

**SAN LUIS OBISPO REGIONAL
TRANSIT AUTHORITY
FINANCIAL STATEMENTS
June 30, 2014**

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
TABLE OF CONTENTS
June 30, 2014

FINANCIAL SECTION

| | |
|---|---|
| Independent Auditors' Report..... | 1 |
| Basic Financial Statements: | |
| Statement of Net Position..... | 3 |
| Statement of Revenues, Expenses, and Changes in Net Position..... | 4 |
| Statement of Cash Flows..... | 5 |
| Notes to Basic Financial Statements..... | 7 |

SUPPLEMENTARY INFORMATION SECTION

| | |
|------------------------------------|----|
| Budgetary Comparison Schedule..... | 16 |
|------------------------------------|----|

FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

2400 PROFESSIONAL PARKWAY, STE 205
SANTA MARIA, CA 93455
TEL: 805.925.2579
FAX: 805.925.2147
www.mlhcpas.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
San Luis Obispo Regional Transit Authority
San Luis Obispo, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the of San Luis Obispo Regional Transit Authority (Agency) as of and for the fiscal year ended June 30, 2014, and the related notes to the 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 auditors' 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 San Luis Obispo Regional Transit Authority, as of June 30, 2014, and the respective changes in financial position and cash flows thereof 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 San Luis Obispo Regional Transit Authority 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*.

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 San Luis Obispo Regional Transit Authority's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule 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 October 17, 2014, on our consideration of the San Luis Obispo Regional Transit Authority'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, Remy & Hutzheim LLP

October 17, 2014
Santa Maria, California

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

| | <u>2014</u> | <u>2013</u> |
|----------------------------------|----------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and investments | \$ 4,586,609 | \$ 4,860,229 |
| Accounts receivable | | 5,784 |
| Intergovernmental receivables | 323,301 | 228,005 |
| Grants receivable | 3,945 | 1,031,733 |
| Prepaid items | 83,216 | 73,603 |
| Inventory at cost | 239,120 | 146,132 |
| Total current assets | <u>5,236,191</u> | <u>6,345,486</u> |
| Capital assets: | | |
| Nondepreciable: | | |
| Land | 1,512,602 | |
| Depreciable: | | |
| Buildings and improvements | 4,754,698 | 4,604,670 |
| Equipment and vehicles | 14,028,928 | 10,516,684 |
| Less accumulated depreciation | (8,880,810) | (7,499,685) |
| Total net capital assets | <u>11,415,418</u> | <u>7,621,669</u> |
| Total assets | <u>16,651,609</u> | <u>13,967,155</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 334,349 | 364,734 |
| Accrued payroll | 98,332 | 65,945 |
| Unearned revenue | 2,882,479 | 4,379,016 |
| Customer deposits | 27,703 | 27,703 |
| CalPERS side-fund | 19,257 | |
| Loan payable | 200,596 | 308,262 |
| Total current liabilities | <u>3,562,716</u> | <u>5,145,660</u> |
| Noncurrent liabilities: | | |
| Compensated absences | 127,817 | 124,081 |
| CalPERS side-fund | 81,149 | |
| Loan payable | 1,156,624 | 2,157,835 |
| Total noncurrent liabilities | <u>1,365,590</u> | <u>2,281,916</u> |
| Total liabilities | <u>4,928,306</u> | <u>7,427,576</u> |
| NET POSITION | | |
| Net investment in capital assets | 10,058,198 | 5,155,572 |
| Unrestricted | <u>1,665,105</u> | <u>1,384,007</u> |
| Total net position | <u>\$ 11,723,303</u> | <u>\$ 6,539,579</u> |

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

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
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

| | <u>2014</u> | <u>2013</u> |
|--|----------------------|---------------------|
| Operating Revenues: | | |
| Passenger fares | \$ 1,399,393 | \$ 1,375,807 |
| Other operating revenue | 86,888 | 183,251 |
| Total operating revenues | <u>1,486,281</u> | <u>1,559,058</u> |
| Operating Expenses: | | |
| Transit operating expenses | 5,896,354 | 5,775,197 |
| Administration and financial services | 1,488,551 | 1,436,997 |
| Depreciation | 1,550,683 | 1,296,313 |
| Total operating expenses | <u>8,935,588</u> | <u>8,508,507</u> |
| Operating loss | <u>(7,449,307)</u> | <u>(6,949,449)</u> |
| Non-Operating Revenues (Expenses): | | |
| Transportation Development Act funds | 4,230,326 | 4,065,309 |
| Federal and State operating grants | 3,195,755 | 2,706,578 |
| Interest income | 3,753 | 5,635 |
| Fees and reimbursements from other governmental agencies | 77,500 | 66,532 |
| Loss on disposal of capital assets | (59,806) | (1,000) |
| Interest expense | (125,073) | (167,257) |
| Total non-operating revenues (expenses) | <u>7,322,455</u> | <u>6,675,797</u> |
| Capital Contributions: | | |
| Federal capital grants | 1,904,007 | 567,440 |
| State capital grants | 2,492,619 | 239,325 |
| Local capital grants | | 52,458 |
| Contributions from local agencies | 1,025,383 | |
| Total capital contributions | <u>5,422,009</u> | <u>859,223</u> |
| Other Financing Sources (Uses): | | |
| Transfers from the former SLOCAT | | 75,758 |
| Total other financing sources (uses) | | <u>75,758</u> |
| Change in net position | <u>5,295,157</u> | <u>661,329</u> |
| Net position, beginning of fiscal year | 6,539,579 | 5,940,351 |
| Prior period adjustment | <u>(111,433)</u> | <u>(62,101)</u> |
| Net position, beginning of fiscal year, restated | <u>6,428,146</u> | <u>5,878,250</u> |
| Net position, end of fiscal year | <u>\$ 11,723,303</u> | <u>\$ 6,539,579</u> |

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

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| Cash Flows From Operating Activities: | | |
| Receipts from customers | \$ 1,492,065 | \$ 1,741,849 |
| Payments to suppliers and wages | <u>(8,989,332)</u> | <u>(5,957,694)</u> |
| Net cash used by operating activities | <u>(7,497,267)</u> | <u>(4,215,845)</u> |
| Cash Flows From Capital and Related Financing Activities: | | |
| Acquisition and construction of property, plant, and equipment | (4,396,626) | (859,223) |
| Principal paid - loan payable | (1,108,877) | (308,262) |
| Interest expense | (125,073) | (167,257) |
| Proceeds from sale of capital assets | 17,771 | |
| Capital grants received | <u>4,396,626</u> | <u>859,223</u> |
| Net cash (used) by capital and related financing activities | <u>(1,216,179)</u> | <u>(475,519)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Grants received | 8,436,073 | 6,694,109 |
| Fees and reimbursements | | 37,136 |
| Transfers from the former SLOCAT | | <u>75,758</u> |
| Net cash provided by noncapital financing activities | <u>8,436,073</u> | <u>6,807,003</u> |
| Cash Flows From Investing Activities: | | |
| Interest income | <u>3,753</u> | <u>5,635</u> |
| Net cash provided by investing activities | <u>3,753</u> | <u>5,635</u> |
| Net (decrease) increase in cash and cash equivalents cash and cash equivalents | (273,620) | 2,121,274 |
| Cash and cash equivalents, beginning of fiscal year | <u>4,860,229</u> | <u>2,738,955</u> |
| Cash and cash equivalents, end of fiscal year | <u>\$ 4,586,609</u> | <u>\$ 4,860,229</u> |

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

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>2014</u> | <u>2013</u> |
|--|-----------------------|-----------------------|
| Reconciliation of operating loss to net cash used by operating activities: | | |
| Operating loss | \$ (7,449,307) | \$ (6,949,449) |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities | | |
| Depreciation expense | 1,550,683 | 1,296,313 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 5,784 | 182,791 |
| Prepaid items | (9,613) | (1,395) |
| Inventory | (92,988) | (7,503) |
| Accounts payable | (30,385) | (158) |
| Accrued payroll | 32,387 | (124,082) |
| Unearned revenue | (1,534,274) | 1,389,458 |
| CalPERS side-fund | (11,027) | |
| Compensated absences | 3,736 | (1,820) |
| Net cash used by operating activities | <u>\$ (7,535,004)</u> | <u>\$ (4,215,845)</u> |

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

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – REPORTING ENTITY

San Luis Obispo Regional Transit Authority (the Agency) is a Joint Powers Agency created by a joint powers agreement among the Cities of San Luis Obispo, Morro Bay, Atascadero, Arroyo Grande, El Paso de Robles, Grover Beach, Pismo Beach, and the County of San Luis Obispo.

The purpose of the Agency is to operate a fixed route public transportation system linking San Luis Obispo to the outlying communities of Morro Bay, Los Osos, Arroyo Grande, El Paso de Robles, Grover Beach, Pismo Beach, Atascadero, Cambria, San Simeon, Nipomo, Santa Maria, Templeton, Santa Margarita, and San Miguel, along with Cuesta College and California Men's Colony. The Agency also owns, operates, and administers a countywide public demand responsive transportation system that is fully accessible for disabled riders. On August 1, 2009, the Agency began in-house vehicle operations and maintenance. Prior to August 1, 2009, a private transportation company provided these services.

The Agency is governed by a Board of Directors comprised of twelve members representing each of the seven cities, in addition to the five members of the County Board of Supervisors.

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. 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.
- D. Accounts Receivable - 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.
- E. Inventory - Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out method.
- F. 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. Capital assets are defined by the Agency as assets with initial, individual costs of more than \$1,000 and estimated useful life in excess of two years.
- G. 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.
- H. Compensated Absences - Accumulated unpaid employee vacation and sick leave benefits are recognized as liabilities of the Agency.
- I. Revenue Recognition - The Agency'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 Council 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 and approved to it by San Luis Obispo Council of Governments.

- J. 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.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the District 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 District'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 District 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 District's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the District 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 No. 25 and No. 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 District'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 District 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 District's financial statements for the fiscal year ended June 30, 2014.

M. 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.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 | \$ 513,855 |
| Investments | <u>4,072,754</u> |
| Total cash and investments | <u>\$ 4,586,609</u> |

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

| | |
|---|---------------------|
| Cash and investments, statement of net position | <u>\$ 4,586,609</u> |
|---|---------------------|

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.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|-------------------------------------|-------------------------|--|---|
| 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 |

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:

| <u>Investment Type</u> | <u>Carrying Amount</u> | <u>Remaining Maturity (in Months)</u> | | | |
|--|------------------------|---------------------------------------|---------------------|---------------------|----------------------------|
| | | <u>12 Months or Less</u> | <u>13-24 Months</u> | <u>25-60 Months</u> | <u>More than 60 Months</u> |
| San Luis Obispo County Investment Pool | <u>\$ 4,072,754</u> | <u>\$ 4,072,754</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total | <u>\$ 4,072,754</u> | <u>\$ 4,072,754</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented on the following page 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.

| <u>Investment Type</u> | <u>Carrying Amount</u> | <u>Minimum Legal Rating</u> | <u>Exempt from Disclosure</u> | <u>Rating as of Fiscal Year End</u> | | |
|--|------------------------|-----------------------------|-------------------------------|-------------------------------------|-----------|------------------|
| | | | | <u>AAA</u> | <u>AA</u> | <u>Not Rated</u> |
| San Luis Obispo County Investment Pool | \$ 4,072,754 | N/A | \$ - | \$ - | \$ - | \$ 4,072,754 |
| Total | \$ 4,072,754 | | \$ - | \$ - | \$ - | \$ 4,072,754 |

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.

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.

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 Cash held by San Luis Obispo County or LAIF).

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 |
|--|-------------------------|---------------------|------------------|--------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ - | \$ 1,512,602 | \$ - | \$ 1,512,602 |
| Total capital assets, not being depreciated | <u>\$ -</u> | <u>\$ 1,512,602</u> | <u>\$ -</u> | <u>\$ 1,512,602</u> |
| Capital assets, being depreciated | | | | |
| Building and improvements | \$ 4,604,670 | \$ 150,028 | \$ - | \$ 4,754,698 |
| Vehicles and Equipment | 10,516,684 | 3,759,379 | 247,135 | 14,028,928 |
| Total capital assets, being depreciated | <u>15,121,354</u> | <u>3,909,407</u> | <u>247,135</u> | <u>18,783,626</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | <u>7,499,685</u> | <u>1,550,683</u> | <u>169,558</u> | <u>8,880,810</u> |
| Total accumulated depreciation | <u>7,499,685</u> | <u>1,550,683</u> | <u>169,558</u> | <u>8,880,810</u> |
| Total capital assets, being depreciated, net | <u>\$ 7,621,669</u> | <u>\$ 2,358,724</u> | <u>\$ 77,577</u> | <u>\$ 9,902,816</u> |
| Governmental activities, capital assets, net | <u>\$ 7,621,669</u> | <u>\$ 3,871,326</u> | <u>\$ 77,577</u> | <u>\$ 11,415,418</u> |

Depreciation expense for the fiscal year ended June 30, 2014, was \$1,550,683. The depreciation expense for the fiscal year ended June 30, 2013, was \$1,296,313.

NOTE 5 – UNEARNED REVENUE

| | 2014 | 2013 |
|--|---------------------|---------------------|
| TDA Local Transportation Funds | \$ 1,751,770 | \$ 1,488,945 |
| The Agency received an advance from developers for construction of bus stops as a condition imposed by the County Board of Supervisors. These funds are deferred until the bus stops have been constructed | 30,855 | 30,855 |
| The Agency distributes Universal bus passes to Social Services and the general public as part of a "Welfare to Work Program." These funds are deferred revenue until they are tendered or redeemed. | 47,026 | |
| Federal funding | | 519,830 |
| Prop 1B funding | <u>1,052,828</u> | <u>2,339,386</u> |
| Total unearned revenues | <u>\$ 2,882,479</u> | <u>\$ 4,379,016</u> |

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – OPERATING SUBSIDIES FROM LOCAL TRANSPORTATION AND STATE TRANSIT ASSISTANCE FUNDS

The County 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:

| Allocation Assigned By/Claimant | Article/ Section | Amount | |
|---|---------------------|--------------|--------------|
| | | 2014 | 2013 |
| Local Transportation Fund: | | | |
| City of Arroyo Grande | 4 / 99260(a) | \$ 172,442 | \$ 149,702 |
| City of San Luis Obispo | 4 / 99260(a) | 582,623 | 504,700 |
| County of San Luis Obispo | 4 / 99260(a) | 2,183,518 | 2,083,472 |
| City of Grover Beach | 4 / 99260(a) | 131,264 | 114,175 |
| City of Morro Bay | 4 / 99260(a) | 102,462 | 89,045 |
| City of Atascadero | 4 / 99260(a) | 284,000 | 247,093 |
| City of El Paso de Robles | 4 / 99260(a) | 399,508 | 258,817 |
| City of Pismo Beach | 4 / 99260(a) | 76,542 | 66,450 |
| Total LTF | | 3,932,359 | 3,513,454 |
| State Transit Fund: | | | |
| Regional Transit Authority | 6.5 / 99313 | 569,135 | 975,396 |
| Regional Transit Authority | 6.5 / 99314 | 101,701 | 87,634 |
| Total STF | | 670,836 | 1,063,030 |
| Add: Recognition of prior fiscal year unearned revenues | | 1,402,383 | 951,494 |
| Less: Current fiscal year unearned revenues | | (1,665,402) | (1,402,383) |
| Total TDA Revenue | | \$ 4,340,176 | \$ 4,125,595 |

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

| | 2014 | 2013 |
|--|--------------------|--------------------|
| Operating and interest expenses | \$ 9,060,661 | \$ 8,675,764 |
| Add: | | |
| Capital purchases with LTF and STF | 109,851 | \$ 60,286 |
| Less: | | |
| Depreciation | (1,550,683) | (1,296,313) |
| Fare revenues | (1,399,393) | (1,375,807) |
| Special events and other revenues | (86,888) | (183,251) |
| Federal and state operating grants | <u>(3,195,755)</u> | <u>(2,706,578)</u> |
| Maximum total allocation amount | 2,937,793 | 3,174,101 |
| TDA allocations received and accrued | 4,603,195 | 4,576,484 |
| Change in TDA transit allocations in unearned revenues | <u>(1,665,402)</u> | <u>(1,402,383)</u> |
| Allocation over/(under) maximum | <u>\$ -</u> | <u>\$ -</u> |

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – FARE REVENUE RATIO

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

| | <u>Fixed Route</u> | <u>Runabout</u> | |
|---|--------------------|------------------|--|
| (a) Operating fare revenues | \$ 1,244,764 | \$ 114,055 | |
| (b) Operating expenses, net of depreciation | <u>3,951,819</u> | <u>2,951,891</u> | |
| (c) Fare revenue ratio [(a) / (b)] | 31.50% | 3.86% | |
| Minimum ratio required | <u>16.10%</u> | <u>N/A</u> | |
| Under minimum ratio requirement | <u>N/A</u> | <u>N/A</u> | |

| | <u>Nipomo</u> | <u>Cambria Trolley</u> | <u>Avila Trolley</u> |
|---|----------------|----------------------------|--------------------------|
| (a) Operating fare revenues | \$ 22,412 | \$ 3,052 | \$ 4,998 |
| (b) Operating expenses, net of depreciation | <u>296,371</u> | <u>23,113</u> | <u>59,432</u> |
| (c) Fare revenue ratio [(a) / (b)] | 7.56% | 13.20% | 8.41% |
| Minimum ratio required | <u>10.00%</u> | <u>10.00%</u> | <u>10.00%</u> |
| Under minimum ratio requirement | <u>2.44%</u> | <u>N/A</u> | <u>1.59%</u> |

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

| | <u>Fixed Route</u> | <u>Runabout</u> |
|---|--------------------|------------------|
| (a) Operating fare revenues | \$ 1,242,921 | \$ 103,982 |
| (b) Operating expenses, net of depreciation | <u>4,032,935</u> | <u>2,577,977</u> |
| (c) Fare revenue ratio [(a) / (b)] | 30.82% | 4.03% |
| Minimum ratio required | <u>16.10%</u> | <u>N/A</u> |
| Under minimum ratio requirement | <u>N/A</u> | <u>N/A</u> |

The County had fare revenue ratios for the fiscal year ended June 30, 2013, computed as follows:

| | <u>Nipomo</u> | <u>South Bay Dial a Ride/ Los Osos Flex Route 15 Weekend Extended Service</u> | <u>Cambria Trolley</u> | <u>Avila Trolley</u> |
|---|----------------|---|----------------------------|--------------------------|
| (a) Operating fare revenues | \$ 19,114 | \$ 581 | \$ 4,663 | \$ 4,147 |
| (b) Operating expenses, net of depreciation | <u>330,022</u> | <u>12,393</u> | <u>44,030</u> | <u>65,616</u> |
| (c) Fare revenue ratio [(a) / (b)] | 5.79% | 4.69% | 10.59% | 6.32% |
| Minimum ratio required | <u>10.00%</u> | <u>10.00%</u> | <u>10.00%</u> | <u>10.00%</u> |
| Under minimum ratio requirement | <u>4.21%</u> | <u>N/A</u> | <u>N/A</u> | <u>3.68%</u> |

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – FARE REVENUE RATIO (Continued)

The Agency was in compliance with applicable TDA regulations pertaining to acceptable fare revenue ratios for routes encompassing both urbanized and non-urbanized areas which require a minimum ratio of 16.10% blended rate as approved by San Luis Obispo Council of Governments. When the fare revenue ratio is under the minimum requirement for two consecutive years, there is a potential for a reduction in future TDA eligibility for the difference between the required minimum and actual fares in accordance with Public Utilities Code Section 99268.9 and CCR Section 6633.9, unless waived by the San Luis Obispo Council of Governments.

NOTE 8 – LONG TERM DEBT

| | Balance July 1, 2013 | Increases | Decreases | Prior-period Adjustment | Balance at June 30, 2014 | | |
|-------------------|-------------------------|-------------------|---------------------|----------------------------|--------------------------|-------------------|---------------------|
| | | | | | Total | Current | Long Term |
| Vacation | \$ 95,026 | \$ 129,669 | \$ 124,449 | \$ | \$ 100,246 | \$ - | \$ 100,246 |
| Sick leave | 29,055 | 23,698 | 25,182 | | 27,571 | | 27,571 |
| Loan payable | 2,466,097 | | 1,108,877 | | 1,357,220 | 200,596 | 1,156,624 |
| CalPERS side-fund | | 7,669 | 18,696 | 111,433 | 100,406 | 19,257 | 81,149 |
| Total | \$ 2,590,178 | \$ 161,036 | \$ 1,277,204 | \$ 111,433 | \$ 1,585,443 | \$ 219,853 | \$ 1,365,590 |

NOTE 9 – LOAN PAYABLE

The Agency entered into loan with Rabobank on June 1, 2011. The original balance of the loan was \$3,082,621. A prepayment of \$799,168 in principal was made on January 29, 2014. The loan was refinanced with Rabobank for \$1,512,183 on March 24, 2014 with a fixed interest rate of 5.75%. Payment on the loan is due in variable monthly interest payments beginning on April 1, 2014 and budgeted principal payments of \$100,298 beginning April 30, 2014, with all outstanding principal plus accrued unpaid interest due on April 30, 2021. The Agency's Board has budgeted to pay off the loan early with \$543,130 in principal paid for 2014-15 and 2015-16 and \$270,960 in 2016-17. The outstanding principal balance at June 30, 2014, was \$1,357,220.

NOTE 10 – PUBLIC EMPLOYEES RETIREMENT SYSTEM SIDE FUND

At the time the Agency joined the Public Employees Retirement System (PERS) Risk Pool, a side fund was required to be created to account for the difference between the funded status of the pool and the funded status of the Agency's plan, in addition to the existing plans unfunded liability. The side fund will be credited, in an annual basis, with the actuarial investment return assumption which is 7.5%. A side fund liability will cause the Agency's required PERS employer contribution rate to be increase by the amortization of the side fund. The side fund liability for the Agency's plan as of June 30, 2014 was \$100,406.

NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

As of June 30, 2014, the Agency does not offer any significant post-employment benefits.

NOTE 12 – 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 Agency Property Insurance with limits of \$20 million per occurrence and \$100 million annual aggregate.

NOTE 13 - EMPLOYEES' RETIREMENT PLAN/DEFINED BENEFIT PENSION PLAN (FULL TIME EMPLOYEES)

California Public Employees' Retirement System (CalPERS)

Plan Description

The Agency contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 - EMPLOYEES' RETIREMENT PLAN/DEFINED BENEFIT PENSION PLAN (FULL TIME EMPLOYEES) (Continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the Agency makes the required contributions for all employees. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2013-2014, was 15.005% for miscellaneous employees annual payroll. The contribution requirements of Plan members are established by State statutes. The Agency's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$97,936, \$48,498, and \$40,618, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 14 – OPERATING LEASE

The Agency has entered into an operating lease for office facilities and bus yard with lease terms in excess of one year. Future minimum lease payments under this agreement are as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|-------------------|
| 2015 | \$ 369,846 |
| 2016 | 379,093 |
| 2017 | <u>192,282</u> |
| | <u>\$ 941,221</u> |

NOTE 15 – 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 these 2011-12 fiscal years. 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 \$18,811. The Agency had qualifying expenditures incurred under this program from previous allocation totaling \$2,382,768, of which \$1,512,602 was used to procure property and the remaining amount of \$870,166 was used as local match to purchase six transit coaches and is included in State capital grants in the accompanying financial statements.

NOTE 16 – TRANSFER FROM PASO ROBLES TRANSIT SERVICES AND ATASCADERO EL CAMINO SHUTTLE

As of June 1, 2014, SLORTA assumed full operation and administration of Paso Robles Transit Services and Atascadero El Camino Shuttle, with SLORTA acting as the direct TDA recipient. Capital Assets with a book value of \$977,070 from Paso Robles Transit Services and \$48,313 from Atascadero El Camino Shuttle were contributed to SLORTA in accordance with the consolidation agreements.

NOTE 17 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of (\$111,433) was made to the financial statements. The prior period adjustment represents the CalPERS Side-Fund liability that was not previously recorded.

This page intentionally left blank.

SUPPLEMENTARY INFORMATION SECTION

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENSES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Adopted Budget | Actual | County Services Actual | Variance with Budget |
|--|----------------------|----------------------|------------------------------|----------------------------|
| Administration: | | | | |
| Labor | \$ 731,454 | \$ 692,156 | \$ - | \$ 39,298 |
| Labor - Administration Workers Comp | 35,690 | 24,796 | | 10,894 |
| Office Space Rental | 416,190 | 412,718 | | 3,472 |
| Property Insurance | 16,186 | 15,820 | | 366 |
| Professional Technical Services | 90,725 | 44,796 | | 45,929 |
| Professional Development | 16,250 | 14,922 | | 1,328 |
| Operating Expense | 183,670 | 208,234 | | (24,564) |
| Marketing and Reproduction | 92,300 | 75,109 | | 17,191 |
| North County Management Contract | (6,620) | (3,310) | | (3,310) |
| County Management Contract | (87,500) | (87,500) | 87,500 | (87,500) |
| SCT Management Contract | (77,500) | (77,500) | | |
| Total Administration | 1,410,845 | 1,320,241 | 87,500 | 3,104 |
| Service Delivery: | | | | |
| Labor - Operations | 2,869,162 | 2,809,067 | 159,340 | (99,245) |
| Labor - Operations Worker Comp | 206,962 | 146,400 | 8,299 | 52,263 |
| Labor - Maintenance | 760,398 | 721,561 | 41,036 | (2,199) |
| Labor - Maintenance Workers Comp | 63,811 | 44,319 | 2,558 | 16,934 |
| Fuel | 1,490,155 | 1,205,672 | 30,426 | 254,057 |
| Insurance | 352,037 | 360,706 | 8,631 | (17,300) |
| Special Transportation (includes Senior Vans, Lucky Bucks, etc.) | 81,700 | 75,041 | 73,183 | (66,524) |
| Avila Trolley | 66,100 | 45,331 | 49,829 | (29,060) |
| Maintenance (parts, supplies, materials) | 536,934 | 372,360 | 11,211 | 153,363 |
| Maintenance Contract Costs | 127,202 | 56,712 | 1,371 | 69,119 |
| Tire Lease Buyout | 37,170 | 34,767 | | 2,403 |
| Marking and Tethering Program | 5,500 | 898 | | 4,602 |
| Total Operations | 6,597,131 | 5,872,834 | 385,884 | 338,413 |
| Capital/Studies: | | | | |
| Computer System Maintenance/Upgrades | 13,310 | 13,416 | | (106) |
| Miscellaneous Capital | | | | |
| Facility Improvements | 187,820 | | | 187,820 |
| Maintenance Software and Maintenance Equipment | 60,000 | | | 60,000 |
| Rotary Lift | 18,700 | | | 18,700 |
| Specialized Maintenance Tools | 12,650 | 12,451 | | 199 |
| Maintenance Staff Office/Additional Desks | 34,100 | 25,854 | | 8,246 |
| Backup Generator | 17,250 | | | 17,250 |
| Vehicle ITS/Camera System | 461,787 | | | 461,787 |
| Bus Stop Improvements | 61,750 | | | 61,750 |
| Bus Rehabilitation | 125,000 | | | 125,000 |
| Bus Procurement Reserve/Large Capital Repairs | 44,779 | 9,461 | | 35,318 |
| Support Vehicles | 102,500 | 98,669 | | 3,831 |
| 40' Coaches | 3,336,000 | 2,724,173 | | 611,827 |
| Runabout Vehicles | 360,000 | | 88,255 | 271,745 |
| Total Capital Outlay | 4,835,646 | 2,884,024 | 88,255 | 1,863,367 |
| Contingency | 101,915 | 23,520 | | 78,395 |
| Interest Expense | 133,954 | 125,073 | | 8,881 |
| Loan Paydown | 1,108,262 | 1,108,877 | | (615) |
| Property Purchase | 1,534,165 | 1,512,602 | | 21,563 |
| Management Contracts | 171,620 | 168,310 | | 3,310 |
| TOTAL FUNDING USES | \$ 15,893,538 | \$ 13,015,481 | \$ 561,639 | \$ 2,316,418 |
| TOTAL EXPENSES, BUDGETARY BASIS | | \$ 13,015,481 | | |
| ADD: | | | | |
| DEPRECIATION | | 1,550,683 | | |
| LESS: | | | | |
| CAPITALIZED EXPENSES | | (4,396,626) | | |
| LOAN PRINCIPAL PAYMENTS | | (1,108,877) | | |
| NON-OPERATING EXPENSES | | (125,073) | | |
| TOTAL OPERATING EXPENSES PER FINANCIAL STATEMENTS | | \$ 8,935,588 | | |