwards, Chief Performance Officer (Flightt from PSP to BNA)		$298.80
18	8/23/2018	8/23/2018	Expedia	Expedia; Hotel & Shuttle Service for DBE Training in Salt Lake City - Tamara Miles, Eligibility & Compliance Officer		$392.10
19	8/23/2018	8/23/2018	Delta Air	Flight on Delta Airlines; DBE Training in Salt Lake City - Tamara Miles, Eligibility & Compliance Officer		$654.39
20	8/27/2018	8/27/2018	American Airlines	Flight on American Airlines; APTA 2018 Annual Meeting - Lauren Skiver, CEO/General Manager (seat fees)		$60.38
21	8/27/2018	8/27/2018	American Airlines	Flight on American Airlines; APTA 2018 Annual Meeting - Andrea Carter, Marketing Consultant (seat fees)		$60.38
22	8/28/2018	8/28/2018	Eventbrite	Registration; 23rd Valleywide Employment EXPO - HR Department		$130.00
23	8/29/2018	8/29/2018	APTA	Registration; APTA 2018 Annual Meeting - Lauren Skiver, Andrea Carter, Tommy Edwards, Rudy Le Flore		$3,700.00
24	8/31/2018	8/31/2018	Alamo	Alamo Rent-A-Car (Toll Road Fee); APTA Nominating Committee - Lauren Skiver, CEO/General Manager		$5.45
				Credits and Charges:	$0.00	$9,969.66
				Total:	**$9,969.66**	

SunLine Transit Agency

CONSENT CALENDAR

DATE: October 24, 2018 **RECEIVE & FILE**

TO: Finance/Audit Committee
Board of Directors

RE: Monthly Budget Variance Report for August 2018

Summary:

The budget variance report compares revenues and expenses to the respective line item budgets. The report identifies current monthly revenues and expenses as well as year to date (YTD) values. The current monthly budget values are calculated by taking 1/12th of the annual budget and the YTD budget values are calculated by dividing the yearly budget by the number of months progressed through the fiscal year.

- As of August 31, 2018, the organization's revenues net of subsidies are $219,792 over budget or 29.5% above the YTD budget. Expenditures are $879,901 under budget or 13.6% below the YTD budget.
- The net YTD operating gain (loss) after subsidies is 0.

Recommendation:

Receive and file.

SunLine Transit Agency

Budget Variance Report

August 2018

Description	FY 19 Total Budget	Current Month Actual	Current Month Budget	Current Month Favorable (Unfavorable)	YTD Actual	FY 19 YTD Budget	YTD Favorable (Unfavorable)	Percentage Remaining
Operating Revenues:								
Passenger Revenue	2,643,828	229,706	220,319	9,387	428,249	440,638	(12,389)	83.8%
Other Revenue	1,825,574	254,125	152,131	101,993	536,443	304,262	232,181	70.6%
Total Operating Revenue	**4,469,402**	**483,831**	**372,450**	**111,381**	**964,693**	**744,900**	**219,792**	**78.4%**
Operating Expenses:								
Operator & Mechanic Salaries & Wages	9,589,090	765,072	799,091	34,019	1,508,117	1,598,182	90,065	84.3%
Operator & Mechanic Overtime	1,074,280	80,996	89,523	8,528	190,429	179,047	(11,382)	82.3%
Administration Salaries & Wages	6,085,985	438,917	507,165	68,248	844,860	1,014,331	169,471	86.1%
Administration Overtime	25,358	1,670	2,113	443	3,495	4,226	731	86.2%
Fringe Benefits	10,417,998	755,217	868,167	112,949	1,476,597	1,736,333	259,736	85.8%
Communications	208,000	18,472	17,333	(1,138)	35,980	34,667	(1,313)	82.7%
Legal Services	420,000	44,060	35,000	(9,060)	98,658	70,000	(28,658)	76.5%
Computer/Network Software Agreement	560,745	41,495	46,729	5,233	76,336	93,458	17,122	86.4%
Uniforms	115,650	2,316	9,638	7,321	5,217	19,275	14,058	95.5%
Contracted Services	438,338	33,174	36,528	3,354	65,703	73,056	7,353	85.0%
Equipment Repairs	7,000	0	583	583	45	1,167	1,122	99.4%
Security Services	104,159	8,602	8,680	78	17,359	17,360	0	83.3%
Fuel - CNG	1,532,492	139,771	127,708	(12,063)	246,944	255,415	8,471	83.9%
Fuel - Hydrogen	260,000	13,009	21,667	8,658	29,632	43,333	13,701	88.6%
Tires	243,200	21,080	20,267	(813)	41,607	40,533	(1,073)	82.9%
Office Supplies	68,523	3,788	5,710	1,922	8,148	11,421	3,273	88.1%
Travel/Training	173,996	26,008	14,500	(11,509)	30,653	28,999	(1,653)	82.4%
Repair Parts	1,265,500	125,948	105,458	(20,490)	205,535	210,917	5,382	83.8%
Facility Maintenance	42,750	5,184	3,563	(1,622)	8,636	7,125	(1,511)	79.8%
Electricity - CNG & Hydrogen	287,000	14,638	23,917	9,279	30,275	47,833	17,558	89.5%
Natural Gas	1,390,000	138,356	115,833	(22,523)	246,767	231,667	(15,100)	82.2%
Water	7,500	459	625	166	793	1,250	457	89.4%
Insurance Losses	1,276,054	91,222	106,338	15,116	164,622	212,676	48,054	87.1%
Insurance Premium - Property	17,136	1,168	1,428	260	2,337	2,856	519	86.4%
Repair Claims	154,280	0	12,857	12,857	0	25,713	25,713	100.0%
Fuel Taxes	188,300	14,810	15,692	882	30,526	31,383	857	83.8%
Other Expenses	4,547,657	243,884	378,971	135,087	506,790	757,943	251,153	88.9%
Self Consumed Fuel	(1,600,000)	(152,818)	(133,333)	(19,484)	(276,628)	(266,667)	(9,961)	82.7%
Total Operating Expenses (Before Depreciation)	**38,900,991**	**2,876,499**	**3,241,749**	**365,250**	**5,599,431**	**6,483,499**	**884,067**	**85.6%**
Operating Expenses in Excess of Operating Revenue		**$ (2,392,668)**			**$ (4,634,738)**			
Subsidies:								
Local - Measure A	6,000,000	416,943	500,000	83,057	807,643	1,000,000	192,357	86.5%
State - LTF, SGR, LCTOP	22,120,318	1,537,152	1,843,360	306,208	2,977,553	3,686,720	709,166	86.5%
Federal - CMAQ, 5307, 5309,5310, 5311, 5311(f)	6,311,271	438,573	525,939	87,366	849,542	1,051,879	202,336	86.5%
Total Subsidies	**34,431,589**	**2,392,668**	**2,869,299**	**476,631**	**4,634,738**	**5,738,598**	**1,103,860**	**86.5%**
Net Operating Gain (Loss) After Subsidies	**$ -**	**$ -**			**$ -**			

SunLine Transit Agency

Budget Variance Report

August 2018

Description	FY 19 Total Budget	Current Month: Actual	Current Month: Budget	Current Month: Favorable (Unfavorable)	Year to Date: YTD Actual	Year to Date: FY 19 YTD Budget	Year to Date: Favorable (Unfavorable)	Year to Date: Percentage Remaining
Operating Expenses:								
Wages & Benefits	27,192,711	2,041,872	2,266,059	224,187	4,023,498	4,532,119	508,621	85.2%
Services	3,369,039	213,292	280,753	67,461	452,909	561,507	108,598	86.6%
Fuels & Lubricants	1,996,392	177,171	166,366	(10,805)	320,350	332,732	12,382	84.0%
Tires	243,200	21,080	20,267	(813)	41,607	40,533	(1,073)	82.9%
Materials and Supplies	1,576,253	149,067	131,354	(17,713)	249,933	262,709	12,776	84.1%
Utilities	1,966,500	175,425	163,875	(11,550)	324,441	327,750	3,309	83.5%
Casualty & Liability	2,105,656	150,219	175,471	25,253	285,793	350,943	65,150	86.4%
Taxes and Fees	188,300	14,810	15,692	882	30,526	31,383	857	83.8%
Miscellaneous Expenses	1,862,940	86,381	155,245	68,864	147,002	310,490	163,488	92.1%
Self Consumed Fuel	(1,600,000)	(152,818)	(133,333)	(19,484)	(276,628)	(266,667)	(9,961)	82.7%
Total Operating Expenses (Before Depreciation)	**38,900,991**	**2,876,499**	**3,241,749**	**365,250**	**5,599,431**	**6,483,499**	**884,067**	**85.6%**
Revenues:								
Passenger Revenue	2,643,828	229,706	220,319	9,387	428,249	440,638	(12,389)	83.8%
Other Revenue	1,825,574	254,125	152,131	101,993	536,443	304,262	232,181	70.6%
Total Operating Revenue	**4,469,402**	**483,831**	**372,450**	**111,381**	**964,693**	**744,900**	**219,792**	**78.4%**
Net Operating Gain (Loss)		**$ (2,392,668)**			**$ (4,634,738)**			
Subsidies:								
Local - Measure A	6,000,000	416,943	500,000	83,057	807,643	1,000,000	192,357	86.5%
State - LTF, SGR, LCTOP	22,120,318	1,537,152	1,843,360	306,208	2,977,553	3,686,720	709,166	86.5%
Federal - CMAQ, 5307, 5309,5310, 5311, 5311(f)	6,311,271	438,573	525,939	87,366	849,542	1,051,879	202,336	86.5%
Total Subsidies	**34,431,589**	**2,392,668**	**2,869,299**	**476,631**	**4,634,738**	**5,738,598**	**1,103,860**	**86.5%**
Net Operating Gain (Loss) After Subsidies	**$ -**	**$ -**			**$ -**			

Passenger Revenue - Unfavorable

- 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.
- System Total Ridership is presently 4,191 trips below FY 18 YTD amounts.
- Ridership is currently at 0.7% below FY 18 YTD totals.

Passenger Revenue

	FY18-August	FY19-August	Variance	%Δ
Fixed Route	$ 205,039	$ 204,683	$ (356)	-0.2%
Paratransit	$ 25,319	$ 25,024	$ (296)	-1.2%
System Total	$ 230,358	$ 229,706	$ (652)	-0.3%

Passenger Revenue

	YTD-FY18	YTD-FY19	Variance	%Δ
Fixed Route	$ 371,376	$ 376,874	$ 5,498	1.5%
Paratransit	$ 52,224	$ 51,375	$ (849)	-1.6%
System Total	$ 423,601	$ 428,249	$ 4,649	1.1%

Ridership

	FY18-August	FY19-August	Variance	%Δ
Fixed Route	311,993	310,101	(1,892)	-0.6%
Paratransit	13,605	13,408	(197)	-1.4%
SolVan	1,090	2,132	1,042	95.6%
System Total	326,688	325,641	(1,047)	-0.3%

Ridership

	YTD-FY18	YTD-FY19	Variance	%Δ
Fixed Route	581,373	574,318	(7,055)	-1.2%
Paratransit	26,121	26,101	(20)	-0.1%
SolVan	1,090	3,974	2,884	264.6%
System Total	608,584	604,393	(4,191)	-0.7%

Other Revenue - Favorable

- The favorable balance is due to higher revenues than budgeted amounts for On-Board Bus Advertising Revenue, Outside Fueling Revenue, and Emissions Credit Revenue.
- On-Board Bus Advertising has a favorable variance due to a higher quantity of ads sold.
- The favorable variance in fueling revenue is mainly attributed to higher sales from Burrtec than estimated. As of 08/23/18 Burrtec has completed its fueling station,
  for budgeting purposes, a conservative projection was made if the Indio sales decline.
- Emissions credit revenue has a favorable variance due to an increase in the market price of emission credits.

	YTD-August	YTD Budget	Variance	%Δ
On-Board Bus Advertising	$ 31,000	$ 12,658	$ 18,342	144.9%
Outside Fueling Revenue	$ 234,543	$ 116,667	$ 117,877	101.0%
Emissions Credit Revenue	$ 201,439	$ 125,000	$ 76,439	61.2%

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.
- The favorable balance is primarily attributed to vacant operator positions.
  Department 12 Operations - Fixed Route has three (3) vacant operator positions.
  Department 14 Operations - Paratransit has one (1) vacant operator position.
  Department 22 Fleet Maintenance has one (1) vacant mechanic position and one (1) vacant utilities position.
- Other factors include operators and mechanics using vacation time, sick time, short-term disability, and long-term disability.
  Department 12 Operations - Fixed Route has nine (9) operators on long-term disability.
  Department 22 Fleet Maintenance has one (1) mechanic out on workers compensation leave.

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.

August

	Bid Overtime (Hours)	Overtime (Hours)	Total Overtime (Hours)	Total Expense
Fixed Route	152	1,505	1,657	$ 54,474
Paratransit	N/A	704	704	$ 18,172
Mechanics	N/A	324	324	$ 8,278

YTD-August

	Bid Overtime (Hours)	Overtime (Hours)	Total Overtime (Hours)	Total Expense
Fixed Route	304	3,468	3,772	$ 69,752
Paratransit	N/A	1,527	1,527	$ 21,058
Mechanics	N/A	867	867	$ 16,936

Administration Salaries & Wages - Favorable

- The favorable variance in administrative salaries and wages is attributed to vacant positions across the agency (e.g., Maintenance Supervisor, Farebox Assistant Technician, Human Resources Manager, Transit Planning Research Data Analyst).

Administration Overtime - Favorable

- Administrative overtime expenses are within an acceptable range of the budget.

Fringe Benefits - Favorable

- Fringe benefit savings are attributed to vacant positions across the agency.

Communications - Unfavorable

- The unfavorable variance in communication expenses is due to a new TPX Bundle plan for landline services. Due to usage, the Agency selected a bundle plan that will lead to savings in the long term.

Legal Services - Unfavorable

- Legal services general have had higher expenses due to review and analysis for contracts, service agreements, projects, case reviews, procurements, claims, and funding resources.
- Legal services labor counsel have had higher expenses due to higher arbitration services rendered in August.

Computer/Network Software Agreement - Favorable

- Budget is twelve-period allocation, but some expenses are yet to be incurred (i.e., software programs).
- The following programs will be incurred in the later part of the year:
  Barracuda - provides web filters, spam filters, and email archive
  Keystone - support for SYSCO devices
  Cummins Software - utilize to run diagnostics on Cummins engines
  Lansweeper - network management tool.

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

- Budget is twelve-period allocation, but some expenses are yet to be incurred.
- Contracted service expenses vary throughout the year (e.g., SVC Towing and Freight in department 22 are utilized on a need basis, web hosting costs not yet incurred, hazardous waste disposal fees not yet incurred, contracted services AC).

Equipment Repairs - Favorable

- The favorable balance in equipment repairs is due to a lower quantity of repairs needed.
  Equipment repair costs vary depending on the needs of the agency (i.e., Shop Equipment, Farebox).

Security Services - Unfavorable

- Security services are within an acceptable range of the budgeted amount.

Fuel - CNG - Favorable

- For August, the unfavorable variance of natural gas expenses is primarily attributed to the increase in market price per dekatherm.
  In July the price per dekatherm was $2.887, in August the price per dekatherm is $4.359.
- Internal consumption has decreased by 10,491 GGE's below FY18 YTD amounts.
  The lower internal consumption is primarily attributed to a decrease in total miles traveled FY18 YTD in comparison to the last fiscal year.

Internal GGE Usage

	GGE Usage	Variance FY18 vs. FY19	Variance Previous Month	%Δ FY18 vs FY19	%Δ Previous Month
Aug FY 18	132,285				
Aug FY 19	126,473	(5,812)	2,751	-4.39%	2.22%
July FY 19	123,722				
YTD August FY 18	260,686				
YTD August FY 19	250,195	(10,491)		-4.02%	

Fuel - Hydrogen - Favorable

- The favorable variance is primarily attributed to a lower quantity of equipment mechanical failures for the hydrogen station.
  The reduction in mechanical failures means that more hydrogen gas is produced in-house as opposed to ordering the fuel through an outside source at a higher cost.
- In August three (3) hydrogen buses were down for repairs, therefore, decreasing the hydrogen fuel consumption.
  FC7 was down 31 days
  FC8 was down for five (5) days
  FC9 was down six (6) days

Tires - Unfavorable

- Budget is twelve-period allocation; the actual expense is based on usage and mileage per month.
- YTD-August there are four (4) additional fixed route vehicles, and one (1) additional support vehicle. The YTD billable mileage has increased 471,205 miles compared to YTD billable mileage in FY 18.

Office Supplies - Favorable

- Office supplies are a variable expense; costs vary throughout the year as required.

Travel/Training - Unfavorable

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

Repair Parts -Favorable

- In August Fixed Route had costs of $103,093 for repair parts (e.g., preventative maintenance services, engine rebuilds, radiator replacement, core replacement)
- For August Paratransit had expenses of $15,756 for repair parts (e.g., preventative maintenance, engine replacement, transmission replacement)
- In August Support Vehicle repair parts had a cost of $2,389.04 for repair parts (e.g., preventative maintenance, tire replacement, battery replacement)

Facility Maintenance - Unfavorable

- The unfavorable variance in facility maintenance is due to a $3,443 expense in Division II for annual sewer service.

Electricity - CNG & Hydrogen - Favorable

- Electricity expenses are within an acceptable range of the budgeted amount.
  In FY 19 the budget was increased to cover the projected increase in expenses due to the installation of the electrolyzer.

Natural Gas - Unfavorable

- The unfavorable balance of natural gas costs is primarily attributed to the increase in market price per dekatherm. In July the price per dekatherm was $2.887, in August the price per dekatherm is $4.359.
- In August there was a decrease of 11,962 GGE's used for outside fueling sales than in the previous month.
- GGE outside usage has decreased 6,663 GGE's below FY18 YTD amounts.

Outside GGE Usage

	GGE Usage	Variance FY18 vs. FY19	Variance Previous Month	%Δ FY18 vs FY19	%Δ Previous Month
Aug FY 18	51,632				
Aug FY 19	39,132	(12,500)	(11,962)	-24.21%	-23.41%
July FY 19	51,094				
YTD August FY 18	96,889				
YTD August FY 19	90,226	(6,663)		-6.88%	

Water and Gas - Favorable

- Gas expenses follow a seasonal pattern; the higher expenditures are in the winter months.
- The maintenance team has emphasized water conservation and made changes to their routines that have helped reduce water consumption.

Insurance Losses - Favorable

- Insurance loss expenses are within an acceptable range of the budget.
- Insurance losses can vary widely from month to month.

Insurance Premium - Property - Favorable

- Insurance premium expenses are within an acceptable range of the budget.

Repair Claims - Favorable

- Repair claims can vary significantly from month to month.
- As of August, there have been a total of 17 collisions, that is a decrease of 10 collisions over the fiscal year 2018.
  The average dollar cost is significantly lower. In FY 19 the average cost per collision is $376 compared to $1,504 in FY 18.
  The decrease in repair claim expenses is attributed to accidents being minor in scale (e.g., collisions with gates, mirror to mirror contacts or collisions with trash bin).

Fuel Taxes - Favorable

- Fuel taxes are within an acceptable range of the budget.
- Outside fueling sales are currently $6,349 below FY 18 YTD amounts.
- For August sales have decreased by $24,121 from the previous month.

Outside Fueling Revenue

	Revenue	Variance FY18 vs. FY19	Variance Previous Month	%Δ FY18 vs FY19	%Δ Previous Month
Aug FY 18	$ 127,846				
Aug FY 19	$ 105,211	$ (22,635)	$ (24,121)	-17.70%	-18.65%
July FY 19	$ 129,332				
YTD August FY 18	$ 240,892				
YTD August FY 19	$ 234,543	$ (6,349)		-2.64%	

Other Expenses - Favorable

- Other expenses are within an acceptable range of the budgeted amount. Costs vary from month to month depending on the needs of the agency (e.g., medical exams and testing, consulting fees, recruiting employees, printing services, temporary help services).

Self Consumed Fuel - Unfavorable

- The unfavorable variance is due to increased marginal cost of fuel production.
  In July the price per dekatherm was $2.887, in August the price per dekatherm is $4.359.
- There is a decrease of 18,026 total miles traveled in FY 19 YTD in comparison to FY 18 YTD.

Mileage

	Aug FY18	Aug FY19	Variance	%Δ
Fixed Route	334,850	321,803	(13,047)	-3.9%
Paratransit	99,284	100,612	1,328	1.3%
System Total	434,134	422,415	(11,719)	-2.7%

Mileage YTD-Aug

	YTD-FY18	YTD-FY19	Variance	%Δ
Fixed Route	656,979	633,647	(23,332)	-3.6%
Paratransit	192,682	197,988	5,306	2.8%
System Total	849,661	831,635	(18,026)	-2.1%

SunLine Transit Agency

CONSENT CALENDAR

DATE: October 24, 2018 **RECEIVE & FILE**

TO: Finance/Audit Committee
Board of Directors

RE: Contracts Signed in Excess of $25,000 September 2018

Summary:

The attached report summarizes SunLine's contracts signed in excess of $25,000. For the month of September, there were two (2) agreements signed, one with Planet Solar, Inc. for Solar Carports Design Build, and the other with GP Strategies for the CNG Fueling Station. SunLine had one (1) contract amendment signed with Burke, Williams & Sorensen for the an option year for legal services, and one (1) contract change order signed with NR Development for the completion of the remaining perimeter fencing in Division 1.

Recommendation:

Receive and file.

Contracts Signed in Excess of $25,000

September 2018

Vendor	Product/Service	Need	Budgeted	Budgeted Amount	Cost	Type
Planet Solar, Inc.	Solar Carports Design Build	Install and Furnish Solar Carport Structure to the remaining spaces at the Administration Building.	SRTP 2009-2011	$573,681.00	$499,968.00	Executed Agreement Board approved
GP Strategies	CNG Fueling Station	Replace the Agency's CNG fueling station which has surpassed the expected lifespan of the facility.	SRTP FY2013/2014-FY2015/2016	$ 5,149,689.00	$6,557,332.08	Executed Agreement Board approved
Burke, Williams & Sorensen	Legal Services	Legal services for the Agency.	FY19 Operating Budget	$ 385,000.00	$ 385,000.00	Executed Amendment Board approved
NR Development	Installation of Perimeter Fencing	Project will complete the remaining perimeter fencing on West and South side of Division 1. This will enhance Security at the property.	SRTP FY2011/2012	$ 549,954.00	$ 42,747.28	Executed Change Order Board approved

SunLine Transit Agency

CONSENT CALENDAR

DATE: October 24, 2018 **RECEIVE & FILE**

TO: Finance/Audit Committee
Board of Directors

RE: Union & Non-Union Pension Investment Asset Summary August 2018

Summary:

- The pension asset summary demonstrates the book and market value of all assets as well as the total asset allocation for SunLine's Bargaining and Non-Bargaining retirement plans. The following table states the target and range values for asset allocations based on the current investment policy:

	Target	Range
Equities	60%	35 – 75%
Fixed Income	40%	25 – 64%
Cash & Equivalent	0%	0 – 10%

- For the month of August, SunLine's investments fell within the approved range of investment type for the Union and Non-Union assets.

Union

	Actual	Range
Equities	64.15%	35 – 75%
Fixed Income	35.00%	25 – 64%
Cash & Equivalent	0.85%	0 – 10%

Non-Union

	Actual	Range
Equities	64.24%	35 – 75%
Fixed Income	34.97%	25 – 64%
Cash & Equivalent	0.79%	0 – 10%

Recommendation:

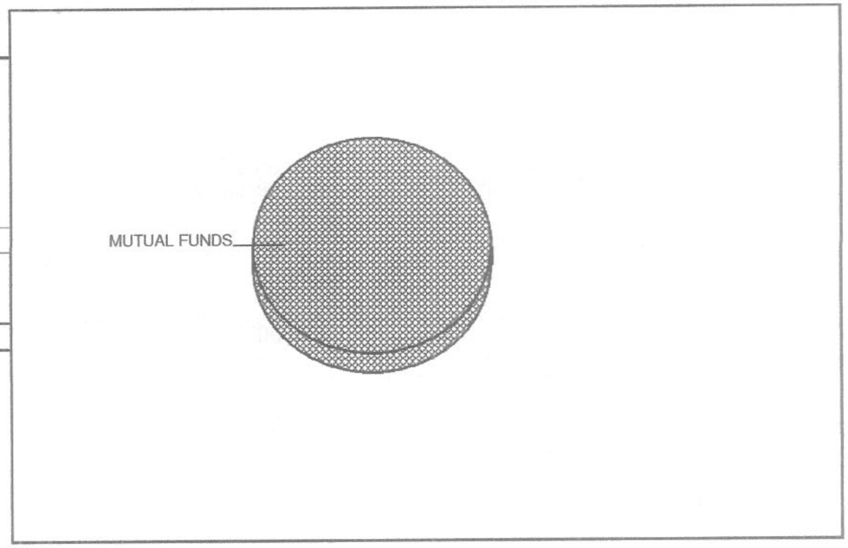
Receive and file.

SUNLINE TRANSIT AGENCY - NON-UNION
ACCOUNT 6746032100

ASSET SUMMARY

ASSETS	08/31/2018 MARKET	08/31/2018 BOOK VALUE	% OF MARKET
Cash And Equivalents	219,753.71	219,753.71	0.79
Mutual Funds-Equity	17,958,027.96	15,706,776.13	64.24
Mutual Funds-Fixed Income	9,775,049.56	10,103,032.47	34.97
Total Assets	**27,952,831.23**	**26,029,562.31**	**100.00**
Accrued Income	302.81	302.81	0.00
Grand Total	**27,953,134.04**	**26,029,865.12**	**100.00**

Estimated Annual Income **626,531.52**



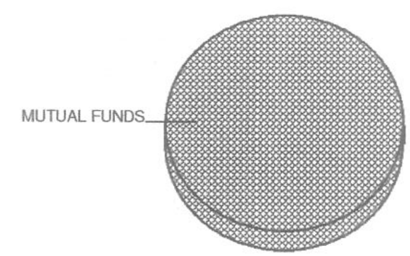
00306201
20- -01-B -61 -250-01
100 -13-02869-01

SUNLINE TRANSIT AGENCY - UNION
ACCOUNT 6746032000

ASSET SUMMARY

ASSETS	08/31/2018 MARKET	08/31/2018 BOOK VALUE	% OF MARKET
Cash And Equivalents	231,740.03	231,740.03	0.85
Mutual Funds-Equity	17,589,767.69	15,382,794.10	64.15
Mutual Funds-Fixed Income	9,597,875.29	9,916,096.93	35.00
Total Assets	**27,419,383.01**	**25,530,631.06**	**100.00**
Accrued Income	298.19	298.19	0.00
Grand Total	**27,419,681.20**	**25,530,929.25**	**100.00**

Estimated Annual Income **614,765.98**



SunLine Transit Agency

CONSENT CALENDAR

DATE: October 24, 2018 **RECEIVE & FILE**

TO: Finance/Audit Committee
Board of Directors

RE: Quarterly Capital Project Update for 1st Quarter 2018

Summary:

The capital projects update summarizes the quarterly status of the large capital projects that are in progress. For the third quarter of 2018, there are seventeen large projects in progress.

Recommendation:

Receive and file.

Project Title	Brief Description	Current Status	Current Funding
New CNG Fueling Station	This CNG Station will be located at the Thousand Palms facility and will replace the existing station that has exceeded its useful life.	Design build contactor has been selected, project kick-off meeting held in September.	$8,000,778
Solar Canopies	Project to complete solar canopies at SunLine's Administrative Building parking in Thousand Palms .	Design build contractor has been selected, SunLine staff is finalizing contract documentations.	$657,192
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 firm and SunLine team is finalizing 30% drawings. Application for substantial conformation has been submitted to county.	$8,100,000
(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.	All five hydrogen fuel cell buses have been delivered to SunLine.	$12,803,860
(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.	Buses are in production line. Hydrogen Refueling Station design drawings are submitted to county. Station equipment is in production and some equipment has being shipped and stored.	$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.	Buses are in production. Buses are expected to be delivered in the fourth quarter of 2018.	$3,223,799
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 the Coachella Valley to surrounding areas which will help improve air quality and ease	Nine Enterprise vans are participating under SolVan. CalVans farm related vans season is over, SolVan had an average of fifteen farm related	$1,990,000

	congestion. This program features a Vanpool Pilot program to assist in the agricultural community and large employers.	vanpools last year. The next farm season starts in fall/winter.	
Indio Division Yard Repaving	Project to repave the existing bus yard and staff car parking area along with CNG public fueling station in the Indio operating division.	Contract with the general contractor has been signed.	$595,079
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
SunLine Division-I Fencing project	Project to install perimeter fencing on West and South side of SunLine's Thousand Palms facility.	Fence installation is in progress for the south side of the facility.	$549,954
Transit Redesign & Network Analysis	Project to conduct study to provide comprehensive analysis of SunLine's fixed route bus and paratransit bus system to accomplish reliability and passenger convenience of its services.	Project is progressing per schedule.	$450,000
Transit Enhancements	The enhancement of the bus stop system to enhance access for persons with disabilities and the general public through modernization of bus shelters, benches and lighting to enhance security and safety of all SunLine customers.	Contract for purchase of bus shelters and amenities has been approved by the SunLine Board.	$770,339
Transit Security Camera project	Project to update surveillance system to take advantage of the new technology, to change the system so as to increase video surveillance coverage of fixed assets at SunLine Division 1 and the Transit Hub.	Contract for the installation of video surveillance system has been approved by the SunLine Board.	$330,000
Purchase Support Vehicles	The project is for the purchase of twelve relief and supervisor vehicles.	Contract to purchase twelve electric vehicles has been approved by the SunLine Board.	$459,394
Replacement of 14 paratransit vehicles	Replacement for paratransit vehicles that have met their useful life.	Purchase order has been issued.	$2,115,000
Utility Infrastructure upgrades	Project to upgrade on/off site electric power at the Thousand Palms facility.	Contract for construction of on-site and off-site dry utility installation has been approved by the SunLine Board.	$1,265,230
Paratransit Vehicles Security Camera	Project to install video surveillance camera system on SunLine's paratransit vehicles.	Contract for camera installation has been approved and executed.	$325,000

SunLine Transit Agency

CONSENT CALENDAR

DATE: October 24, 2018 **RECEIVE & FILE**

TO: Finance/Audit Committee
Board of Directors

RE: Ridership Report for September 2018

Summary:

System-wide ridership this September increased 1.1% versus September 2017.

Ridership		
	Sep 17	**Sep 18**
Fixed Route	333,098	337,164
Van Pool	1,222	1,872
Sundial	13,359	12,530
System Total	**347,679**	**351,566**

Factors to consider when comparing to a year ago:

- Sunline launched the Haul Pass Program allowing College of the Desert students to ride for free with the use of their college I.D. cards.
- 5 out of 16 fixed route lines and commuter saw a decrease in ridership in comparison to September of 2017.
- Routes 20 and 80 saw an increase in ridership above 25% in comparison to September of 2017.

Recommendation:

Receive and file.

SunLine Transit Agency
Monthly Ridership Report
September 2018

Line	Fixed Route Description	Sep 2018	Sep 2017	Aug 2018	FY 2018 & 2019 Month Var.	% Var.	FY 2019 YTD	FY 2018 YTD	YTD Var.	% Var.	Bikes Monthly	Bikes YTD	Wheelchairs Monthly	Wheelchairs YTD
14	DHS/PS	49,870	51,898	48,544	(2,028)	-3.9%	138,900	145,700	(6,800)	-4.7%	1,653	4,747	551	1,522
15	DHS	10,567	10,284	10,403	283	2.8%	27,647	27,044	603	2.2%	165	424	98	228
20	DHS/PD	2,911	2,279	2,012	632	27.7%	6,641	4,997	1,644	32.9%	57	276	9	25
21	PD	1,129	-	710	1,129	100.0%	2,276	-	2,276	100.0%	17	73	6	18
24	PS	14,551	13,524	15,295	1,027	7.6%	41,484	37,482	4,002	10.7%	513	1,642	103	351
30	CC/PS	49,787	52,195	51,410	(2,408)	-4.6%	145,185	152,503	(7,318)	-4.8%	1,809	5,588	424	1,337
32	PD/RM/TP/CC/PS	21,067	19,462	19,053	1,605	8.2%	56,176	53,128	3,048	5.7%	920	2,799	116	407
54	Indio/LQ/IW/PD	7,028	6,810	4,292	218	3.2%	14,742	14,366	376	2.6%	142	398	47	92
70	LQ/BD	14,265	14,243	10,270	22	0.2%	32,535	33,485	(950)	-2.8%	651	1,861	35	116
80	Indio	18,207	11,903	14,544	6,304	53.0%	43,561	27,475	16,086	58.5%	281	1,124	160	437
81	Indio	9,010	8,422	6,440	588	7.0%	20,289	19,197	1,092	5.7%	103	239	70	139
90	Coachella/Indio	6,076	9,540	5,848	(3,464)	-36.3%	17,180	27,434	(10,254)	-37.4%	80	246	41	129
91	I/Cch/Th/Mec/Oas	12,912	15,857	10,124	(2,945)	-18.6%	31,563	43,425	(11,862)	-27.3%	158	581	37	110
95	I/Cch/Th/Mec/NS	2,343	1,903	2,230	440	23.1%	6,681	5,899	782	13.3%	90	294	8	26
111	PS to Indio	116,508	109,746	107,773	6,762	6.2%	323,466	314,932	8,534	2.7%	5,243	14,700	932	2,501
220	PD to Riverside	933	1,190	1,153	(257)	-21.6%	3,156	3,562	(406)	-11.4%	21	95	6	16
	Fixed Route Total	**337,164**	**333,098**	**310,101**	**4,066**	**1.2%**	**911,482**	**919,823**	**(8,341)**	**-0.9%**	**11,903**	**35,087**	**2,643**	**7,454**
SolVan		1,872	1,222	2,132	650	53.2%	5,846	2,312	3,534	60.5%				
SunDial	**Demand Response**	12,530	13,359	13,408	(829)	-6.2%	38,631	39,480	(849)	-2.2%				
	System Total	**351,566**	**347,679**	**325,641**	**3,887**	**1.1%**	**955,959**	**961,615**	**(5,656)**	**-0.59%**				

	Sep-18	Sep-17	Aug-18
Weekdays:	19	20	21
Saturdays:	5	5	4
Sundays:	* 6	* 5	6
Total Days:	**30**	**30**	**31**

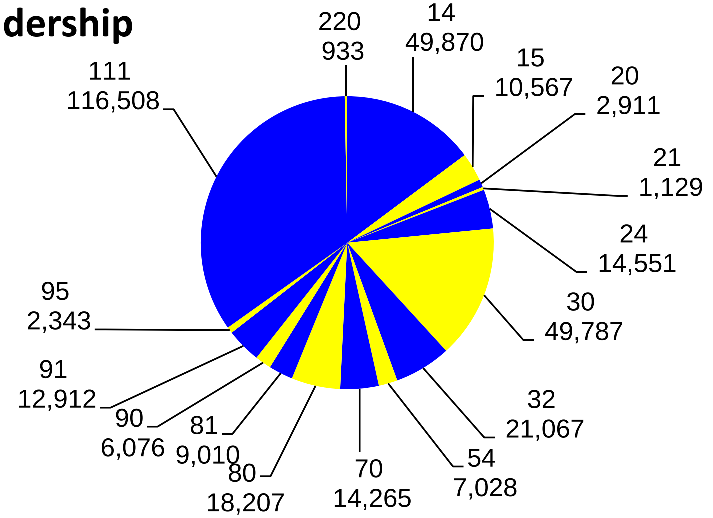
Please note:

*** Sunday service was ran for Labor day on Monday September 4, 2017 as well as Monday September 3, 2018.**

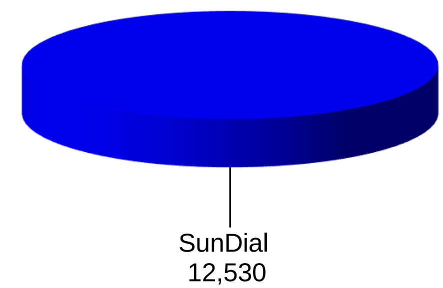
printed on 10/8/2018

SunLine Transit Agency
Monthly Ridership Report
September - 2018

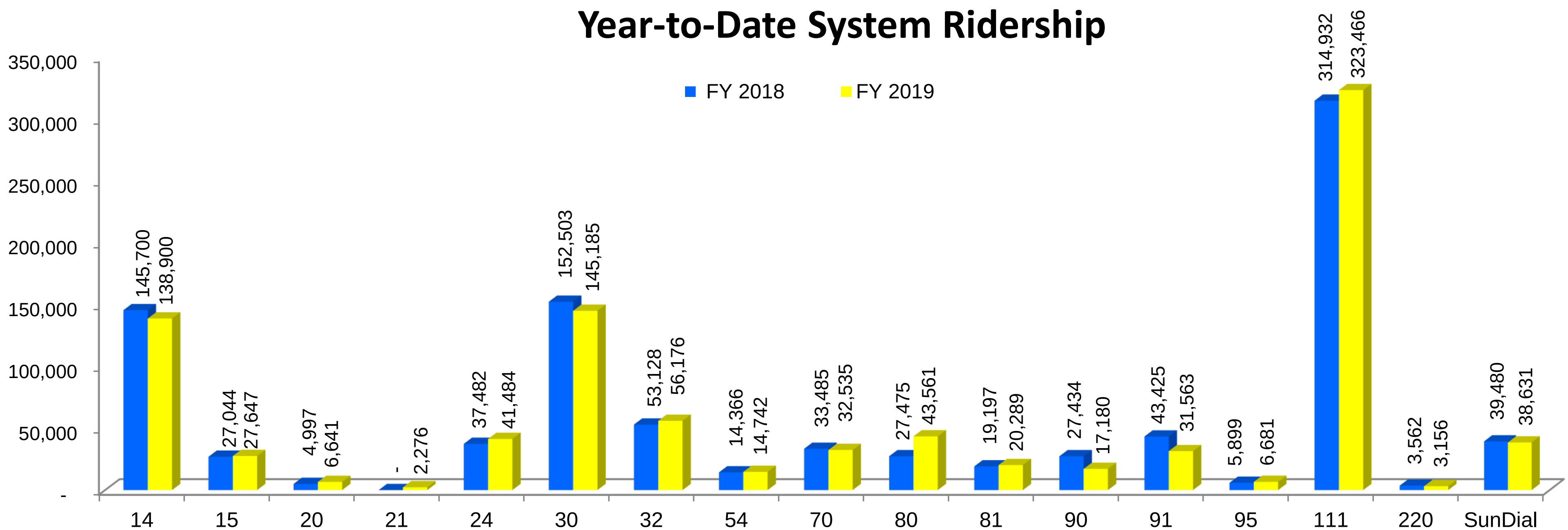
Fixed Route Ridership



Demand Response Ridership



Year-to-Date System Ridership



printed on 10/8/2018

SunLine Transit Agency

CONSENT CALENDAR

DATE: October 24, 2018 **RECEIVE & FILE**

TO: Finance/Audit Committee
Board of Directors

RE: SunDial Operational Notes for September 2018

Summary:

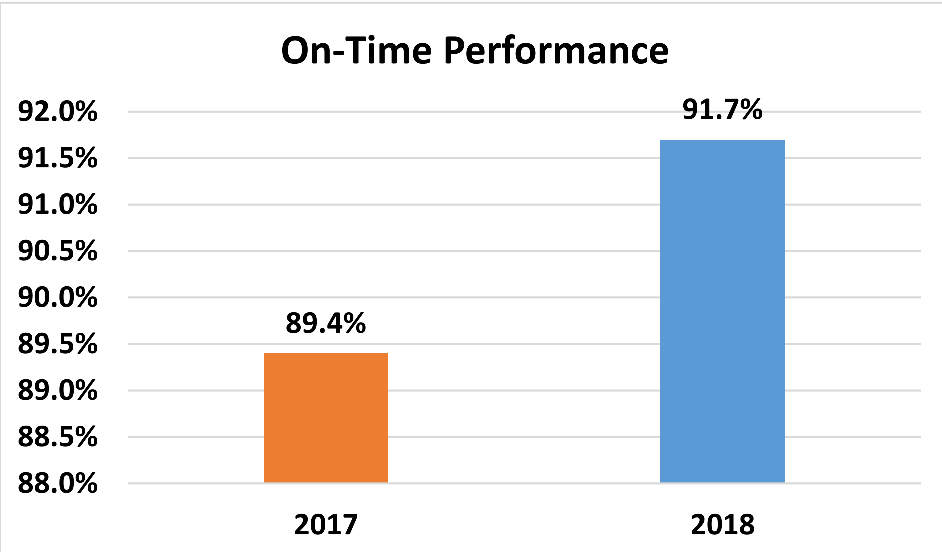
The attached report summarizes SunDial's operation for September 2018. Highlights of this report include:

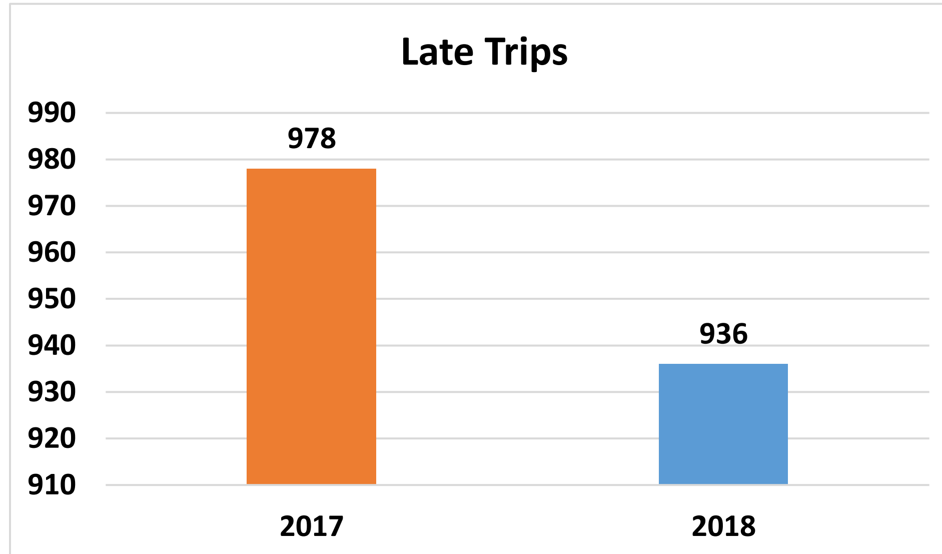
- On-time performance percentage of 91.7 % compared to 89.4% in September 2017.
- Increase in ride alongs, onboard inspections and safety evaluations conducted by road supervisors.
- Zero preventable accidents for the month of September two years in a row.

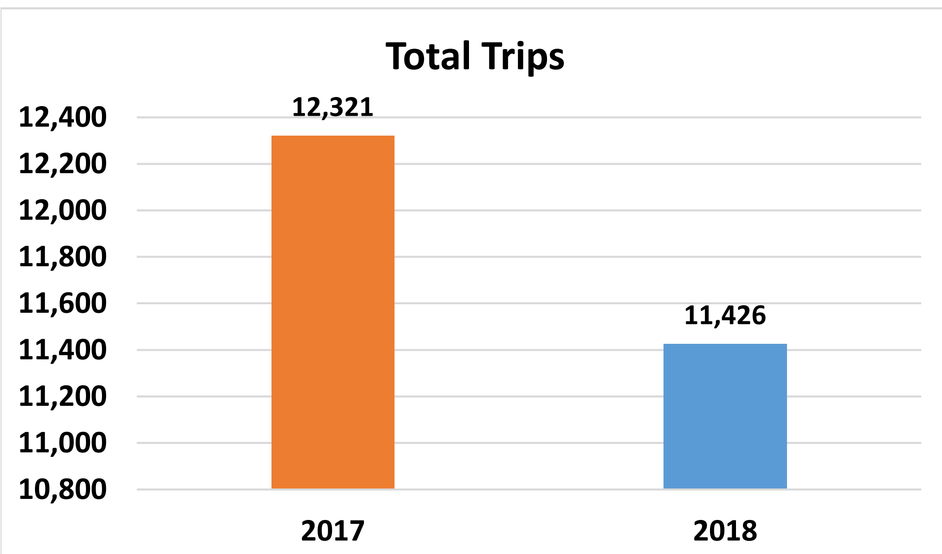
Recommendation:

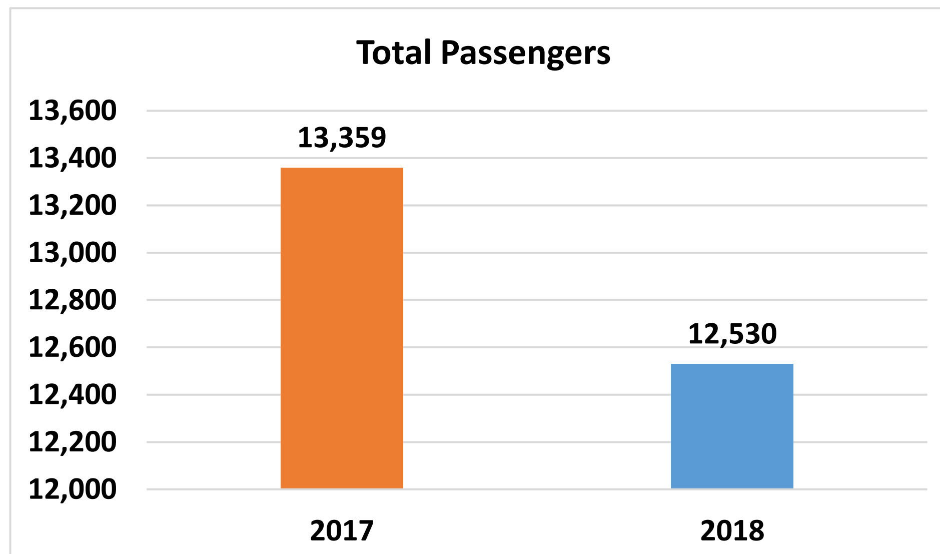
Receive and file.

SunDial Operational Notes
SEPTEMBER 2017/2018

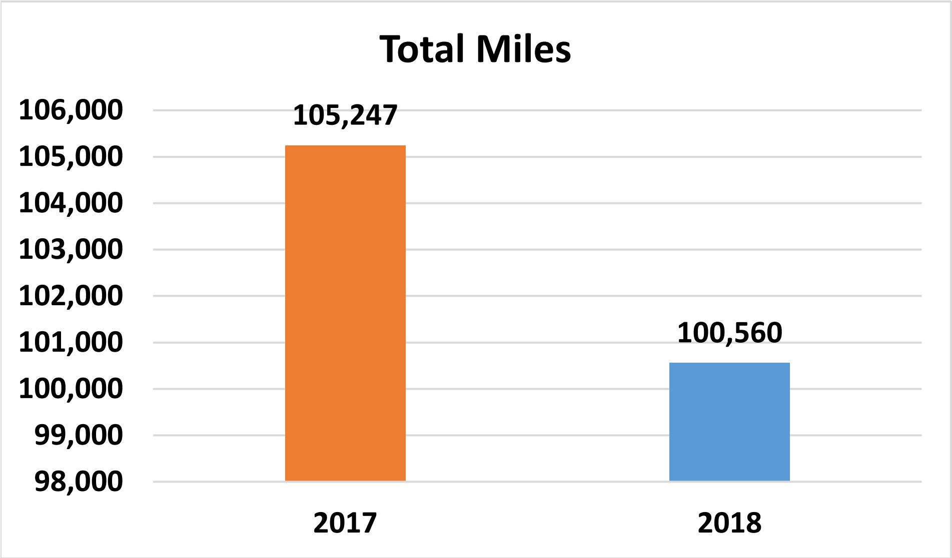


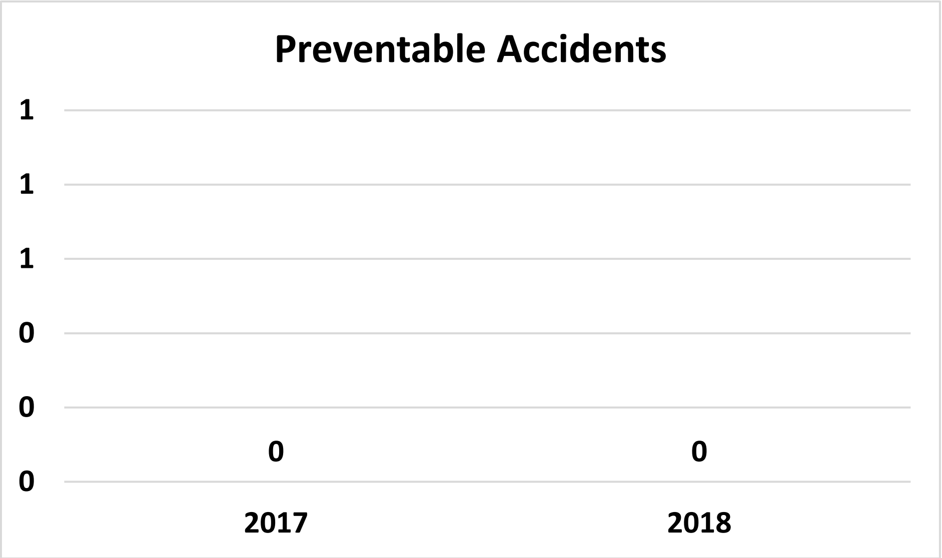


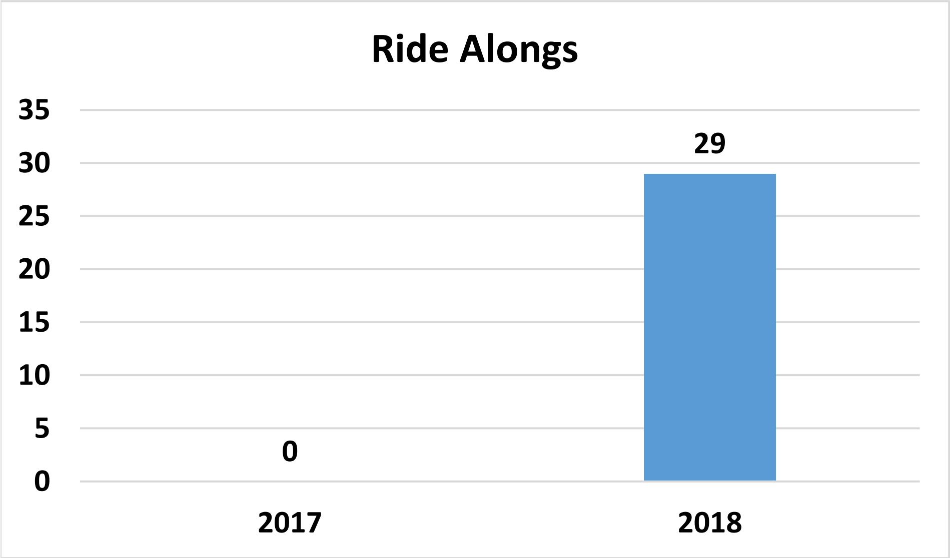


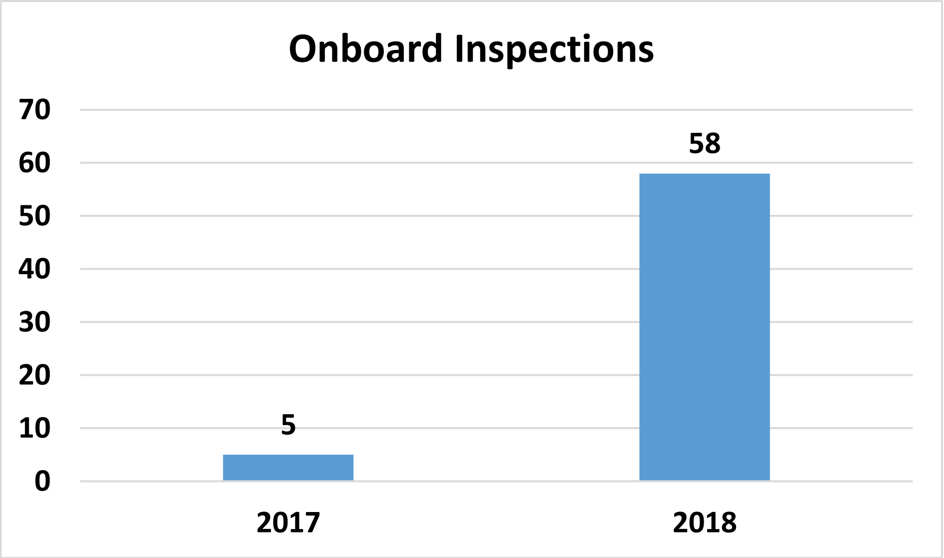


SunDial Operational Notes
SEPTEMBER 2017/2018

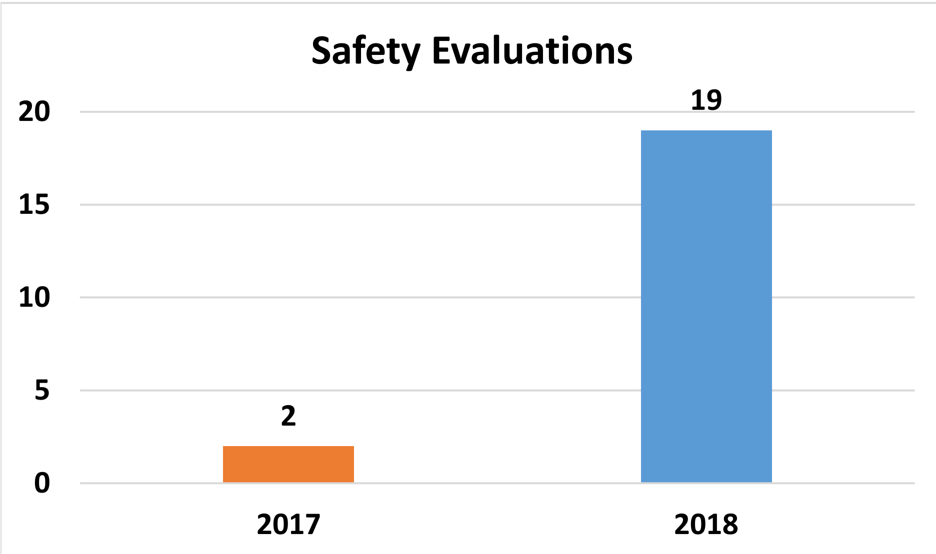


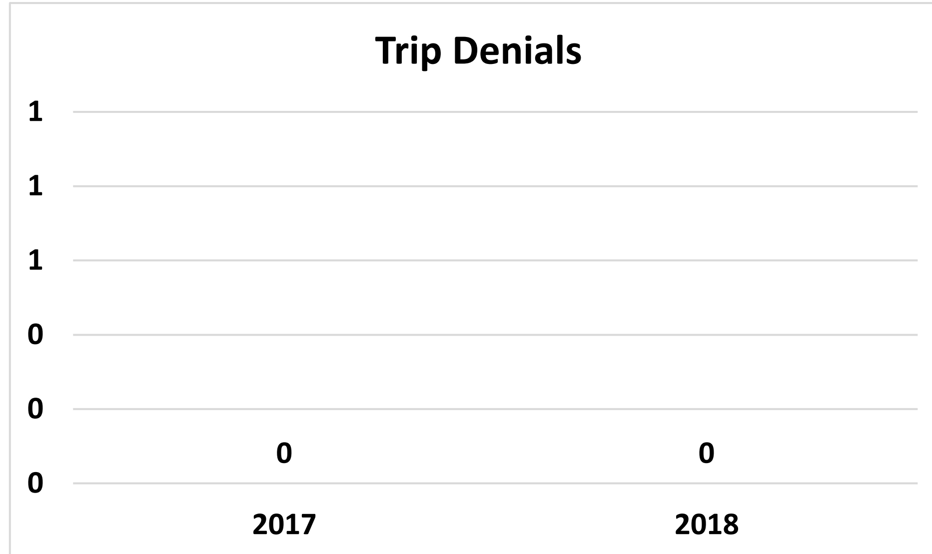


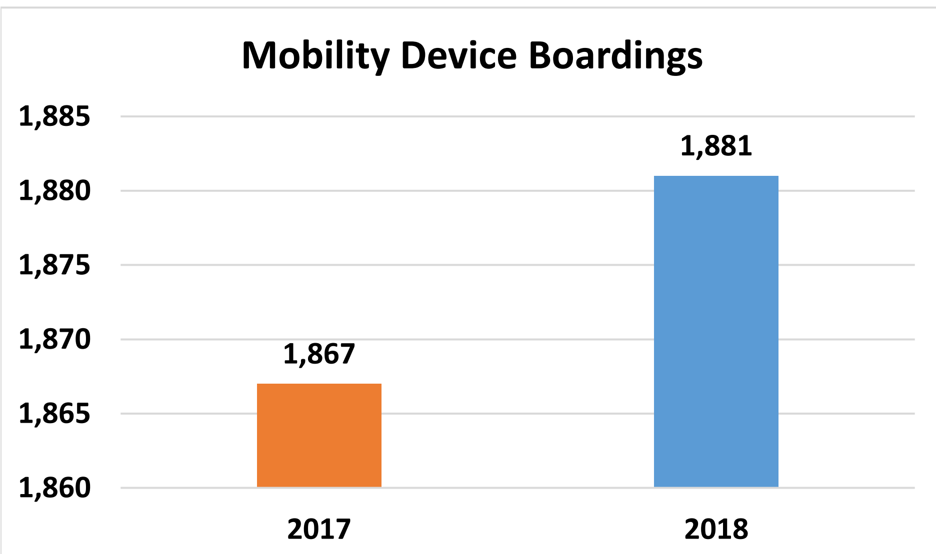




SunDial Operational Notes
SEPTEMBER 2017/2018







SunLine Transit Agency

CONSENT CALENDAR

DATE: October 24, 2018 **RECEIVE & FILE**

TO: Finance/Audit Committee
Board of Directors

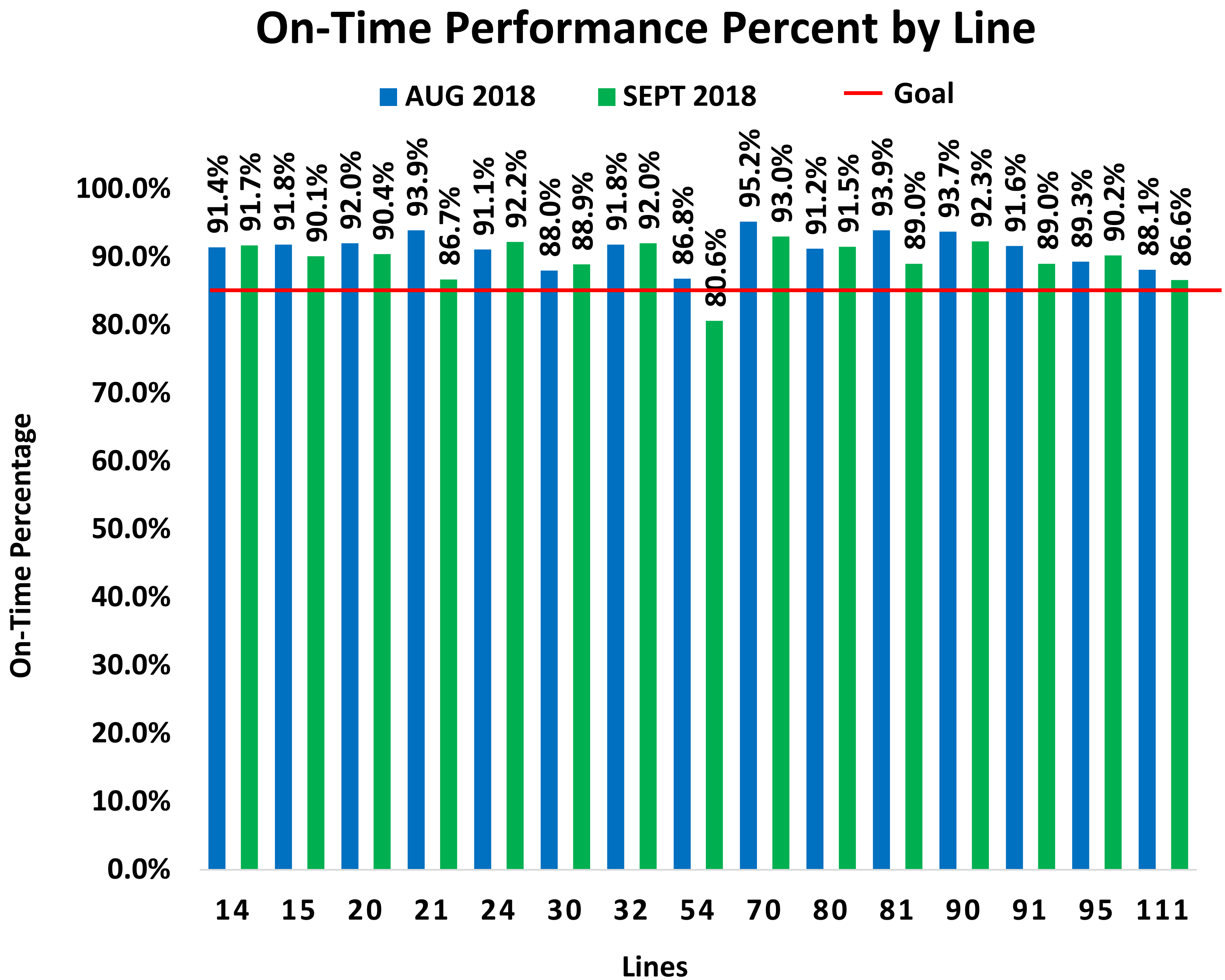
RE: Metrics for September 2018

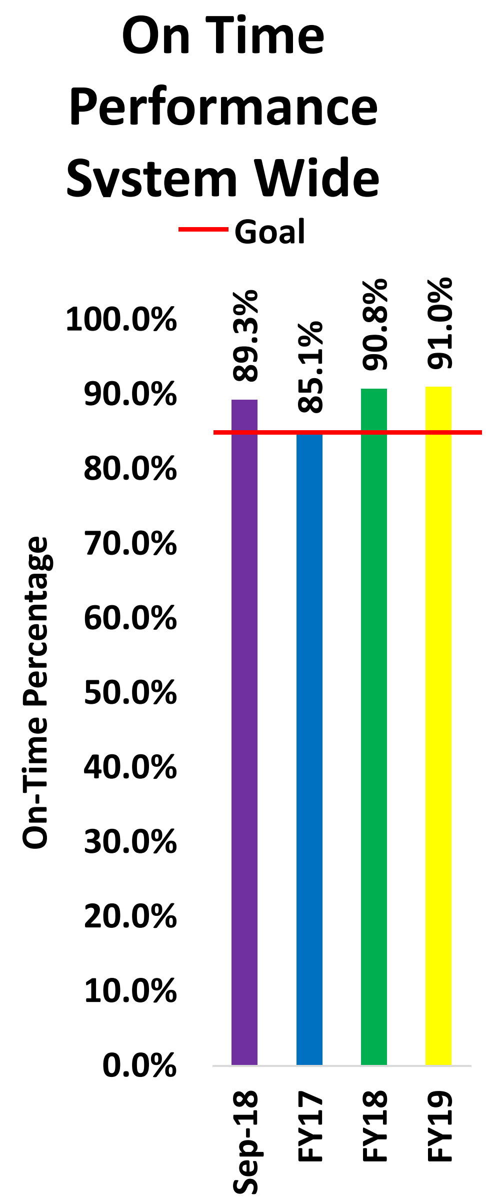
Summary:

The metrics packet includes data highlighting on-time performance, early departures, late departures, late cancellations, driver absence, advertising revenue, fixed route customer comments, paratransit customer comments, and system performance.

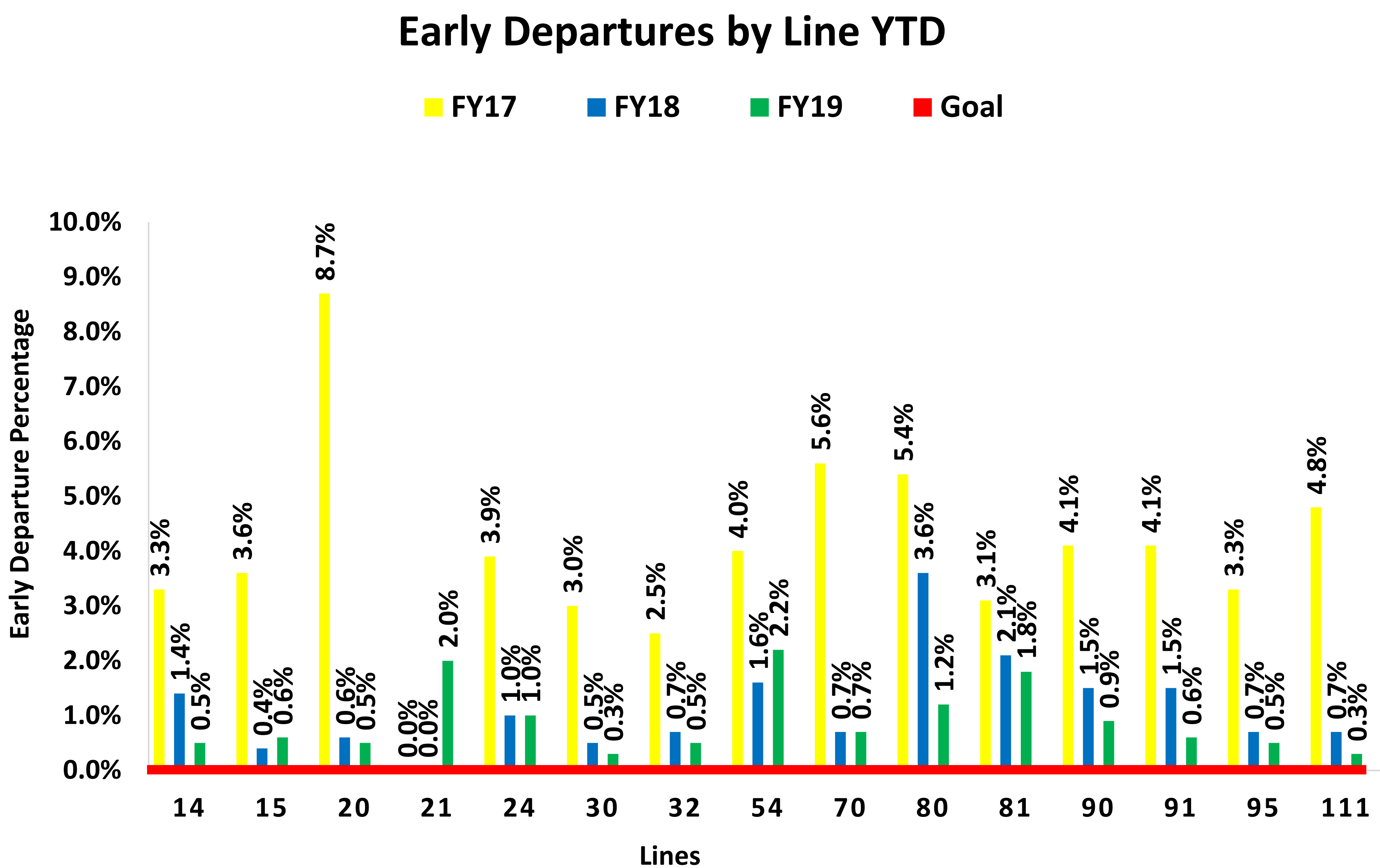
Recommendation:

Receive and file.

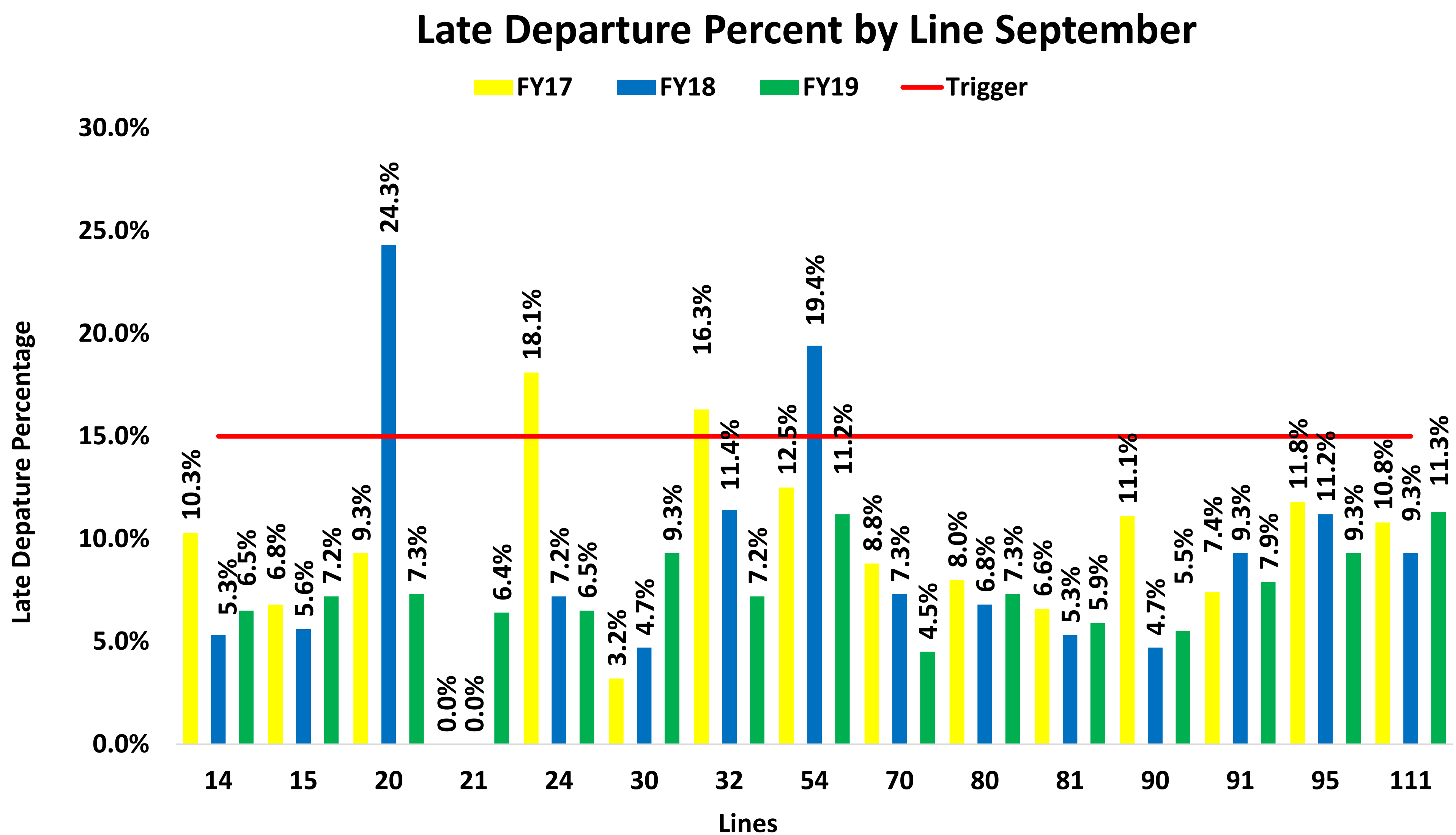




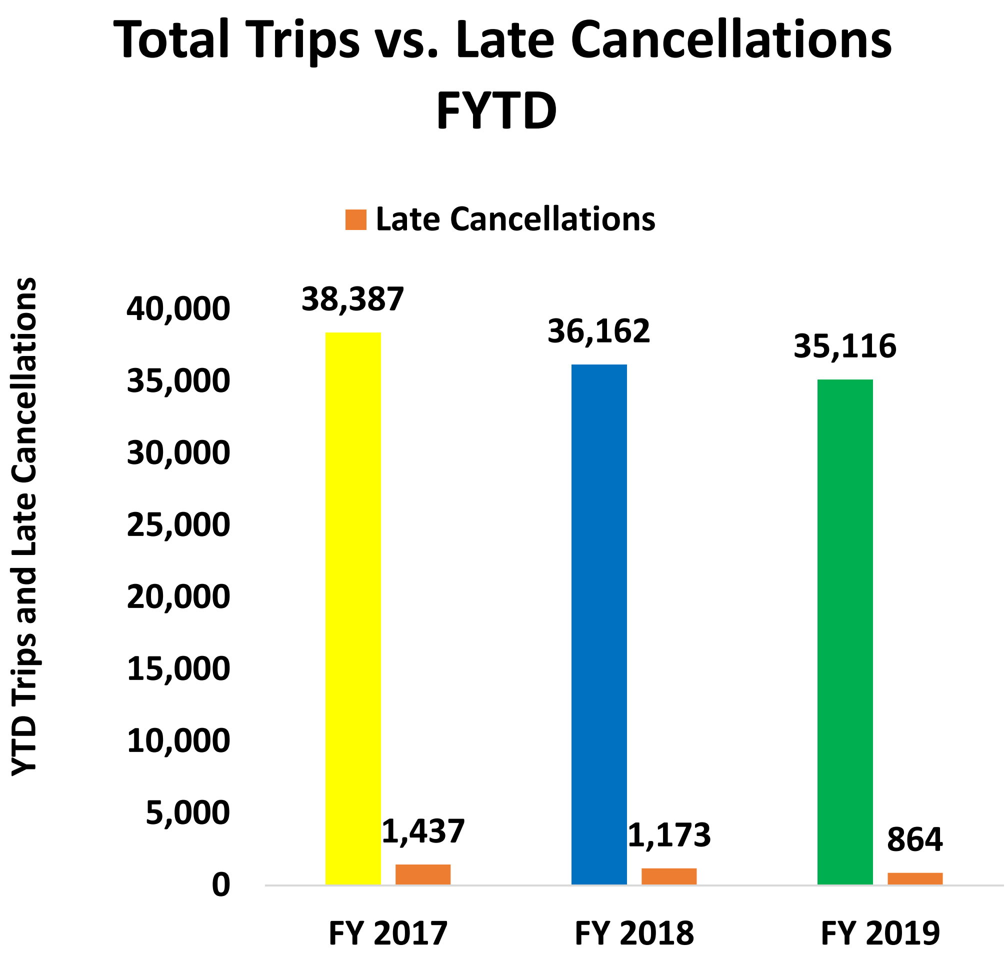
Definition: "On Time" - when a trip departs a time=point within range of zero minutes early to five minutes late.
Goal: Minimum target for On Time performance is 85%.
Exceptions: Detours, train stuck on tracks, passenger problems, Information Technology System issues.

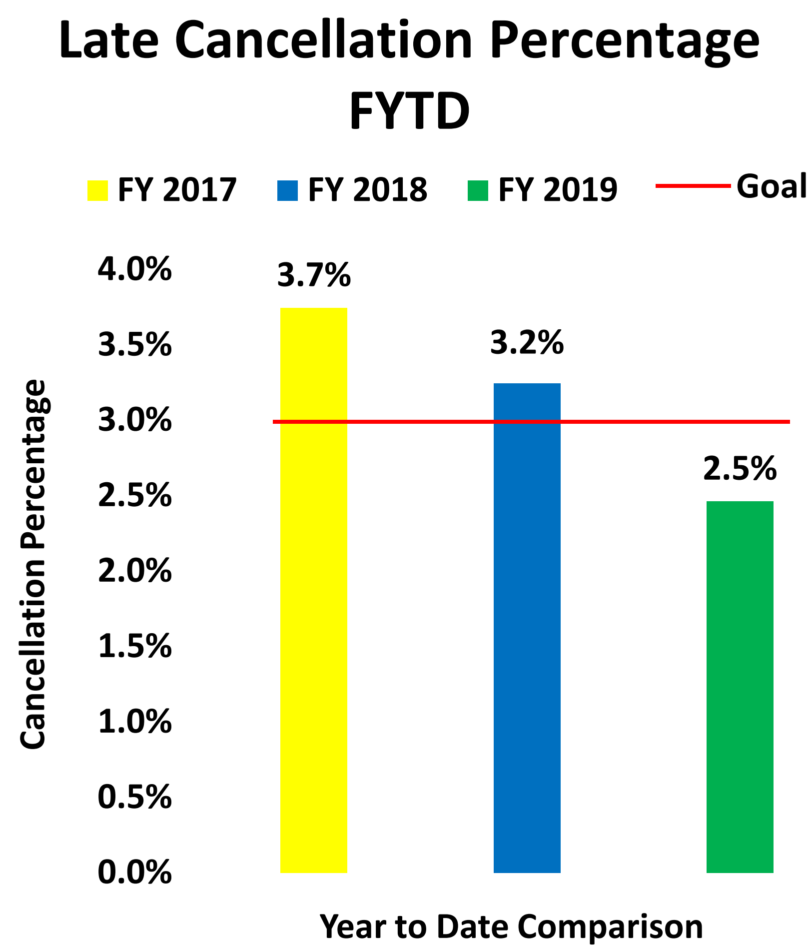


Definition: When a bus leaves a time point, ahead of the scheduled departure time.
Goal: To reduce early departures to 0% for each line.

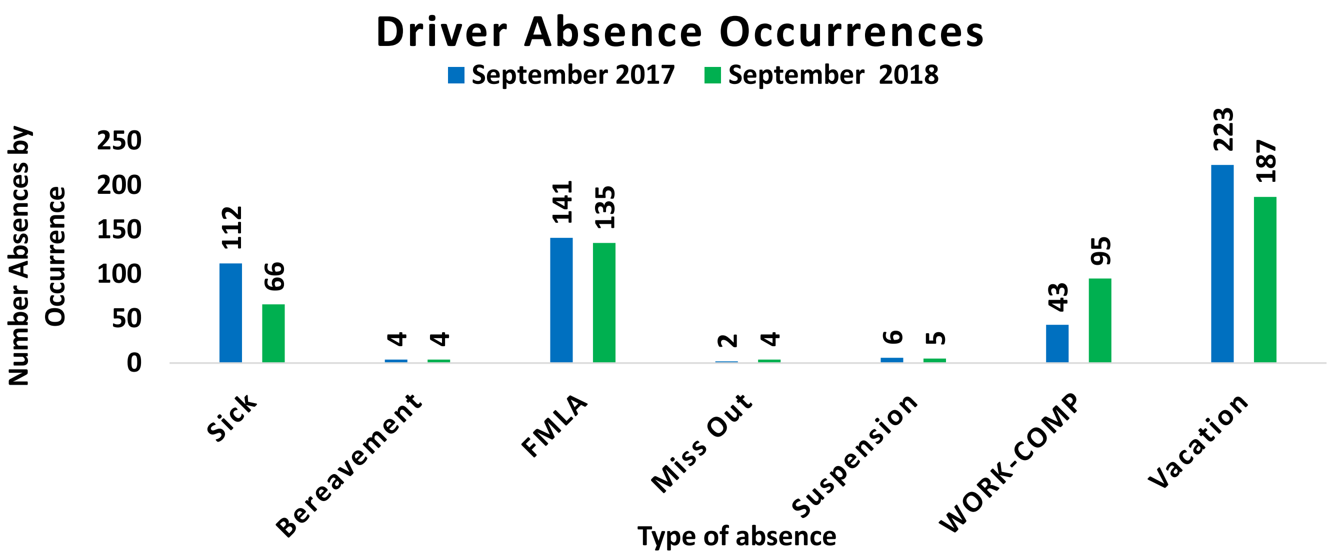


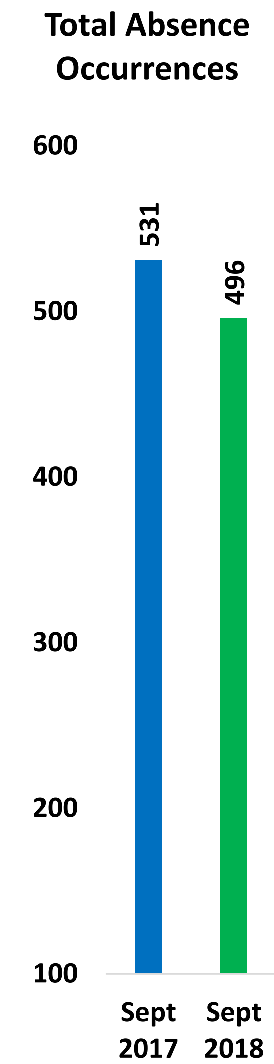
Late Definition: When a bus leaves a time point, after the scheduled departure time.
The line is running late with a departure greater than 5 minutes.
Goal: To reduce late departures to 15%

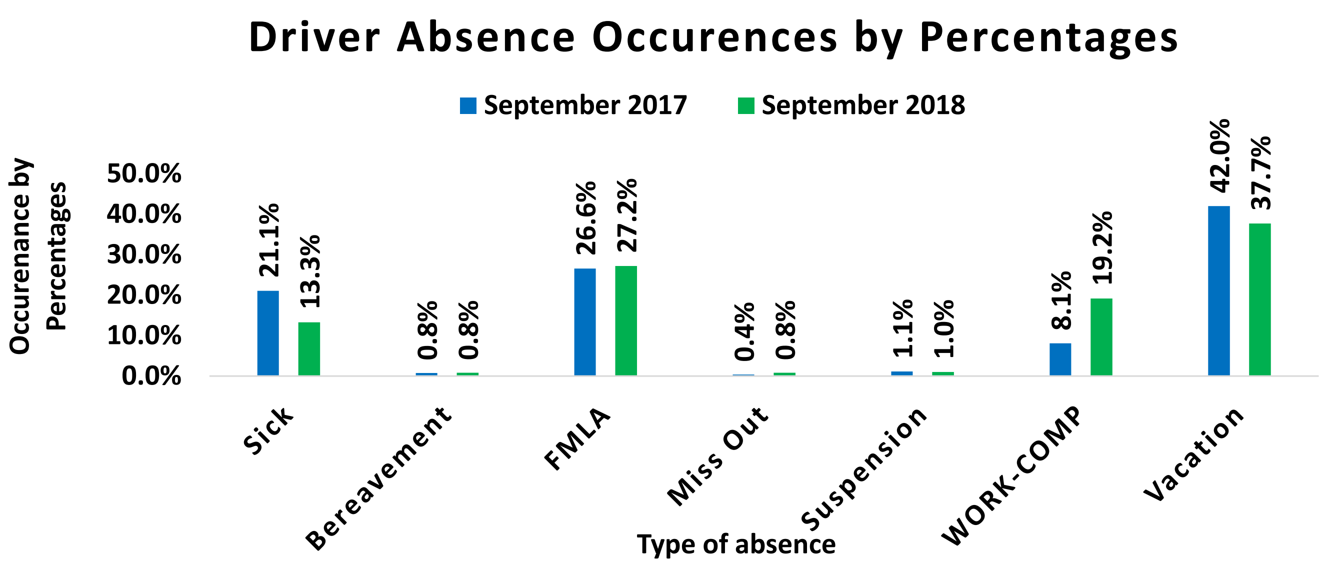




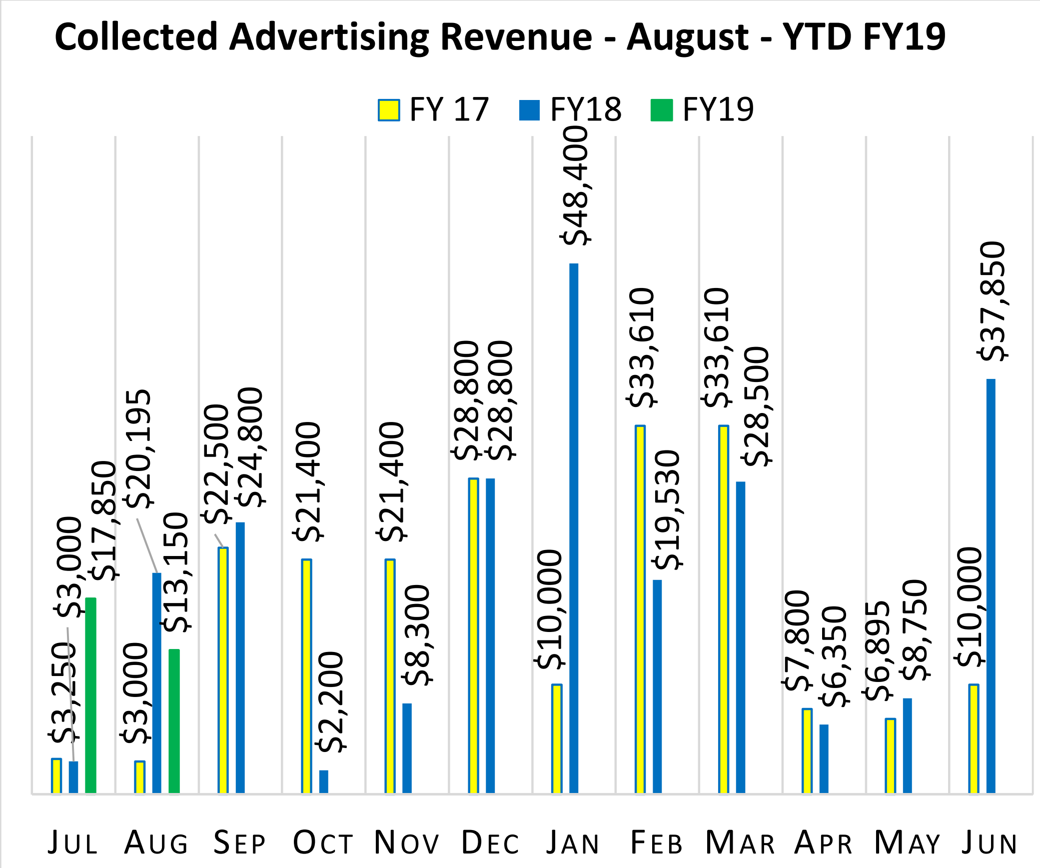
Trip: A one-way ride booked by the client. A round trip is counted as two trips.
Late cancellation: A trip for which an ADA client does not cancel within 2 hours before the scheduled pick up time.
Goal for Late Cancellations: 3% or below.

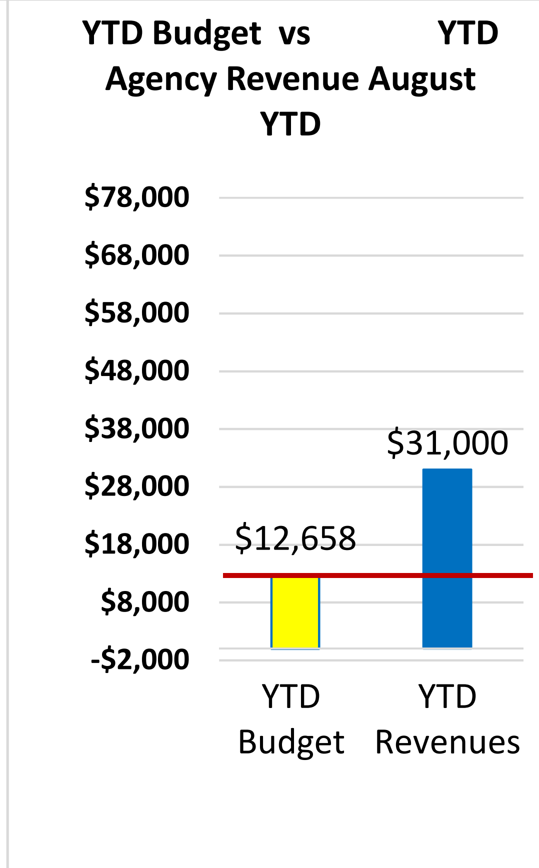




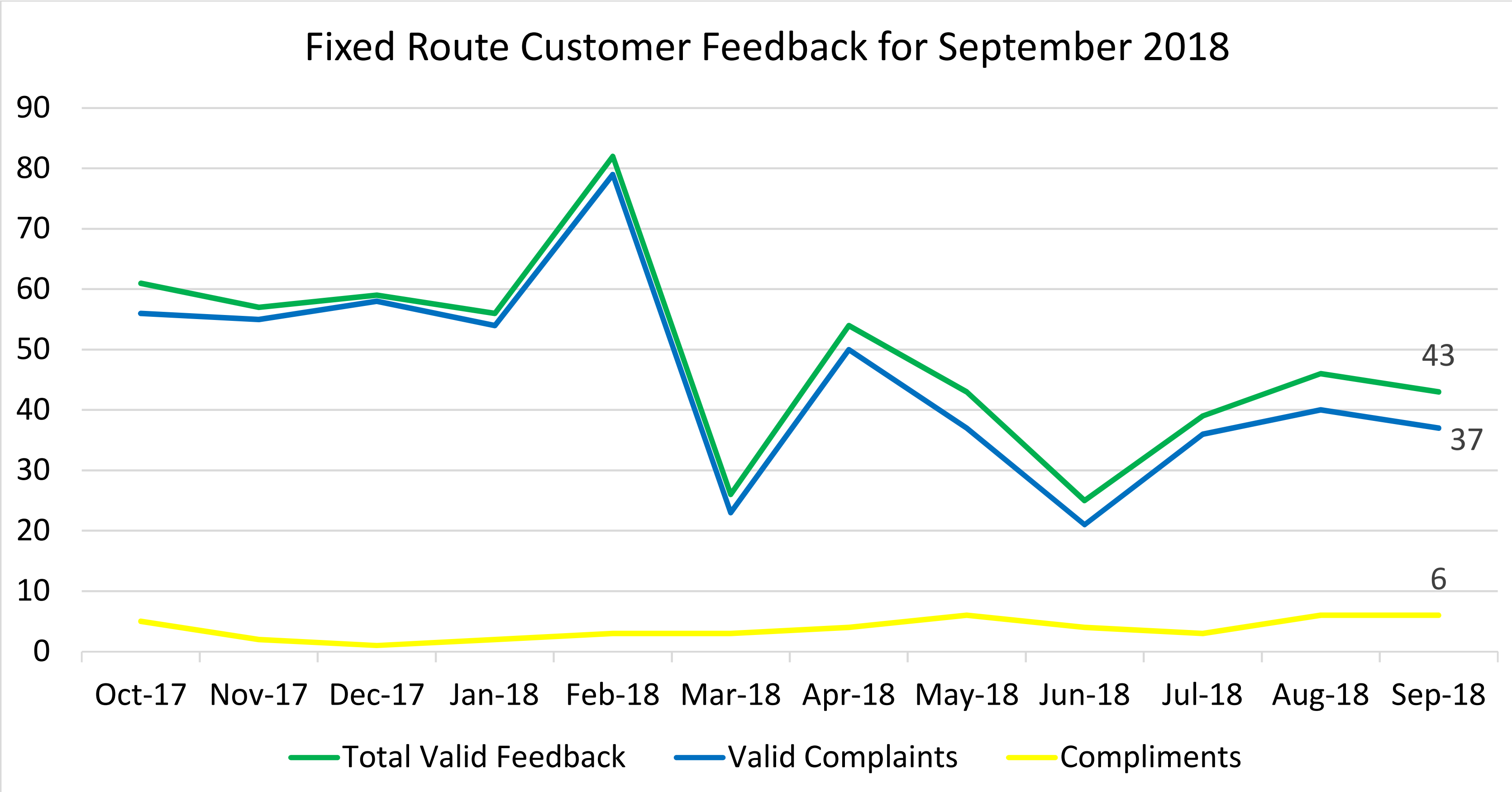


Goal: reduce by 2% - By enforcing attendance policy regularly and monitor trending –
Absences include unscheduled for Fixed Route drivers.

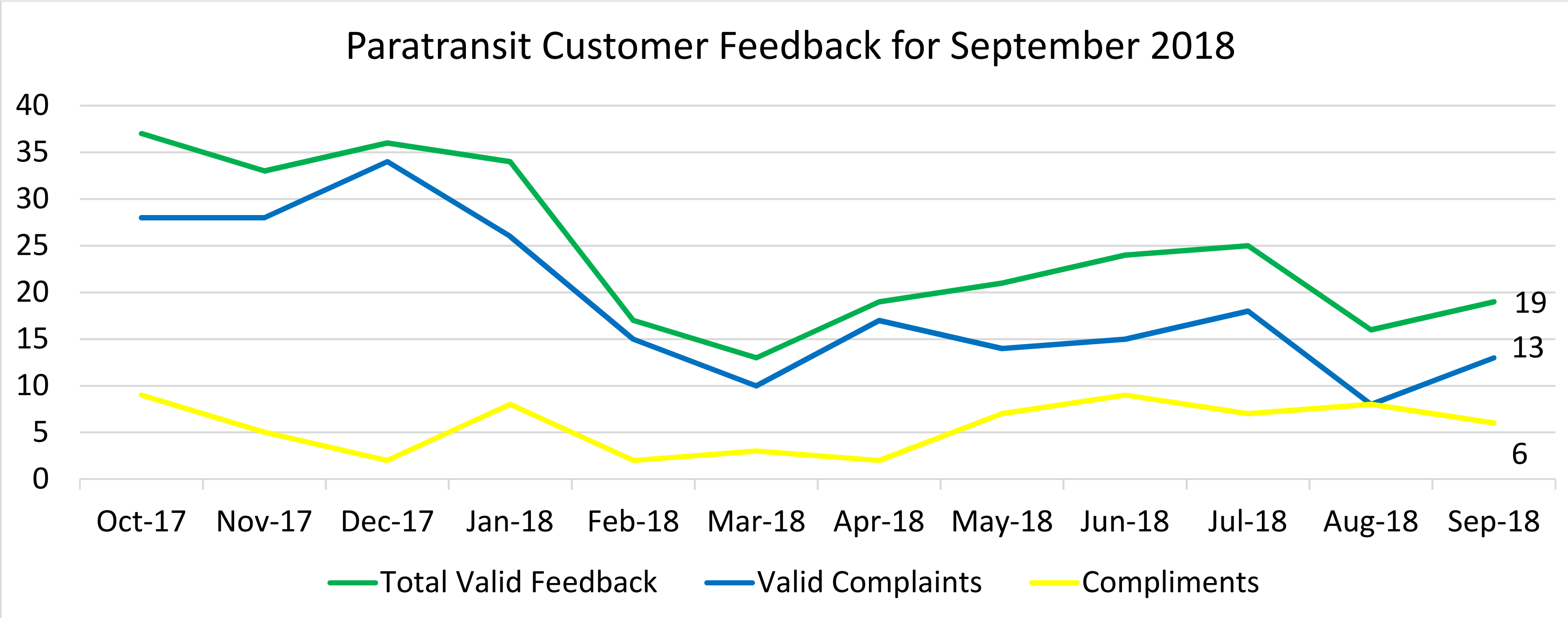




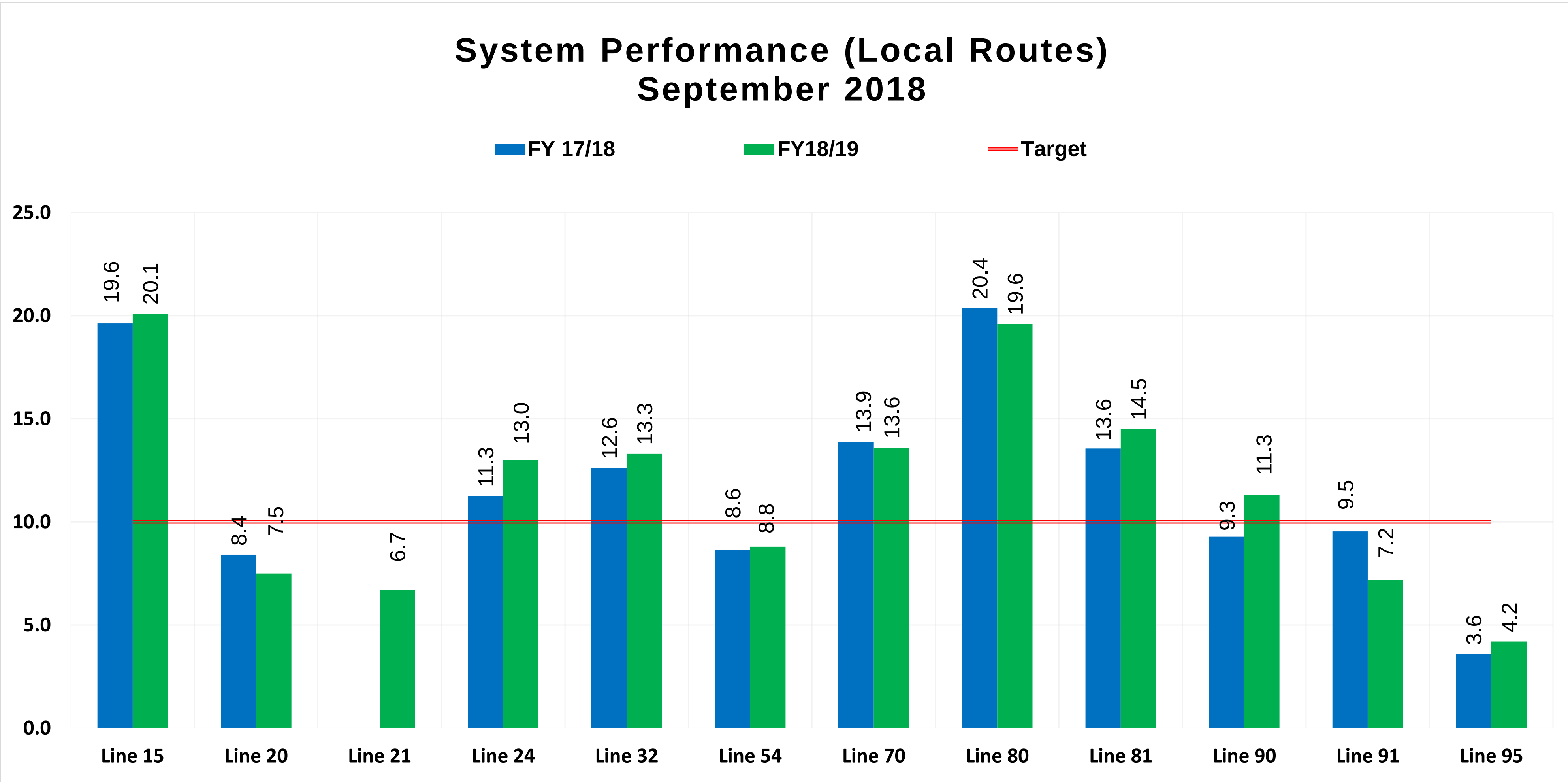
Collected Advertising tracks dollar amount of signed contracts for bus shelter and exterior bus
This section of the chart compares the FY19 YTD against FY18 YTD total. Does not include "Barter
The YTD Budget vs YTD Agency Revenue section tracks YTD revenue accrued vs the YTD budgeted by Finance. The Finance annual budgeted amount is $75,949.00



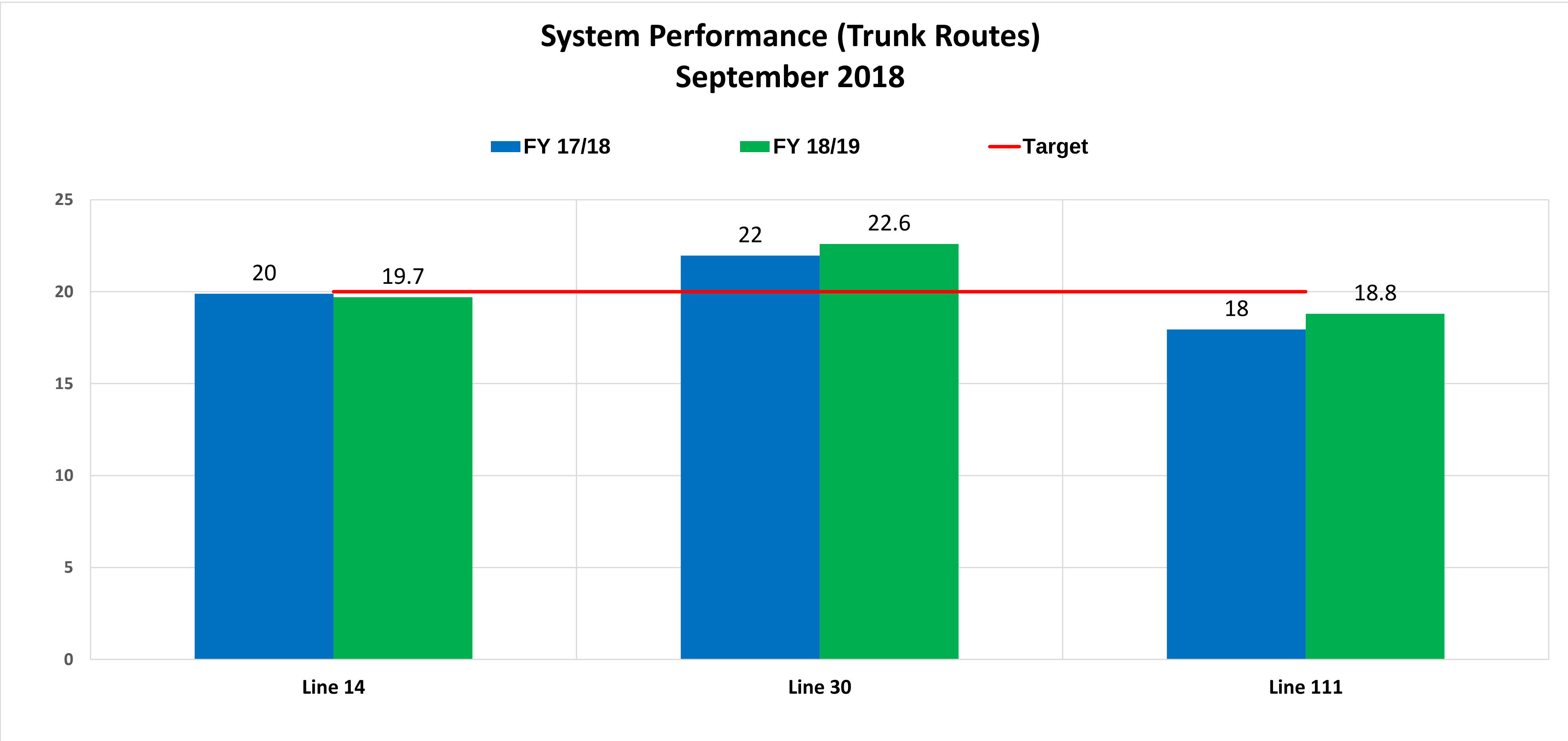
Vaild Fixed Route Feedback comprised of compliments and complaints for September 2018



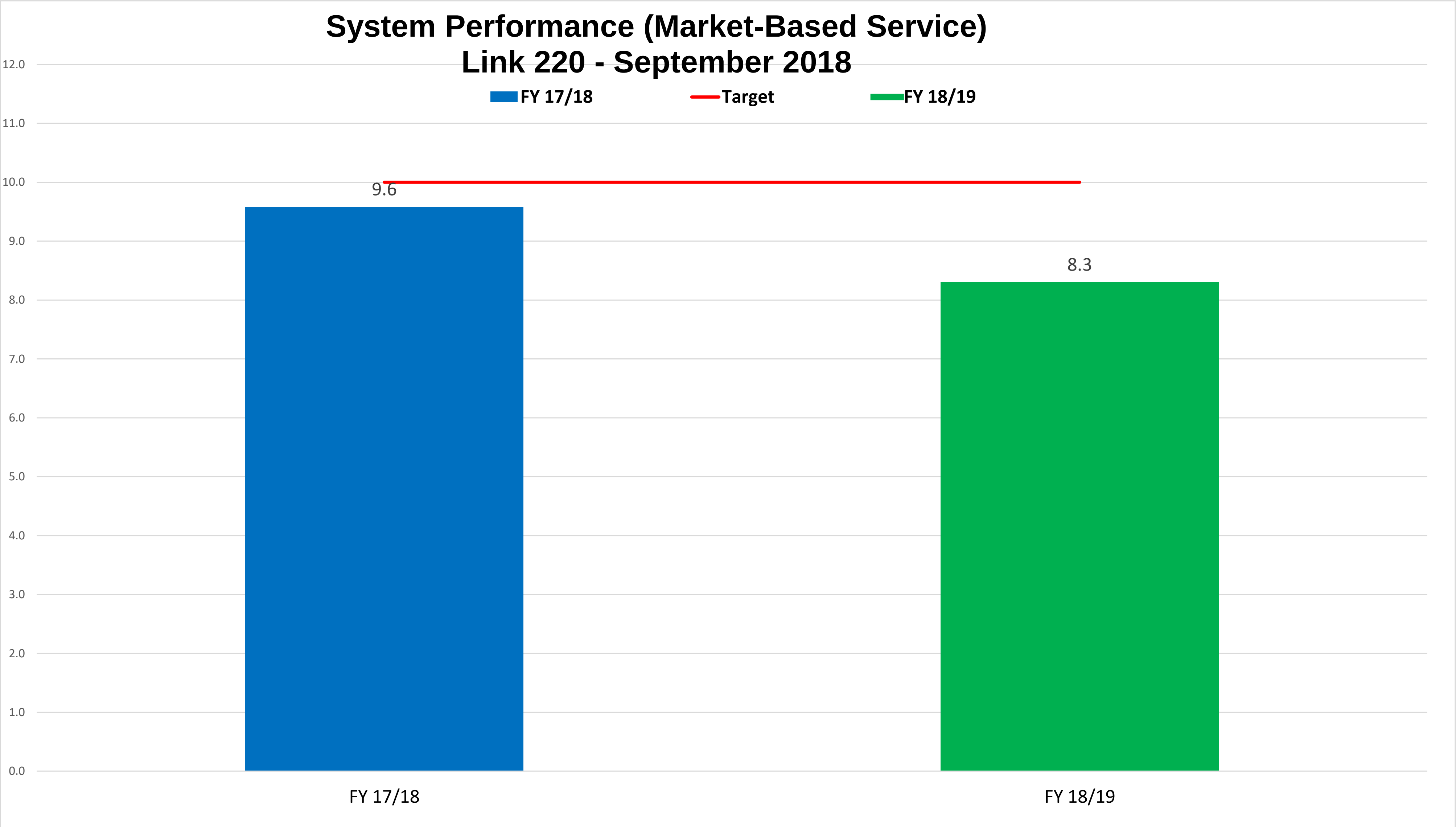
Valid Paratransit Feedback comprised of compliments and complaints for September 2018



The chart above represents the system performance on local routes for Passenger Per Revenue Hour (PPRH). The goal for local fixed routes is 10 PPRH. The FY 18/19 goal is based on board approved service standards policy.



The chart above represents the system performance on trunk routes for Passenger Per Revenue Hour (PPRH). The goal for trunk fixed routes is 20 PPRH. The FY 18/19 goal is based on board approved service standards policy.



The chart above represents the system performance on market- based service for Link 220 for Passenger Per Revenue Trip (PPRT). The goal for market-based service is 10 PPRT. The FY 18/19 goal is based on board approved service standards policy.

SunLine Transit Agency

CONSENT CALENDAR

DATE: October 24, 2018 **RECEIVE & FILE**

TO: Finance/Audit Committee
Board of Directors

RE: Board Member Attendance for September 2018

Summary:

The attached report summarizes the Board of Directors' attendance for fiscal year-to-date September 2018.

Recommendation:

Receive and file.

FY 18/19	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		X										10	**2**
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 –

SunLine Transit Agency

DATE: October 24, 2018 **ACTION**

TO: Finance/Audit Committee
Board of Directors

FROM: Luis Garcia, Deputy Chief Financial Officer

RE: FY19 Budget Amendment

Recommendation

Recommend that the Board of Directors approve the proposed amendment to SunLine's operating and capital budget. The proposed amendment (1) adds $324,924 in operating expenses and $3,400,000 for capital projects funded through the Local Transportation Fund and the State Transportation Assistance Fund reserves; (2) adds funded operating services from the City of Palm Springs and the Federal Transportation Administration in the amount of $428,489; and (3) makes an interdepartmental transfer of funds in the amount of $347,857 to accommodate reassignment of operational duties and responsibilities.

Background

SunLine's original FY19 budget was approved and adopted by the Board in June 2018. At that time, the operating budget was equal to $38,900,991 and the capital budget was approved at $6,053,623. Through SunLine's efforts to increase services for riders and an emphasis to improve its facilities for employees, SunLine was able to create a partnership with the City of Palm Springs to subsidize the BUZZ service and also identify funding sources for capital needs. Since these items increased the overall original operating and capital budgets, it is required that the Agency receive Board approval for the Short Range Transit Plan (SRTP) and budget. An SRTP amendment was taken and approved during the September 2018 Board meeting.

In addition to the increases identified with the September SRTP amendment, SunLine has identified two other modifications to the budget. First, SunLine has identified staffing requirements that will increase the safety, operational efficiencies and capital project management of the Agency. Staff is proposing an increase in four (4) full time employees (FTE) for Field Supervisors in the Operations Department, two (2) Safety Officers for the Safety Department, and two (2) Project Manager Assistant positions for the Performance Office. These expenses would be budgeted for half of FY19 and carry a cost of $324,924 related to wages and fringe benefits. The second budget modification would transfer $347,857 from the Operations Department to the Customer

Service Department. This change would move money within the approved budget and would not increase the budget further.

Financial Impact

The total financial impact of the requested changes will increase the operating budget by $829,510 and the capital budget by $3,400,000. The $347,857 transfer of expenses will move money within the approved budget and would not increase the Agency's budget further. Tables detailing funding allocations are provided below.

Capital Projects (Approved with Sept. SRTP Amendment)			
	Project Name	Funding Details	Amount Requested
1.	Hydrogen Station Program Improvements	LTF Reserves	$1,000,000
2.	Thousand Palms Facility Improvements	LTF Reserves	$500,000
3.	Indio Facility Improvements	LTF Reserves	$1,000,000
4.	Operations Building Third Phase	LTF Reserves	$450,000
5.	The BUZZ Service (Trolleys)	STA & LTF Reserves	$450,000
		Total Capital Request:	$3,400,000

Funded Operating Services (Approved with Sept. SRTP Amendment)			
	Project Name	Funding Details	Amount Requested
6.	The BUZZ Service*	Subsidized by City of Palm Springs	$237,667
7.	West Coast Center of Excellence	Funded by FTA/ CTE (SunLine is the sub-recipient)	$190,822
		Total Funded Operating Services:	$428,489

**Service budgeted for eight (8) months of FY19.*

Support of Service Growth			
	Project Name	Funding Details	Amount Requested
8.	Request for eight (8) FTEs*	LTF Reserves	$324,924
		Total Amount:	$324,924

**Two (2) Safety Officers, two (2) Project Manager Assistants and four (4) Field Supervisors budgeted for six (6) months of FY19.*

Transfer of Expenses (No increase to overall budget)			
	Project Name	Funding Details	Amount Requested
9.	Transfer of resources into Customer Service Department for management of the paratransit reservations	No financial impact	$347,857
		Total Transfer Amount:	$347,857

SunLine Transit Agency

DATE: **October 24, 2018** **ACTION**

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

FROM: **Luis Garcia, Deputy Chief Financial Officer**

RE: **Approval of Pension Audit Services**

Recommendation

Recommend that the Board of Directors delegate authority to the CEO/General Manager to negotiate and execute a contract with Vasquez and Co., LLC for a three (3) year contract and two (2) option years, in an amount not to exceed $85,825 for audit services related to SunLine's bargaining and non-bargaining pension plans.

Background

SunLine administers two individual defined benefit pension plans for its employees. Currently, the combined assets in the bargaining and non-bargaining plans exceed $50 million and 703 total participants. The activity around SunLine's plans must be audited on a yearly basis and submitted to the State Controller.

SunLine utilized the final option year for the previous firm and a new solicitation was issued on July 9, 2018. A total of 13 potential vendors were solicited, in addition to being advertised on SunLine's website, local newspaper the Desert Sun. On August 13, 2018, four (4) proposals were received from Turner, Warren, Hwang & Conrad; Kushner, Smith, Joanou & Gregson Accounting and Consulting; Brown Armstrong Accountancy and Vasquez & Co. Proposals were evaluated by a committee of three (3) staff members, and it was determined by the committee that Vasquez & Company was most responsive to SunLine's needs.

Financial Impact

The financial impact of $85,825 over five years are eligible expenses for the plans and will be paid out of the respective plan's assets every year.

SunLine TRANSIT AGENCY

REQUEST FOR PROPOSAL
PENSION SERVICES
18-045

PRICE ANALYSIS

	Vasquez & Co	Brown Armstrong	KSJG Accounting and Consulting	Turner, Warren, Hwang & Conrad
Years 1-3 Fee (annually)	$ 15,000.00	$ 22,650.00	$ 26,000.00	$ 60,000.00
Years 1-3 Expenses (annually)	$ 1,650.00	$ 2,350.00	$ 2,000.00	$ 9,000.00
Year 4 Fee	$ 15,750.00	$ 24,675.00	$ 27,000.00	$ 64,000.00
Year 4 Expenses	$ 1,750.00	$ 2,325.00	$ 2,000.00	$ 9,000.00
Year 5 Fee	$ 16,538.00	$ 24,675.00	$ 28,000.00	$ 64,000.00
Year 5 Expenses	$ 1,837.00	$ 2,325.00	$ 2,000.00	$ 9,000.00
Total Proposal Value for 5 year period	**$ 85,825.00**	**$ 129,000.00**	**$ 143,000.00**	**$ 353,000.00**

	Difference	Delta
Difference between Vasquez & Company and Brown Armstrong	$ (43,175.00)	33.47%
Difference between Vasquez & Company and TWHC	$ (267,175.00)	75.69%

There was adequate price competition since at least thirteen (13) bidders were solicited for the contract that is to be awarded, and four (4) were responsive to the requirements of the solicitation.

Based on the combined findings of both technical evaluation and pricing submitted, Vasquez and Company is concidered to be the most responsive to SunLines needs. Vasques & Company scored the highest amoung all three comittee members on the technical evaluation portion. As to pricing, Vasquez & Co price was 33.47% lower than the second lowest bidder, Brown Armstrong and 75.69% lower than the highest bidder, TWHC.

Based on the results, it is determined that the price submitted by Vaszuez & Company is considered fair and reasonable.

Prepared by:

Christopher Banks

SunLine Transit Agency

DATE: October 24, 2018 **ACTION**

TO: Finance/Audit Committee
Board of Directors

FROM: Rudy Le Flore, Chief Project Consultant

RE: Award Construction Contract for Bus Shelters

Recommendation

Recommend that the Board of Directors delegate authority to the CEO/General Manager to negotiate and execute a contract with ND Construction Company for an amount not to exceed $171,376.

Background

SunLine is continuously working to provide and improve amenities for its customers. This requires SunLine to purchase and install bus shelters along its fixed routes. Each year funding is set aside for this objective. This purchase represents the latest phases of shelter installations and relocations.

This phase of shelters was initially brought for Board review as an information item on December 6, 2017, with subsequent Board items related to the engineering design and purchase of the shelters approved over the last year. Attached to this item for the Board of Directors' reference are the phases and locations.

On October 1, 2018, twenty-nine (29) potential vendors were solicited, in additional to being advertised on SunLine's website, the Desert Sun, construction.com, bidamerica.com, socalbuilders.org, ebidboard.com, and agcsd.org. SunLine received bids from 3 bidders. The low bid was provided by ND Construction which has provided these services satisfactorily to SunLine in the past. The independent estimate for this effort was $175,000. The amount of $171,376 was determined fair and reasonable based on a prices analysis and adequate price competition.

Financial Impact

The financial impact of $171,376 will utilize California State Proposition 1B funds which were programmed in the FY 2016/2017 SRTP.

SunLine Transit Agency

INVITATION FOR BIDS
Bus Stop Concrete, Shelters, and Amenities Installation
19-023

PRICE ANALYSIS

	ND Construction Company	Calpromax Engineering, Inc.	C.S. Legacy Construction	SunLine's Independent Estimate
Not to Exceed	$ 171,376.00	$ 228,000.00	$ 651,470.00	$ 175,000.00

	Difference	Delta
Difference between ND Construction Company and Calpromax Engineering, Inc.	$ (56,624.00)	24.84%
Difference between ND Construction Company and SunLine's Independent Estimate	$ (3,624.00)	2.07%

There was adequate price competition since at least three (3) bidders independently contended for the contract that is to be awarded.

Based on the findings, the prices submitted by the lowest responsive and responsible bidder, ND Construction Company is 24.84% lower than the second low bidder Calpromax Engineering, Inc., and 2.07% lower than SunLine's Independent Estimate.

Based on the results, it is determined that the price submitted by ND Construction Company is considered fair and reasonable.

Prepared by:

Jennifer Tran, Contracts Administrator

Solicitation List

Humphrey Construction
21314 Hideout Drive, Diamond Bar
Ca, 92765
(909)635-5945
rich@humphreyconstructors.com

ND Construction Co. Inc.
2201 E Winston Rd. suite M
Anaheim, CA 92806
(949) 498-1799
nick@ndcompanies.com

Alvarez Quality Construction Inc.
921 Delaware St.
Imperial Beach, CA 91932
(530) 870-1476
Awp11254@hotmail.com

Anthony's Ready-mix
72-049 Pet Land Place
Thousand Palms, CA 92276
Info.tp@anthonysreadymix.com

Archuleta Concrete Construction
79-607 Country Club Drive
Bermuda Dunes, CA 92203
(760) 345-8722
Est.archuleta@yahoo.com

Construct Connect
30 Technology Pkwy South, Suite 100,
Norcross, GA 30092
Phone: 323-602-5079 ext. 75309
Fax: 866-570-8187
Leah.DeArce@ConstructConnect.com

Calpromax Engineering, Inc.
14731 Franklin Ave., Suite A
Tustin, CA 92780
714-573-4599
calpromax@gmail.com

CS Legacy Construction Inc
909-590-2626 ext. 4
richard@cslegacy.net

Dalke & Sons Construction, Inc.
4585 Allstate Drive
CA 92501
(951) 274-9880
barry@dalkeandsons.com

Doug Wall Construction Inc.,
78450 Ave. 41
Bermuda Dunes, CA 92203
(760) 772-8446
info@dwallconst.com

Excel Concrete Construction
74431 Driftwood Suite A
Palm Desert, CA 92260
(760) 578-9850
Df.excelconcrete@yahoo.com

G&M Construction
211 W. Mesquite Avenue
Palm Springs, CA 92264
(760) 322-6918
gmarantz@gnmconstruction.net

GPF Concrete
5150 Western Way
Perris, CA 92571
(951) 943-9922
Zapataonuemano@hotmail.com

Granite Construction
38000 Monroe Street
Indio, CA 92203
(760) 775-7500
Carley.Cechin@gcinc.com

Hal Hays Construction Inc.
4181 Latham Street
Riverside, CA 92501
951-788-0703
dlanza@halhays.com

Hi-Grade Materials
John Armando
(760) 998-7810
72-470 Varner Rd.
Thousand Palms, CA 92276
Jarmando@robarenterprises.com

James A Shirley Construction Co.
59160 Mesa Drive
Yucca Valley, CA 92284
(760) 228-0447
James A Shirley
Csg4u2@aol.com

Restora
72120 North Shore St #A
Thousand Palms, CA 92276
(760) 343-3333
restora@verizon.net

Rudy's Masonry Concrete
PO Box 128
Thousand Palms, CA 92276
(760) 275-5304
Bids@rudysmasonry.com

T Smith Construction
PO Box 13374
Palm Desert, CA 92255
(760) 404-2761
Todd0184@gmail.com

WDL Construction
71687 Highway 111, Suite 203
Rancho Mirage, CA 92270
(760) 674-9553
Don Willcox
dwillcox@wdlconstruction.com

Zeus Construction
74478 CA-111
Palm Desert, CA 92260
(760) 779-8069
Dmargareti@aol.com

DBE

ALAMEDA CONSTRUCTION SERVICES, INC.
2528 EAST 125TH STREET
Compton, CA 90222
kramsey@alamedaconstruction.com
310-365-3277

BITECH CONSTRUCTION CO., INC.
7371 WALNUT AVENUE
BUENA PARK, CA 90620
bitechconstruction@gmail.com

BWW & COMPANY
301 9th Street, Suite 100
Redlands, CA 92374
714-521-1477
b-w-w@live.com

IRONWOOD COMMERCIAL BUILDERS, INC
3953 INDUSTRIAL WAY, SUITE E
CONCORD, CA 94520
925-609-8356
nancybrinkerhoff.icbi@gmail.com

MGB Construction, Inc.
91 Commercial Ave.
Riverside, CA 92507
Office: (951) 342-0303
info@MGBconstruction.net

MJK Construction, Inc.
4780 Cheyenne Way
Chino CA 91710
plawrence@mjkconstruction.com
909-594-9830

Montgomery Construction Services, Inc.
123 Worthington Street #205
Spring Valley, CA 91977
619-578-2538
mcsi@montcsi.com

BUS STOP IMPROVEMENT PROGRAM - PHASE 7

CATHEDRAL CITY (BLUE SHELTERS)				
Phase	**Bus Stop #**	**On Street**	**Cross Street**	**Proposed Amenities**
7	168	Vista Chino	Avn. Quintana	New Shelter
7	481	Palm Dr.	Paul	New Shelter

COACHELLA (BLUE SHELTERS)				
Phase	**Bus Stop #**	**On Street**	**Cross Street**	**Proposed Amenities**
7	288	Van Buren St.	Rancho Las Flores (Coachella Park)	New Shelter

DESERT HOT SPRINGS (BROWN SHELTERS)				
Phase	**Bus Stop #**	**On Street**	**Cross Street**	**Proposed Amenities**
7	3	Palm Dr.	Estrella Ave.	New Shelter
7	6	Palm Dr.	Ironwood Dr.	New Shelter
7	301	Pierson Blvd.	West Dr.	New Shelter

INDIO (BROWN SHELTERS)				
Phase	**Bus Stop #**	**On Street**	**Cross Street**	**Proposed Amenities**
7	197	HWY 111	Jackson St.	New Shelter
7	526	Monroe St.	Oleander Ave.	New Shelter
7	527	Ave. 42	Monroe St.	New Shelter
7	689	HWY 111	Madison St.	New Shelter
7	843	HWY 111	Indio Center Dr.	New Shelter

PALM DESERT (BROWN SHELTERS)				
Phase	**Bus Stop #**	**On Street**	**Cross Street**	**Proposed Amenities**
7	68	Fred Waring Dr.	One Quail	New Shelter
7	149	Monterey Ave.	Park View Dr.	New Shelter

PALM SPRINGS (BROWN SHELTERS)				
Phase	**Bus Stop #**	**On Street**	**Cross Street**	**Proposed Amenities**
7	188	Ramon Rd.	Avn. Caballeros	New Shelter
7	227	San Rafael Dr.	Indian Cyn Dr.	New Shelter
7	491	E. Vista Chino	W. Whitewater Club Rd.	New Shelter
7	622	Vista Chino	Farrell Dr.	New Shelter
7	631	S. Palm Cyn Dr.	Mequite Ave.	New Shelter
7	632	E. Palm Cyn. Dr.	Arquilla Rd.	New Shelter

RANCHO MIRAGE (BROWN SHELTERS)				
Phase	**Bus Stop #**	**On Street**	**Cross Street**	**Proposed Amenities**
7	445	Bob Hope Dr.	Via Marta	New Shelters

BUS STOP IMPROVEMENT PROGRAM - PHASE 7

RIV. CO. Uninc. Communities (THERMAL, MECCA and OASIS) (BLUE SHELTERS)				
Phase	**Bus Stop #**	**On Street**	**Cross Street**	**Proposed Amenities**
7	140	Airport Blvd.	Fillmore St.	New Shelter
7	141	Airport Blvd.	Fillmore St.	New Shelter
7	222	70th Ave.	Lopez Rd.	New Shelter
7	393	Mountain View Estates	Harrison St.	New Shelter
7	836	Washington St.	Ave. 41	New Shelter

BUS STOP IMPROVEMENT PROGRAM - PHASE 8

COACHELLA (BLUE SHELTERS)

Phase	Bus Stop #	On Street	Cross Street	Proposed Amenities
8	356	Harrison St.	Ave. 50	Shelter Relocation
8	361	Orchard Ave.	5th St.	Shelter Relocation
8	452	Orchard Ave.	5th St.	Shelter Relocation
8	514	7th St.	Vine Ave.	Shelter Relocation
8	968	7th St.	Orchard Ave.	Shelter Relocation

DESERT HOT SPRINGS (BROWN SHELTERS)

Phase	Bus Stop #	On Street	Cross Street	Proposed Amenities
8	1	Palm Dr.	Two Bunch Palm Tr.	Shelter Relocation
8	7	West Dr.	2nd St.	Shelter Relocation

INDIO (BROWN SHELTERS)

Phase	Bus Stop #	On Street	Cross Street	Proposed Amenities
8	112	Show Case Prkwy.	Jackson St.	Shelter Relocation
8	798	Ave. 44	Jackson St.	Shelter Relocation

PALM DESERT (BROWN SHELTERS)

Phase	Bus Stop #	On Street	Cross Street	Proposed Amenities
8	52	Country Club Dr.	Monterey Ave.	Shelter Relocation
8	53	Country Club Dr.	Regent	Shelter Relocation
8	79	Country Club Dr.	Cook St.	Shelter Relocation
8	268	Country Club Dr.	Sagewood Dr.	Shelter Relocation
8	955	Country Club Dr.	Palm Greens Dr.	Shelter Relocation
8	947	San Pablo	Santa Rosa St.	Shelter Relocation

PALM SPRINGS (BROWN SHELTERS)

Phase	Bus Stop #	On Street	Cross Street	Proposed Amenities
8	182	Tahquitz Cyn. Dr.	Farrell Dr.	Shelter Relocation
8	151	Rosa Parks Rd.	Eastgate Rd.	Concrete Work
8	152	Rosa Parks Rd.	Eastgate Rd.	Concrete Work

SunLine TRANSIT AGENCY

BUS STOP IMPROVEMENT PROGRAM - PHASE 9

INDIO (BROWN SHELTERS)

Phase	Bus Stop #	On Street	Cross Street	Proposed Amenities
9	92	HWY 111	Madison St.	Bench Replacement
9	97	Jackson St.	Ruby Ave.	Bench Replacement
9	100	HWY 111	Monroe St.	Shelter Replacement
9	110	Dr. Carreon Blvd.	HWY 111	Bench Replacement
9	111	Dr. Carreon Blvd.	Monroe St.	Bench Replacement
9	113	Jackson St.	Date Ave.	Bench Replacement
9	378	Dr. Carreon Blvd.	Monroe St.	Bench Replacement
9	478	Ave. 44	Jackson St.	New Shelter
9	531	Jackson St.	Ave. 44	New Shelter
9	299	Fred Waring Dr.	Madison St.	Simme Seat

LA QUINTA (BROWN SHELTERS)

Phase	Bus Stop #	On Street	Cross Street	Proposed Amenities
9	244	Fred Waring Dr.	Adams St.	Simme Seat

PALM SPRINGS (BROWN SHELTERS)

Phase	Bus Stop #	On Street	Cross Street	Proposed Amenities
9	151	Rosa Parks Rd.	Eastgate Rd.	Simme Seat
9	152	Rosa Parks Rd.	Eastgate Rd.	Simme Seat
9	631	S. Palm Cyn. Dr.	Mesquite Ave.	Simme Seat
9	736	Farrell Dr.	Research Dr.	Simme Seat
9	636	E. Palm Cyn. Dr.	Horizon Mobile Park	iStop

RIV. CO. Uninc. Communities (THERMAL, MECCA and OASIS) (BLUE SHELTERS)

Phase	Bus Stop #	On Street	Cross Street	Proposed Amenities
9	363	5th St.	Date Palm St.	Simme Seat
9	457	Dillon Rd.	Langlois Rd.	Add Bench
9	458	Dillon Rd.	Langlois Rd.	Add Bench
9	459	Corkill Rd.	Aurora Rd.	Add Bench