SOUTH COUNTY TRANSIT
FINANCIAL STATEMENTS
June 30, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
South County Transit
San Luis Obispo, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Change in Accounting Principles

As discussed in note 2 to the basic financial statements effective July 1, 2013, the South County Transit adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Correction – 2012*, GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees.*

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Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South County Transit's basic financial statements. The schedule of expenses – budget and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenses – budget and actual is the responsibility of management and was 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 budgetary comparison schedule is 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 September 19, 2014, on our consideration of the South County Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim LLP

September 19, 2014
Santa Maria, California

SOUTH COUNTY TRANSIT
STATEMENT OF NET POSITION
JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	2014	2013
ASSETS		
Current assets:		
Cash and investments	$ 984,613	$ 1,911,912
Accounts receivable	16,984	81,832
Prepaid items	2,719	3,618
Inventory at cost		5,000
Deposits	2,000	2,000
Total current assets	1,006,316	2,004,362
Capital assets:		
Depreciable:		
Buildings and improvements	265,569	257,268
Equipment and vehicles	3,026,398	1,769,114
Less accumulated depreciation	(2,004,660)	(1,802,329)
Total net capital assets	1,287,307	224,053
Total assets	2,293,623	2,228,415
LIABILITIES		
Accounts payable	353,675	265,288
Accrued payroll	10,725	
Compensated absences	7,397	
Unearned revenue	27,723	1,283,398
Total liabilities	399,520	1,548,686
NET POSITION		
Net investment in capital assets	1,287,307	224,053
Unrestricted	606,796	455,676
Total net position	$ 1,894,103	$ 679,729

The notes to basic financial statements are an integral part of this statement.

SOUTH COUNTY TRANSIT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	2014	2013
Operating Revenues:		
Passenger fares	$ 146,060	$ 128,879
Advertising and other income	2,618	1,576
Total operating revenues	148,678	130,455
Operating Expenses:		
Salaries and benefits	424,269	417,925
Maintenance and operation	412,696	470,842
Administration and financial services	77,500	77,500
Depreciation	202,331	222,912
Total operating expenses	1,116,796	1,189,179
Operating income (loss)	(968,118)	(1,058,724)
Non-Operating Revenues (Expenses):		
Interest income	1,861	1,315
Transportation Development Act funds	470,231	819,134
Fees and reimbursements from other governmental agencies	444,815	102,330
Total non-operating revenues (expenses)	916,907	922,779
Capital Contributions:		
State capital grants	1,256,549	
Local capital grants	9,036	7,404
Total capital contributions	1,265,585	7,404
Change in net position	1,214,374	(128,541)
Net position, beginning of fiscal year	679,729	790,626
Prior-period adjustment		17,644
Net position, beginning of fiscal year restated	679,729	808,270
Net position, end of fiscal year	$ 1,894,103	$ 679,729

The notes to basic financial statements are an integral part of this statement.

SOUTH COUNTY TRANSIT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	2014	2013
Cash Flows From Operating Activities:		
Receipts from customers	$ 219,425	$ 148,115
Payments to suppliers and wages	(807,612)	(810,090)
Net cash (used) by operating activities	(588,187)	(661,975)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of property, plant, and equipment	(1,265,585)	(7,404)
Capital grants received	9,566	11,008
Net cash provided by capital and related financing activities	(1,256,019)	3,604
Cash Flows from Noncapital Financing Activities:		
Operating subsidies	479,267	819,134
Fees and reimbursements received	435,779	32,330
Net cash provided by noncapital financing activities	915,046	851,464
Cash Flows From Investing Activities:		
Interest income	1,861	1,315
Net cash provided by investing activities	1,861	1,315
Net increase in cash and cash equivalents	(927,299)	194,408
Cash and cash equivalents, beginning of fiscal year	1,911,912	1,717,504
Cash and cash equivalents, end of fiscal year	$ 984,613	$ 1,911,912

The notes to basic financial statements are an integral part of this statement.

SOUTH COUNTY TRANSIT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	2014	2013
Reconciliation of operating loss to net cash (used) by operating activities:		
Operating loss	$ (968,118)	$ (1,058,724)
Adjustments to reconcile operating income to net cash used by operating activities		
Depreciation expense	202,331	222,912
Change in operating assets and liabilities:		
Accounts receivable	64,848	15,809
Prepaid items	899	1,078
Inventory at cost	5,000	
Deposits		773
Accounts payable	88,387	168,823
Accrued payroll	10,725	(15,351)
Compensated absences	7,397	
Unearned revenue	344	2,705
Net cash (used) by operating activities	$ (588,187)	$ (661,975)

The notes to basic financial statements are an integral part of this statement.

NOTE 1 – REPORTING ENTITY

The South County Transit (the Agency) is a Joint Powers Agency created by a joint powers agreement among the Cities of Arroyo Grande, Grover Beach, Pismo Beach, and the County of San Luis Obispo. The Agency's accounting and financial management affairs are maintained by San Luis Obispo Regional Transit Authority (SLORTA), as an agent of the Agency.

The purpose of the Agency is to operate a fixed route transit system within the southern part of San Luis Obispo County with services to the participating member communities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies - The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants (AICPA).

B. Accounting Method - The Agency follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred regardless of the timing of related cash flows.

C. Fund Financial Statements – The fund financial statements provide information about the Agency's fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

GASB Statement No. 34, defines major funds and requires that the Agency's major proprietary-type fund be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to ten percent of their fund-type total and five percent of the grand total. The Agency maintains one proprietary fund as follows:

Proprietary Fund Type

Enterprise Fund

Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Agency reported its enterprise fund as a major fund in the accompanying basic financial statements.

D. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.

E. Property, Plant, and Equipment – Capital assets purchased by the Agency are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.

F. Depreciation – Capital assets purchased by the Agency are depreciated over their estimated useful lives (ranging from 3-15 years) under the straight-line method of depreciation.

G. Receivables - The Agency did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable are shown at full value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenue Recognition - The South County Area Transit's primary source of revenues include passenger fares, State Transit Assistance funds, and Local Transportation Fund/Transportation Development Act (TDA) allocations made to the participating members, but assigned by the members to this Agency for its sole use. The San Luis Obispo County of Governments administers the State Transit Assistance and Transportation Development Act funds, approves claims for such funds submitted by this Agency, and makes payments to the Agency based upon such claims.

Generally, amounts due from other governments are recorded as revenues when earned. However, when the expenditure of funds is the prime factor for determining eligibility for grants, revenue is accrued when the related expenditures have been made on an approved grant. The Agency recognizes as revenues the amounts allocated to it by San Luis Obispo Council of Governments to the extent approved by San Luis Obispo Council of Governments.

I. Net Position - GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

J. Use of Estimates -The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

K. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

L. Comparative Data/Totals Only – Comparative total data for the prior fiscal year has been presented in certain accompanying financial statements in order to provide an understanding of the changes in the Agency's financial position, operations, and cash flows. Also, certain prior fiscal amounts have been reclassified to conform to the current fiscal year financial statements presentation.

NOTE 3 - CASH AND INVESTMENTS

On June 30, 2014, the Agency had the following cash and investments on hand:

Cash on hand and in banks	$ 24,932
Investments	959,681
Total cash and investments	$ 984,613

Cash and investments listed above are presented on the accompanying basic financial statements as follows:

Cash and investments, statement of net position	$ 984,613

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the Agency by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	10%	5%
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
County Investment Pool	N/A	None	None

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
San Luis Obispo County Investment Pool	$ 745,056	$ 745,056	$ -	$ -	$ -
Local Agency Investment Fund	214,625	214,625			
Total	$ 959,681	$ 959,681	$ -	$ -	$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

				Rating as of Fiscal Year End		
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	AAA	AA	Not Rated
San Luis Obispo County Investment Pool	$ 745,056	N/A	$ -	$ -	$ -	$ 745,056
Local Agency Investment Fund	214,625					214,625
Total	$ 959,681		$ -	$ -	$ -	$ 959,681

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The Agency may waive collateral requirements for deposits which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - continued

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the San Luis Obispo County Investment Pool or LAIF).

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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 basic financial statements at the amounts based upon 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.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Business-type activities:				
Capital assets, being depreciated:				
Building and improvements	$ 257,268	$ 8,301	$ -	$ 265,569
Vehicles and equipment	1,769,114	1,257,284		3,026,398
Total capital assets, being depreciated	2,026,382	1,265,585		3,291,967
Less accumulated depreciation for:				
Building and improvements	237,093	38,475		275,568
Vehicles and equipment	1,565,236	163,856		1,729,092
Total accumulated depreciation	1,802,329	202,331		2,004,660
Net depreciable capital assets	$ 224,053	$ 1,063,254	$ -	$ 1,287,307

Depreciation expense for the fiscal year ended June 30, 2014, was $202,331. Depreciation expense for the fiscal year ended June 30, 2013, was $222,912.

NOTE 5 – OPERATING SUBSIDIES FROM LOCAL TRANSPORTATION AND STATE TRANSIT ASSISTANCE FUNDS

The Agency was allocated the following funds from the Local Transportation Funds (LTF) and State Transit Assistance Fund for the fiscal years ended June 30, 2014 and 2013:

		Amount	
Allocation Assigned By/Claimant	Article/Section	2014	2013
Local Transportation Fund:			
City of Arroyo Grande	4 / 99260(a)	$ 143,404	$ 258,237
City of Grover Beach	4 / 99260(a)	109,153	196,559
City of Pismo Beach	4 / 99260(a)	63,610	114,546
County of San Luis Obispo	4 / 99260(a)	60,222	108,446
Total Article 4 – LTF		376,389	677,778

NOTE 5 – OPERATING SUBSIDIES FROM LOCAL TRANSPORTATION AND STATE TRANSIT ASSISTANCE FUNDS (Continued)

State Transit Fund:			
Regional Transit Authority	6.5 / 99313	94,188	135,096
Regional Transit Authority	6.5 / 99314	8,690	6,250
Total Article 6.5 – STF		102,878	141,346
Total TDA Revenue		$ 479,267	$ 819,134

Transit system operating subsidies are earned by the Agency to the extent that it has incurred eligible operating expenses. Eligible expenses compared to the subsidies received and accrued were as followed:

	Amount	
	2014	2013
Operating expenses	$ 1,116,796	$ 1,189,179
Plus/(minus):		
Depreciation	(202,331)	(222,912)
Fare revenues	(146,060)	(128,879)
Other operating revenues	(2,618)	(1,576)
Maximum total allocation	765,787	835,812
TDA operating allocations received and accrued	479,267	819,134
Allocation (over)/under maximum	$ (286,520)	$ 16,678

NOTE 6 – FARE REVENUE RATIO

The Agency had fare revenue ratios for the year ended June 30, 2014 and 2013, computed as follows:

		2014	2013
(a)	Operating revenues – passenger fares	$ 146,060	$ 128,879
(b)	Operating costs – net of depreciation expense	914,465	966,267
(c)	Fare revenue ratio [(a) / (b)]	15.97%	13.34%
	Minimum ratio required	20.00%	20.00%
	Under minimum ratio requirement	4.03%	6.66%

The Agency was not in compliance with applicable TDA regulations pertaining to acceptable fare revenue ratios which require a minimum ratio of 20%.

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2014, and June 30, 2013, consisted of the following:

	June 30, 2014	June 30, 2013
Bus Pass Sales	$ 3,049	$ 2,705
Prop 1B funding	24,674	1,280,693
Total Unearned revenues	$ 27,723	$ 1,283,398

NOTE 8 – INSURANCE

The Agency is exposed to various risks of loss related to torts, theft, damage to, or destruction of an asset and errors or omissions. The Agency maintains comprehensive general liability including automobile insurance of $20 million for buses, vans, equipment, and facilities. The Agency also purchases commercial Special Liability Insurance and Special District Property Insurance with limits of $10 million per occurrence and $100 million annual aggregate.

NOTE 9 – PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B in November 2006, included a program of funding in the amount of $4 billion to be deposited in the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Of this amount, $3.6 billion in the PTMISEA was made available to project sponsors in California for allocation to eligible public transportation projects for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or rolling stock procurement, rehabilitation, expansion, or replacement. PTMISEA eligibility is based on STA allocations to each project sponsor during the fiscal years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11, and were made available during the 2011-12 fiscal year. Qualifying expenditures must be encumbered within three years from the date of allocation and expended within three years from the date of the encumbrance.

Interest earned on funds to date is $6,223. The Agency had qualifying expenditures incurred under this program from previous allocation totaling $1,256,549, which was used for the procurement of three(3) transit coaches and is included in State capital grants in the accompanying financial statements.

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SUPPLEMENTARY INFORMATION SECTION

SOUTH COUNTY TRANSIT
PROPRIETARY FUND
SCHEDULE OF EXPENSES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Administrative Expenditures			
Insurance	$ 64,460	$ 67,513	$ (3,053)
Rent	23,360	22,001	1,359
Utilities	7,250	7,577	(327)
Radio Expense	2,300	975	1,325
Legal Services	500	525	(25)
Payroll Processing	3,750	3,613	137
Administration	63,500	63,500	
Finance	14,000	14,000	
Office Expense/Miscellaneous	6,250	6,403	(153)
Audit	3,130	2,780	350
Marketing/Community Relations/Printing	16,000	10,058	5,942
Uniforms/Laundry/Physicals/Ads	5,750	7,079	(1,329)
Operating Expenditures			
Salaries/Benefits	428,539	424,269	4,270
Maintenance	128,450	76,255	52,195
Dispatch	18,500	18,500	
Sign Maintenance	3,000		3,000
SCAT Bus Fuel	210,104	189,417	20,687
Contingency	15,000		15,000
Total administration and operations	1,013,843	914,465	99,378
Capital Outlay			
Computer Upgrades		735	(735)
Support Vehicles	50,000		50,000
Facility Improvements	7,000	8,301	(1,301)
Vehicles (Three Buses)	1,275,000	1,256,549	18,451
Large Vehicle Repairs	25,000		25,000
Total capital outlay	1,357,000	1,265,585	91,415
Total expenses, budgetary basis	$ 2,370,843	$ 2,180,050	$ 190,793

TOTAL EXPENSES, BUDGETARY BASIS	$ 2,180,050
ADD:	
DEPRECIATION	202,331
LESS:	
CAPITALIZED EXPENSES	(1,265,585)
TOTAL OPERATING EXPENSES PER FINANCIAL STATEMENTS	$ 1,116,796