EASTERN SIERRA TRANSIT AUTHORITY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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EASTERN SIERRA TRANSIT AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eastern Sierra Transit Authority
Bishop, California

We have audited the accompanying financial statements of Eastern Sierra Transit Authority (ESTA), which comprise the statement of net position as of June 30, 2019, 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.

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 financial position of Eastern Sierra Transit Authority as of June 30, 2019, and the changes in its financial position and its cash flows for the year 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, schedule of ESTA's proportionate share of the net pension liability and schedule of contributions, and other postemployment benefits (OPEB) plan schedule of changes in ESTA's net OPEB liability and related ratios 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, on our consideration of ESTA'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 ESTA'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 ESTA's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
January 27, 2020

The following Management's Discussion and Analysis (MD&A) of the Eastern Sierra Transit Authority (ESTA) financial performance provides an introduction to the financial statements for the year ended June 30, 2019. The information contained in this MD&A should be considered in conjunction with the information contained in ESTA's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

ESTA's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. ESTA is structured as an enterprise fund. ESTA's revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and, with the exception of land, are depreciated over their useful lives. See the notes to the financial statements for a summary of ESTA's significant accounting policies.

Following this discussion and analysis are the basic financial statements of ESTA.

ESTA's basic financial statements are designed to provide readers with a broad overview of ESTA's financial status.

The statement of net position presents information on all of ESTA's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of ESTA's financial position.

Net Position = (Assets + Deferred Outflows of Resources) – (Liabilities + Deferred Inflows of Resources)

The statement of revenues, expenses, and changes in net position presents information showing the change in ESTA's net position during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The statement of cash flows relates to the flows of cash and cash equivalents. Consequently, only transactions that affect ESTA's cash accounts are recorded in this statement. A reconciliation of the statement of cash flows is provided at the bottom of the statement to assist in understanding the difference between cash flows from operating activities and operating income.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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FINANCIAL HIGHLIGHTS

On June 30, 2019, the assets and deferred outflows of ESTA exceeded its liabilities and deferred inflows by $6,603,463 (net position). Of this amount, $4,508,082 (unrestricted net position) may be used to meet ESTA's ongoing obligations to citizens and creditors, $57,533 is restricted for road maintenance, and $2,037,848 is ESTA's investment in capital assets.

ESTA's capital assets (e.g., land, infrastructure and equipment) decreased by $700,240 due to $259,970 of capital asset additions offset by the annual depreciation of existing assets.

Long-term liabilities increased by $25,763 due to an increase in the net other postemployment benefits liability of $52,857 and a decrease to the net pension liability of $27,094.

FINANCIAL POSITION

Condensed Statement of Net Position

	2019	2018	Variance	Change
Assets:				
Current and Other Assets	$ 5,629,911	$ 5,039,778	11.71 %	$ 590,133
Capital Assets	2,037,848	2,738,088	(25.57)	(700,240)
Total Assets	7,667,759	7,777,866	(1.42)	(110,107)
Deferred Outflows	615,579	917,552	(32.91)	(301,973)
Liabilities:				
Current Liabilities	676,067	637,010	6.13	39,057
Long-Term Liabilities	785,171	760,267	3.28	24,904
Total Liabilities	1,461,238	1,397,277	4.58	63,961
Deferred Inflows	218,637	325,658	(32.86)	(107,021)
Net Position:				
Investment in Capital Assets	2,037,848	2,738,088	(25.57)	(700,240)
Restricted for Road Maintenance	57,533	-	100.00	57,533
Unrestricted	4,508,082	4,234,395	6.46	273,687
Total Net Position	$ 6,603,463	$ 6,972,483	(5.29)	$ (369,020)

As shown in the schedule above, at June 30, 2019, ESTA's total assets are $7,667,759. The total assets held decreased $110,107 from the June 30, 2018 balance of $7,777,866. The decrease in total assets was due primarily to depreciation of capital assets. Deferred outflows of $615,579 represent contributions made by ESTA during fiscal year 2018/19 after the pension and OPEB liability measurement date of June 30, 2018 and other pension related deferred outflows.

The largest portion of ESTA's net position reflects its unrestricted portion. These funds may be used to meet ESTA's ongoing obligations to citizens and creditors.

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Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018	Variance	Change
Revenues:				
Operating	$ 1,992,457	$ 1,882,467	5.84%	$ 109,990
Nonoperating	3,228,404	3,081,579	4.76%	146,825
Total Revenues	5,220,861	4,964,046	5.17%	256,815
Expenses:				
Operating Expenses	5,696,192	5,581,493	2.05%	114,699
Nonoperating Expenses	-	139,629	-100.00%	(139,629)
Total Expenses	5,696,192	5,721,122	-0.44%	(24,930)
Capital Contributions	106,311	562,763	-81.11%	(456,452)
Change in Net Position	(369,020)	(194,313)	-89.91%	(174,707)
Net Position - Beginning	6,972,483	7,686,694	-9.29%	(714,211)
Prior Period Adjustment	-	(519,898)	-100.00%	519,898
Net Position - Ending	$ 6,603,463	$ 6,972,483	-5.29%	$ (369,020)

Revenues – ESTA's revenues for fiscal year 2018/19 increased by 5.17% or $256,815. The increase was related primarily to additional State funding due to SB-1 legislation, and increased fare revenue. There were also increases to LTF Revenue and Insurance payments.

Expenses – ESTA's expenses for fiscal year 2018/19 decreased .44% or $24,930. Operating expenses increased by 2.05% from the prior fiscal year primarily due to increases to payroll and employee benefits.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – ESTA's investment in capital assets as of June 30, 2019 amounted to $2,037,848 (net of accumulated depreciation and related debt). This investment in capital assets includes land, land improvements, and equipment. The $700,240 decrease is due to depreciation of $960,210.

Additional information on ESTA's capital assets can be found in Note 3 of this report.

Long-term liabilities - At June 30, 2019, ESTA reported $786,030 related to net pension and OPEB liabilities.

Additional information on ESTA's long-term liabilities can be found in Notes 6 and 7 of this report.

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Eastern Sierra Transit, like most employers in the Eastern Sierra region has been experiencing increased challenges in recruiting and retaining employees. Much of this is believed to be related to an acute shortage of available housing in the region. Particularly in Mammoth Lakes, the growth of the short-term rental market (Air BNB, VRBO), has moved many properties from the long-term rental inventory to short term. Increased employee compensation may be needed in future years to address this situation.

The current administration at the federal level has threatened to reduce funding to nearly every federal department, including the Department of Transportation. This may reduce federal funding in the future for programs such as the Inter-city bus service funded under Section 5311(f).

ESTA anticipates working on the new administration building which is partially funded with the 2018 FTA 5339 Bus & Bus Facilities Infrastructure Investment Program grant and will continue applying for additional funding.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of ESTA's finances for all those with an interest in ESTA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Eastern Sierra Transit Authority Executive Director, at P.O. Box 1357, Bishop, CA 93515 or the Inyo County Auditor-Controller at P.O. Drawer R, Independence, CA 93526.

EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS		
Cash	$	4,752,467
Accounts Receivable		54,434
Due From Other Governments		515,238
Interest Receivable		24,038
Prepaid Expenses		283,734
Total Current Assets		5,629,911
Capital Assets, Net of Accumulated Depreciation		2,037,848
Total Assets		7,667,759
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Other Postemployment Benefits		859
Deferred Pensions		614,720
		615,579

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities		402,327
Salaries Payable		121,042
Compensated Absences		151,839
Other Post Employment Benefits Liability		859
Total Current Liabilities		676,067
NONCURRENT LIABILITY		
Net Other Post Employment Benefits Liability		662,277
Net Pension Liability		122,894
Total Noncurrent Liabilities		785,171
Total Liabilities		1,461,238
DEFERRED INFLOWS OF RESOURCES		
Deferred Other Postemployment Benefits		32,765
Deferred Pensions		185,872
		218,637
NET POSITION		
Investment in Capital Assets		2,037,848
Restricted for road maintenance		57,533
Unrestricted		4,508,082
Total Net Position	$	6,603,463

See accompanying Notes to Financial Statements.

EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019

OPERATING REVENUES	
Fare Revenues	$ 1,992,457
Total Operating Revenues	1,992,457
OPERATING EXPENSES	
Salaries and Benefits	2,991,374
Fuel	475,648
Vehicle Maintenance	572,090
Professional and Other Services	144,820
Depreciation Expense	960,210
Insurance	160,829
Rents	186,655
Miscellaneous Expenses	39,813
Parts and Supplies	57,717
Utilities	70,117
Advertising	36,919
Total Operating Expenses	5,696,192
OPERATING LOSS	(3,703,735)
NONOPERATING REVENUES	
Local Transportation Fund Allocation	1,276,239
State Transit Assistance Fund Allocation	439,038
Intergovernmental Revenues	513,952
Operating Assistance	831,766
Other Revenues	19,043
Non Operating Revenues	34,561
Use of Money and Property	113,805
Total Nonoperating Revenues	3,228,404
LOSS BEFORE CAPITAL CONTRIBUTIONS	(475,331)
CAPITAL CONTRIBUTIONS	106,311
CHANGE IN NET POSITION	(369,020)
Net Position - Beginning of Year	6,972,483
NET POSITION - END OF YEAR	$ 6,603,463

See accompanying Notes to the Financial Statements.

EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 2,139,473
Other Operating Expenses	(1,981,610)
Payroll and Related Fringe Benefits	(2,761,274)
Net Cash Used by Operating Activities	(2,603,411)
CASH FLOWS FROM INVESTING ACTIVITIES	
Received for Use of Money and Property	102,025
Net Cash Provided by Investing Activities	102,025
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Local Transportation Fund Allocation	1,276,239
State Transit Assistance Allocation	439,038
Operating and Capital Grants	513,952
Operating Assistance	1,068,105
Other Revenues	53,604
Net Cash Provided by Noncapital Financing Activities	3,350,938
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants	106,311
Payments for Capital Asset Purchases	(67,218)
Net Cash Provided by Capital and Related Financing Activities	39,093
NET INCREASE IN CASH AND CASH EQUIVALENTS	888,645
Cash and Cash Equivalents - Beginning of Year	3,863,822
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,752,467

See accompanying Notes to the Financial Statements.

EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2019

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$	(3,703,735)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation		960,210
(Increase) Decrease in:		
Accounts Receivable		148,666
Prepaid Expense		(74,713)
Deferred Pensions		301,973
Increase (Decrease) in:		
Accounts payable for vehicle purchase		(192,752)
Accounts Payable and Accrued Liabilities		30,463
Salaries Payable		9,385
Unearned Revenue		(1,650)
Net Pension Liability		(27,094)
Net Other Postemployment Liability		52,857
Deferred Pensions		(139,786)
Deferred Other Postemployment Benefits		32,765
Net Cash Provided (Used) by Operating Activities	$	(2,603,411)

See accompanying Notes to the Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Eastern Sierra Transit Authority (ESTA) was established in 2007 by a joint powers agreement between Inyo County, Mono County, the City of Bishop, and the Town of Mammoth Lakes to operate a regional transportation system in the Eastern Sierra region.

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, ESTA has reviewed criteria to determine whether other entities with activities that benefit ESTA should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity has a significant operational and financial relationship with ESTA.

ESTA has determined that no other outside entity meets the above criteria and, therefore, no agency has been included as a component unit in ESTA's financial statements. In addition, ESTA is not aware of any entity that has such a relationship to ESTA that would result in ESTA being considered a component unit of that other entity.

Basis of Presentation

ESTA reports the activity relevant to its operations in an enterprise fund. The enterprise fund is used to account for operations 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 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 policies. Unrestricted net position for the enterprise fund represents the net position available for future operations.

Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus. This measurement focus emphasizes the determination of increased/decreased net position. The accrual basis of accounting is used for the enterprise fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating Revenues — Revenues from the sale of tickets and passenger rides are recognized as income when the related service is provided.

Nonoperating Revenues — ESTA receives substantial funds that are not reported as operating revenues. For example, ESTA receives operating assistance from the Town of Mammoth Lakes. These funds are recognized as revenue when all applicable eligibility requirements are met. ESTA receives annual allocations from the Local Transportation and State Transit Assistance funds of the two counties it provides services in. These allocations are recognized into income as received. ESTA also receives a number of grants from various sources. These are recognized into income as eligibility requirements are met.

The following is a description of ESTA's main funding sources:

Passenger Revenue

Passenger fares consist of fare charges to the users of the system. Including revenue from a contract with Mammoth Mountain Ski Resort.

Operating Assistance

As mentioned above, the Town of Mammoth Lakes, a member of the Joint Powers Authority, provides operating assistance to ESTA. These revenues are not included as a component of fare revenues, but instead are reported as nonoperating revenues.

Federal Transit Administration (FTA)

FTA revenues are funded by a federal gas tax and revenues of the federal general fund. ESTA receives Section 5311 grants which are used for operations. Section 5310 funding is used for Non-Emergency Medical Program.

Local Transportation Fund (LTF)

LTF is derived from a ¼ cent of the general sales tax collected statewide. The State Board of Equalization, based on sales tax collected in each county, returns the general sales tax revenues to each county's LTF. Each county then apportions the LTF funds within the county based on population.

State Transit Assistance (STA)

STA funds are appropriated by the legislature to the State Controller's Office (SCO). The SCO then allocates the tax revenue, by formula, to planning agencies and other selected agencies. Statute requires that 50% of STA funds be allocated according to population and 50% be allocated according to transit operator revenues from the prior fiscal year.

Budgetary Information

State law requires the adoption of an annual budget for the enterprise fund, which must be approved by the board of directors. The budget is prepared on an accrual basis. The board of directors adopts an annual budget for transit operations. The executive director shall have the authority to transfer funds between line items, not to exceed $5,000 or 20% for any one line item, whichever is greater, with the limits of the overall budget. The executive director shall report, on a regular basis, any such transfers to and from budgeted line items. Budget amendments in excess of $5,000 or 20% of a line item, whichever is greater, shall require board approval.

Cash and Cash Equivalents

For purposes of the statement of cash flows, ESTA considers the cash held in the County Treasury, its only investments, to be cash and cash equivalents.

Investments

Investments consist of funds deposited in the pooled fund with Inyo County. Investments are stated at market value. Such investments are within the state statutes and ESTA's investment policy.

Prepaid Items

Payments made for services that will benefit future accounting periods are recorded as prepaid items.

Capital Assets

Capital assets are stated at historical cost. The cost of normal maintenance and repairs is charged to operations as incurred. Major improvements are capitalized and depreciated over the remaining useful lives of the related properties. Depreciation is computed using the straight- line method over estimated useful lives as follows:

Buildings and Improvements	40 to 50 Years
Buses and Maintenance Vehicles	5 to 12 Years
Light-Rail Structures and Light-Rail Vehicles	25 to 45 Years
Other Operating Equipment	5 to 15 Years

It is the policy of ESTA to capitalize all capital assets with an individual cost of more than $5,000, and a useful life in excess of one year.

Compensated Absences

ESTA's policy allows employees to accumulate earned but unused comprehensive leave and compensated time off, which will be paid to employees upon separation from ESTA's service.

Pensions

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 the County's California Public Employees' Retirement system (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. ESTA has two items that qualify for reporting in this category. These item relate to the outflows from changes in the net pension liability and from other postemployment benefits (OPEB) liability and are reportable on the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. ESTA has two types of items which qualify for reporting in this category. These items relate to inflows from changes in the net pension and OPEB liabilities and are reportable on the statement of net position.

Other Postemployment Benefits (OPEB)

ESTA has not established a trust that meets paragraph 4 of Governmental Accounting Standards Board Statement No. 75 to fund its other postemployment benefits.

Federal, State, and Local Grant Funds

Grants are accounted for in accordance with the purpose for which the funds are intended. Approved grants for the acquisition of land, building, and equipment are recorded as revenues as the related expenses are incurred. Approved grants for operating assistance are recorded as revenues in which the related grant conditions are met. Advances received on grants are recorded as a liability until related grant conditions are met. The Transportation Development Act (TDA) provides that any funds not earned and not used may be required to be returned to their source.

When both restricted and unrestricted resources are available for the same purpose ESTA uses restricted resources first.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

Accounts receivable consist entirely of amounts due from other governmental agencies for operating and capital grants. Management believes its accounts receivable to be fully collectible, and, accordingly, no allowance for doubtful accounts is required.

NOTE 2 CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2019:

Deposits Held in the County of Inyo Investment Pool	$ 4,637,946
Deposits Held in Financial Institutions	114,321
Imprest Cash	200
Total	$ 4,752,467

Custodial Credit Risk

At June 30, 2019, the carrying amount of the deposits held at banks was $114,321 and the bank balances totaled $114,321. The bank balances are insured by the FDIC for $250,000. State law requires that the collateral be equal to or greater than 100% of all public deposit that is held with the pledging financial institution if government securities are used or 150% if mortgages are used as the collateral.

Authorized Investments

California statutes authorize ESTA to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code Section 53600, Chapter 4 — Financial Affairs.

The Government Code allows investments in the following instruments:

- Securities of the United States government, or its agencies
- Small Business Administration loans
- Certificates of Deposit (or Time Deposits) Negotiable Certificates of Deposit
- Commercial paper and medium-term corporate notes
- Local Agency Investment Fund (State Pool and County Pool) Demand Deposits
- Repurchase Agreements (Repos)
- Passbook Savings Account Demand Deposits
- Reverse Repurchase Agreements
- County Cash Pool

The bulk of ESTA's assets are held in an investment pool with the County of Inyo. More information about the County's investments can be found in the County's financial statements.

Cash in County Treasury

Cash in Inyo County is held by the Inyo County treasurer in an investment pool. The County maintains a cash and investment pool in order to facilitate the management of cash. Cash in excess of current requirements is invested in various interest-bearing securities. Information regarding categorization and fair value of investments can be found in the County's financial statements. The treasurer's investments and policies are overseen by the Inyo County Treasury Oversight Committee.

Government Accounting Standards Board Statement No. 40 requires additional disclosures about a government's deposits and investment risks that include custodial risk, credit risk, concentration risk, and interest rate. ESTA did not have a deposit or investment policy that addresses specific types of risks.

Required risk disclosures for ESTA's investment in the Inyo County Investment Pool at June 30, 2019 were as follows:

Credit Risk	Not rated
Custodial Risk	Not applicable
Concentration of Credit Risk	Not applicable
Interest Rate Risk	Not available

The fair value of ESTA's investment in the Inyo County Investment Pool is determined on an amortized cost basis which approximates fair value.

NOTE 3 CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2019:

	Balance 7/1/2018	Additions	Deletions	Transfers	Balance 6/30/2019
Capital assets, not being depreciated					
Construction in progress	$ 23,189	$ -	$ -	$ (23,189)	$ -
Total capital assets not being depreciated	23,189	-	-	(23,189)	-
Capital assets, being depreciated					
Structures and improvements	544,472	9,498	-	23,189	577,159
Equipment	9,382,180	250,472	-	-	9,632,652
Total capital assets, being depreciated	9,926,652	259,970	-	23,189	10,209,811
Less accumulated depreciation for					
Structures and improvements	(71,564)	(12,554)	-	-	(84,118)
Equipment	(7,140,189)	(947,656)	-	-	(8,087,845)
Total accumulated depreciation	(7,211,753)	(960,210)	-	-	(8,171,963)
Capital Assets, Net	$ 2,738,088	$ (700,240)	$ -	$ -	$ 2,037,848

Depreciation expense was $960,210 for the year ended June 30, 2019.

NOTE 4 FARE REVENUE RATIO

ESTA is required to maintain a fare revenue-to-operating expense ratio of 10% in accordance with the Transportation Development Act. The fare revenue-to-operating expense ratio for ESTA is calculated as follows for the year ended June 30, 2019:

Fare Revenues	$ 1,992,457
Operating Expenses	5,556,563
Less: Allowable Exclusions:	
Depreciation and Amortization	(960,210)
Net Operating Expenses	$ 4,596,353
Fare Revenue Ratio	43.35%

NOTE 5 LEASES

Operating Leases

ESTA leases office space and grounds under non-cancellable leases. Total costs for these leases was $180,655 for the year ended June 30, 2019. The future minimum lease payments are as follows:

Year Ending June 30,	Amount
2020	$ 19,836
2021	1,350
Total	$ 21,186

ESTA also leases office and garage space from the town of Mammoth Lakes. This lease is cancellable by ESTA and is paid for on a month to month basis at a rate of $12,500 per month.

NOTE 6 EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PLAN)

Plan Description

ESTA's defined benefit pension plan, the California Public Employee's Retirement System, provides retirement and disability annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employee's Retirement System (CalPERS) is a cost sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employee's Retirement Law. ESTA selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate report.

Funding Policy

Active plan members in ESTA's defined pension plan are required to contribute either 8%, 7%, or 6.25% of their annual covered salary depending upon the plan in which the employee participates. ESTA is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The fiscal year 2018/2019 employer rates are as follows:

Tier	Misc.	PEPRA
Tier 1	10.022 %	6.842 %
Tier 2	8.892 %	N/A

The actuarial methods and assumptions used are those adopted by the CalPERS board of administration. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS. Per the employee Memorandum of Understanding, ESTA pays the plan members' contribution on their behalf for employees hired on or before December 31, 2012.

Actuarial Assumptions

ESTA's net pension liability is measured as its proportionate share of the total pension liability, less the proportionate share of the pension plan's fiduciary net position. The net pension liability of the cost sharing plan is measured as of June 30, 2018, using an annual actuarial valuation as of July 1, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

- Discount Rate/Rate of Return – 7.15%
- Inflation Rate – 2.5%
- Salary increases – Varies by Entry Age and Service
- COLA Increases – up to 2.5%
- Post-Retirement Mortality – Derived using CalPERS' Membership Data for all Funds

The actuarial assumptions used in the June 30, 2017 valuation were based off on the results of an actuarial experience study for the period from 1997 to 2015. The Experience Study Report can be obtained at CalPERS' website under Forms and Publications.

The long-term expected rate of return on pension plan investments (7.15%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11 + (b)
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00	1.00	2.62
Inflation Sensitive	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
	100.00 %		

(a) An expected inflation of 2.00% used for this period.
(b) An expected inflation of 2.92% used for this period.

Detailed information about the pension fund's fiduciary net position is available in the separately issued CalPERS comprehensive annual financial report which may be obtained by contacting CalPERS.

Net Pension Liability

At June 30, 2019, ESTA reported a liability of $122,894 in the statement of net position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. ESTA's proportion of the net pension liability was based on a projection of ESTA's long-term share of contributions to the pension plan relative to the projected contributions of all pension plan participants, which was actuarially determined.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of ESTA's proportionate share of the Plan as of the measurement date calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate.

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
ESTA's Proportionate Share of the Net Pension Plan Liability	$ 619,856	$ 122,894	$ (287,341)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

Pension expense represents the change in the net pension liability during the measurement period, adjusted by actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. During the year ended June 30, 2019, ESTA recognized a pension expense of $258,429. At June 30, 2019, ESTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ 14,010	$ 3,434
Differences between Expected and Actual Experience	4,715	1,605
Differences between Projected and Actual Investment Earnings	608	-
Differences between Employer Contributions and Proportionate Share of Contributions	336,783	-
Change in Empoyer's Proportion	135,267	180,833
Pension Contributions Made Subsequent to Measurement Date	123,337	-
	$ 614,720	$ 185,872

The $123,337 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending June 30,	Amount
2020	$ 140,266
2021	119,806
2022	46,545
2023	(1,105)
Total	$ 305,512

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

Plan administration. ESTA sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options.

Benefits provided. Employees hired before January 1, 2013 are eligible for ESTA-paid retiree medical benefits upon attainment of age 50 and 5 years CalPERS service. Employees hired on or after January 1, 2013 are eligible for ESTA-paid retiree medical benefits upon attainment of age 52 and 5 years CalPERS service.

ESTA contributes the PEMHCA minimum under the unequal method (5% times number of years ESTA has been in PEMHCA). ESTA joined PEMHCA in 2007, therefore for 2017, ESTA contributes 50% of the PEMHCA minimum ($128), or $64 per month to its retirees. In 2018, this amount is 55% of the PEMHCA minimum ($133), or $73.15 per month. The 2019 PEMHCA minimum is $136, and ESTA will contribute $81.60 per month towards retirees. In addition to the PEMHCA minimum, ESTA pays administrative fees of 0.23% per premium. Also, survivor benefits are available.

Plan membership. At July 1, 2017, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	3
Active plan members	42

Contributions – ESTA currently finances benefits on a pay-as-you-go basis.

Total OPEB Liability

ESTA's Total OPEB Liability was measured as of June 30, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00 percent
Medical cost trend rate	5.00 percent for 2018 and later years.
PEMHCA minimum increase	3.5 percent after 2019
Age adjustment factor	3.00 percent
Percent married	60 percent

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Discount rate. GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure ESTA's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan (if any)	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
June 30, 2019	June 30, 2018	4.00%	3.62%	3.62%

Changes in the Total OPEB Liability

The table below shows the changes in the Total OPEB liability, the Plan Fiduciary Net Position, and the Net OPEB liability as of the measurement date June 30, 2018

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance - July 1, 2017	$ 610,279	$ -	$ 610,279
Change in the Year:			
Service Cost	76,297	-	76,297
Interest on Total OPEB Liability	19,066	-	19,066
Changes of Assumptions	(40,212)	-	(40,212)
Benefit Payments	(2,294)	(2,294)	(4,588)
Contributions - Employer [1]	-	2,294	2,294
Net Changes	52,857	-	52,857
Balance - June 30, 2018	$ 663,136	$ -	$ 663,136

Amount includes implicit subsidy associated with benefits paid

If an actuarially determined contribution is calculated for a single or agent employer, the employer is required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the OPEB plan, and related ratios. If a single or agent employer does not have information about an actuarily determined contribution but has a contribution requirement that is established by statute or contract, the employer is required to present a schedule covering each of the 10 most recent fiscal years that includes information about the statutorily or contractually required contribution rate, contributions to the OPEB plan, and related ratios.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of ESTA, as well as what ESTA's net OPEB 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 discount rate.

	1% Decrease 2.62%	Discount Rate 3.62%	1% Increase 4.62%
Net OPEB Liability	$ 749,599	$ 663,136	$ 592,003

The following presents the net OPEB liability of ESTA, as well as what ESTA's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	1% Decrease 4.00%	Trend Rate 5.00%	1% Increase 6.00%
Net OPEB Liability	$ 584,039	$ 663,136	$ 759,658

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, ESTA recognized OPEB expense of $87,916. OPEB expense represents the change in the total OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in actuarial assumptions or method. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$ 859	$ -
Change in assumptions		32,765
Total	$ 859	$ 32,765

The $859 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount	
2020		(7,447)
2021		(7,447)
2022		(7,447)
2023		(7,447)
2024		(2,977)
	$	(32,765)

Other Postemployment Benefits Plan (OPEB) – Schedule of Changes in the Net OPEB Liability and Related Ratios

Last 10 Fiscal Years*

	FY2018	FY2019
Total OPEB Liability		
Service Cost	$ 74,075	$ 76,297
Interest	16,306	19,066
Changes of Assumptions	-	(40,212)
Benefit Payments	(2,116)	(2,294)
Net Changes in Total OPEB Liability	88,265	52,857
Total OPEB Liability - beginning	522,014	610,279
Total OPEB Liability - ending (a)	$ 610,279	$ 663,136
Plan Fiduciary Net Position		
Contributions - Employer	$ 2,116	$ 2,294
Benefit Payments	(2,116)	(2,294)
Net Change in Plan Fiduciary Net Position	-	-
Plan Fiduciary Net Position - beginning	-	-
Plan Fiduciary Net Position - ending (b)	$ -	$ -
ESTA's Net OPEB Liability - ending (a) - (b)	$ 610,279	$ 663,136
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%
Covered Employee Payroll	$ 1,285,438	$ 1,469,433
ESTA's Net OPEB Liability as a Percentage of Covered Employee Payroll	47.48%	45.13%
Measurement Date	6/30/2017	6/30/2018

* Additional years will be presented as they become available

Schedule of ESTA's Proportionate Share of the Net Pension Liability (Last 10 Fiscal Years*):

	Reporting Fiscal Year Ended June 30, (Measurement Date as of June 30,)				
	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)
ESTA's Proportion of the Net Pension Liability	Varies by plan	0.0166 %	0.0156 %	0.0038 %	0.0033 %
ESTA's Proportionate Share of the Net Pension Liability	$ 413,616	$ 387,894	$ 540,971	$ 149,988	$ 122,894
ESTA's Covered Payroll	$ 1,366,206	$ 1,582,603	$ 1,517,088	$ 1,296,176	$ 1,285,438
ESTA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	30.27 %	24.51 %	35.66 %	11.57 %	9.56 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.87 %	83.27 %	80.22 %	75.39%	77.69%

CalPERS — Schedule of ESTA Contributions (Last 10 Fiscal Years*)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Actuarially Determined Contribution	$ 183,362	$ 209,515	$ 227,073	$ 190,183	$ 123,337
Total Actual Contributions	(183,362)	(209,515)	(690,642)	(190,183)	(123,337)
Contribution Deficiency (Excess)	$ -	$ -	$ (463,569)	$ -	$ -
ESTA's Covered Payroll	$ 1,582,603	$ 1,517,088	$ 1,296,176	$ 1,285,438	$ 1,469,433
Contributions as a Percentage of Covered Payroll	11.59%	13.81%	53.28%	14.80%	8.39%

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

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INDEPENDENT AUDITORS' REPORT 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
Eastern Sierra Transit Authority
Bishop, California

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 Eastern Sierra Transit Authority (ESTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ESTA'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 ESTA's internal control. Accordingly, we do not express an opinion on the effectiveness of ESTA'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ESTA'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*.

ESTA's Response to Finding

ESTA's audit's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. ESTA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
January 27, 2020

REPORT ON COMPLIANCE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE LOCAL TRANSPORTATION COMMISSION

Board of Directors
Eastern Sierra Transit Authority
Bishop, California

We have audited the financial statements of the Eastern Sierra Transit Authority (ESTA) as of and for the year ended June 30, 2019 and have issued our report thereon dated January 27, 2020. 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.

As part of obtaining reasonable assurance about whether the Eastern Sierra Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by the Mono County Local Transportation Commission and Inyo County Transportation Commission were made in accordance with the allocation instructions and resolutions of the Commission and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Section 6667 that are applicable to the Eastern Sierra Transit Authority. In connection with our audit, nothing came to our attention that caused us to believe the Eastern Sierra Transit Authority failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Local Transportation Commission. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Board of Directors
Eastern Sierra Transit Authority

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the $19.925 billion of state general obligation bonds authorized, $4 billion was set aside by the state as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

During the fiscal year ended June 30, 2019, ESTA received $0 of PTMISEA funds. As of June 30, 2019, ESTA had expended $180,069 of the PTMISEA funds and had unexpended funds of $0 remaining.

This report is intended solely for the information and use of the Eastern Sierra Transit Authority, the Mono County Local Transportation Commission, the Inyo County Local Transportation Commission, management, the California Department of Transportation, and the State Controller's Office and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
January 27, 2020

EASTERN SIERRA TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

Internal Control Over Financial Reporting

2019 – 001 Salaries Payable Accrual

Type of Finding; Material Weakness in Internal Control Over Financial Reporting

Criteria: Accounting principles generally accepted in the United States of America (GAA) requires that entities using full accrual basis of accounting report liabilities incurred regardless of when paid.

Condition: ESTA failed to record a liability for payroll expense incurred during the year under audit that was paid subsequent to year-end.

Cause: ESTA identified the payroll that required accrual and did not confirm that the liability was in fact posted to the correct period.

Effect: ESTA's payroll expense for the year was understated by $70,000.

Repeat Finding: This is not a repeat finding

Recommendation: We recommend that ESTA review year-end transactions to identify items that should be accrued at year end and review year-end accruals to ensure that amounts are posted to the correct period.

Views of responsible officials and planned corrective actions: ESTA's Administration Manager will review year-end transactions to identify items that should be accrued at year-end and will also review year-end accruals in the financial management software to ensure that amounts have been posted to the correct period.

Compliance and Other Matters

There are no findings related to compliance and other matter that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2019.