

**EASTERN SIERRA
TRANSIT AUTHORITY**

AUDITED FINANCIAL STATEMENTS

*For the Year Ended
June 30, 2015*

EASTERN SIERRA TRANSIT AUTHORITY

Financial Statements
For the Year Ended June 30, 2015

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Craig R. Fechter, CPA, MST
Scott A. German, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Eastern Sierra Transit Authority
Bishop, California

We have audited the accompanying financial statements of the Eastern Sierra Transit Authority as of and for the year ended June 30, 2015, 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.

Auditor's Responsibility

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

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

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Sierra Transit Authority as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members of the Board of Directors
Eastern Sierra Transit Authority

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eastern Sierra Transit Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Implementation of New Accounting Standards


As disclosed in Note 1 to the financial statements, the Eastern Sierra Transit Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year ended June 30, 2015.

Members of the Board of Directors
Eastern Sierra Transit Authority

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2015, on our consideration of the Eastern Sierra 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 Eastern Sierra Transit Authority's internal control over financial reporting and compliance.

Fechter & Company, Certified Public Accountants


Sacramento, California
December 22, 2015

**EASTERN SIERRA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
JUNE 30, 2015**

As management of the Eastern Sierra Transit Authority (ESTA), we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of ESTA exceeded its liabilities at the close of the year by \$7,967,812. Of this amount, \$3,019,758 may be used to meet ESTA's ongoing obligations to its customers and creditors.
- Revenue significantly exceeded expenditures, primarily as a result of \$304,192 in State Transit Assistance revenue that was not realized in the previous year due to restrictions on the use of the funds for capital projects that have not yet been implemented. Revenue also was increased in 2014/15 also as a result of an increase in Local Transit Fund revenues, increased gain on sale of retired assets, and increased interest and miscellaneous revenue. Transit expenses were moderated due to lower fuel costs in FY 14/15.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to ESTA's basic financial statements. ESTA's basic financial statements comprise three components: 1) government-wide financial statements, 2) notes to the financial statements, and 3) other reports including the schedule of federal awards.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of ESTA's finances, in a manner similar to a private sector business. The Statement of Net Position presents information on all of ESTA's assets and liabilities, with the difference between the two reported as net position. The Statement of Activities presents information showing how ESTA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event takes place, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in the statement for certain items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**EASTERN SIERRA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
JUNE 30, 2015**

Other Reports

Other reports include the Schedule of Federal Awards along with the Schedule of Findings and Questioned Costs. The Schedule of Federal Awards includes federal grant activity in accordance with OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations. Therefore some of the amounts differ from amounts presented in the basic financial statements. Additionally, this section contains reports on internal controls and compliance with financial and other matters.

NET POSITION

Condensed Statement of Net Position at June 30, 2015 and 2014

	Business Type Activities		
	2015	2014	Change
Assets			
Current and other assets	\$ 3,982,234	\$2,758,420	\$ 1,223,814
Capital assets	5,037,972	4,915,991	121,981
Total assets	<u>9,020,206</u>	<u>7,674,411</u>	<u>1,345,795</u>
Liabilities			
Current and other liabilities	638,778	475,087	(163,691)
Long-term liabilities	413,616	-	(413,616)
Total liabilities	<u>1,052,394</u>	<u>475,087</u>	<u>(577,307)</u>
Net position			
Invested in capital assets, net of related debt	5,037,972	4,915,991	121,981
Unrestricted	<u>2,929,840</u>	<u>2,283,333</u>	<u>646,507</u>
TOTAL NET POSITION	<u><u>\$ 7,967,812</u></u>	<u><u>\$7,199,324</u></u>	<u><u>\$ 768,488</u></u>

Net position invested in capital assets, net of related debt, represent 68 percent of total net position and reflect ESTA's investment in capital assets (consisting mainly of buses and equipment). ESTA uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Unrestricted net position represents the remaining 32 percent that may be used to meet ESTA's ongoing obligations to staff members and creditors.

Net position may serve over time as a useful indicator of a government's financial position. In the case of ESTA, assets exceed liabilities by \$7,967,812 at the close of the most recent fiscal year. Besides capital assets, the most significant portion of ESTA's net position is \$3,288,337 of cash invested in the County's investment pool, and \$385,967 of accounts receivable. Cash and investments are maintained in the Inyo County's cash and investment pool where interest earned on ESTA's balance is apportioned to ESTA.

**EASTERN SIERRA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
JUNE 30, 2015**

CHANGES IN NET POSITION

	Business Type Activities		
	2015	2014	Change
Program revenues			
Fare revenues	\$ 1,720,918	\$ 1,776,616	\$ (55,698)
Local Transportation Fund	1,278,976	1,225,598	53,378
State Transit Assistance	304,192	-	304,192
Operating grants	538,769	521,644	17,125
Capital grants	1,196,248	1,104,488	91,760
Other program revenues	905,852	805,852	100,000
General revenues			
Interest and other revenues	123,404	39,988	83,416
Total revenues	<u>6,068,359</u>	<u>5,474,186</u>	<u>594,173</u>
Expenses			
Transit expense	<u>5,026,715</u>	<u>4,723,763</u>	<u>(302,952)</u>
CHANGE IN NET POSITION	1,041,644	750,423	291,221
Net position – beginning of year	<u>7,199,324</u>	<u>6,448,901</u>	<u>750,423</u>
Prior period adjustment	<u>(273,156)</u>	<u>-</u>	<u>(273,156)</u>
End of Year	<u>\$ 7,967,812</u>	<u>\$ 7,199,324</u>	<u>\$ 858,406</u>

Total revenues increased \$594,173 from FY13/14 to \$6,068,359 from the prior year. Significant increases were realized in State Transit Assistance (+\$304,192) due to the fact that all FY13/14 revenue was restricted to capital expenses that were not realized that fiscal year; Other Program Revenue due to the fact that revenue from the Bishop Paiute Tribe was recognized in Fare Revenues in previous years, and; Capital Grants due to additional revenues received for bus purchases. Transit Expense increased \$213,034 from FY13/14 to \$4,936,797. While fuel expense was down due \$100,025 due to lower cost per gallon, increases in salaries and benefits due to an increased number of benefitted positions; increased professional and special service expense due to a project to pave the Bishop yard and a short range transit plan; increased rent expense due to a full year of expanded facility rental in Mammoth Lakes; and, increased insurance expense due to premium increases resulted in the overall \$213,034 expense. Revenues and expenses were down from the original budget again in FY 2014/15 due to the record low snowfall and associated service reductions on the MMSA routes.

**EASTERN SIERRA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
JUNE 30, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

ESTA's investment in capital assets, as of June 30, 2015, amounts to \$5,037,972 (net of accumulated depreciation). This investment in capital assets is comprised of buses and equipment. The large increase from the prior years is due to a large Federal grant that was for the purchase of new buses.

Debt Administration

ESTA did not have any long-term obligations as of June 30, 2015.

FUTURE ECONOMIC ISSUES

- The State of California issued a directive in 2015 that ended the PEPRA transit exemption. As a result of this directive, ESTA's PERS expense for employees hired after January 1, 2013 will be reduced from 15% to 6.25% of wages. Based on information known at this time, these savings will continue into the future.
- The ESTA Board approved a Capital Replacement Policy in April of 2015 that establishes that the Authority shall allocate sufficient funds in a multi-year capital plan and in annual operating budgets for the acquisition of needed capital asset replacements. The Authority's FY2015/16 budget includes an allocation of \$186,300 for capital replacement funding. Based upon this policy, future budgets will include a capital replacement allocation.
- ESTA's health insurance program premiums will be increased by 15% in 2016. This increase results in a situation where the monthly premium for ESTA's 75% employment category employees comes very close to exceeding the allowable percentage of 9.5% of earnings under the Affordable Care Act. The Authority is monitoring this situation closely at this time, however, future significant health insurance premium increases may require additional expense to ESTA in order to maintain the employees' contribution below the 9.5% limit.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of ESTA's financial position for all interested parties. Questions concerning any information 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 - PROPRIETARY FUND
JUNE 30, 2015**

ASSETS

Current Assets:

Cash	\$ 3,288,337
Accounts receivable	385,967

Total current assets	3,674,304
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Capital assets, net of accumulated depreciation	5,037,972
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TOTAL ASSETS	8,712,276
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DEFERRED OUTFLOWS OF RESOURCES

Deferred pensions (note 7)	307,930
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LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable and accrued liabilities	244,003
Payroll liabilities	205,232
Non-current liability - Net pension liability (note 6)	413,616

Total liabilities	862,851
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DEFERRED INFLOWS OF RESOURCES

Deferred pensions (note 7)	189,543
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Net Position

Invested in capital assets, net	5,037,972
Unrestricted	2,929,840

Total net position	7,967,812
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TOTAL LIABILITIES AND NET POSITION	\$ 8,830,663
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The accompanying notes are an integral part of these financial statements

EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Operating revenues:	
Fare revenues	\$ 1,720,918
	<u>1,720,918</u>
Total operating revenues	<u>1,720,918</u>
Operating expenses:	
Salaries & benefits	2,464,066
Fuel	427,268
Vehicle maintenance	360,299
Professional & other services	157,799
Depreciation expense	1,087,784
Insurance	201,456
Rents	193,557
Miscellaneous expenses	17,132
Parts & supplies	52,255
Utilities	34,470
Advertising	30,629
	<u>5,026,715</u>
Total operating expenses	<u>5,026,715</u>
Operating income (loss)	<u>(3,305,797)</u>
Non-operating revenues and (expenses):	
Local Transportation Fund allocation	1,278,976
State transportation fund allocation	304,192
PTMISEA revenues	15,000
Operating grants	523,769
Capital grants	1,196,248
Operating assistance	905,852
Gain on sale of asset	57,993
Other revenues	65,411
	<u>4,347,441</u>
Total non-operating revenues and (expenses)	<u>4,347,441</u>
Change in net position	1,041,644
Beginning net position	<u>7,199,324</u>
Prior period adjustment (note 8)	<u>(273,156)</u>
Ending net position	<u>\$ 7,967,812</u>

The accompanying notes are an integral part of these financial statements

**EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Cash flows from operating activities:	
Receipts from customers	\$ 1,720,918
Other operating expenses	(1,466,306)
Payroll and related fringe benefits	<u>(2,446,771)</u>
Net cash (used in) operating activities	<u>(2,192,159)</u>
Cash Flows from non-capital financing activities:	
Local transportation fund allocation	1,278,976
State transit assistance allocation	304,192
Operating and capital grants	1,611,851
Operating assistance	905,852
Other revenues	<u>65,411</u>
Net cash provided by non-capital financing activities	<u>4,166,282</u>
Cash flows from capital and related financing activities:	
Proceeds from asset sales	57,993
Payments for capital assets	<u>(1,209,766)</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,151,773)</u>
Net increase in cash and cash equivalents	822,350
Cash and cash equivalents, beginning of year	<u>2,465,987</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,288,337</u></u>

The accompanying notes are an integral part of these financial statements

**EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

**Reconciliation of operating income (loss) to net cash
provided by (used) by operating activities:**

Operating income (loss) \$ (3,305,797)

Adjustments to reconcile operating income (loss) to net
cash provided (used) by operating activities:

Depreciation	1,087,784
Increase (decrease) in accounts payable and accrued liabilities	(13,514)
Increase (decrease) in payroll liabilities	17,295
Change in net pension liability	<u>22,073</u>

Net cash provided (used) by operating activities **\$ (2,192,159)**

The accompanying notes are an integral part of these financial statements

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 1: SIGNIFICANT ACCOUNTING POLICIES

A. THE REPORTING ENTITY

The Eastern Sierra Transit Authority (the Authority) 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", the Authority has reviewed criteria to determine whether other entities with activities that benefit the Authority 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 the Authority.

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

B. BASIS OF PRESENTATION

The accounts of the Authority are organized and operated on the basis of funds, each of which is considered an independent fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses, as appropriate. Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing transportation services to customers. The Authority's accounts are organized into the following fund types:

Proprietary Fund Type

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 assets available for future operations.

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued on and before November 30, 1989 are applied to proprietary operations unless they conflict with GASB pronouncements. The Authority has elected not to apply FASB statements issued subsequent to November 30, 1989.

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

Non-Operating Revenues – the Authority receives substantial funds that are not reported as operating revenues. For example, the Authority receives operating assistance from the Town of Mammoth Lakes. These funds are recognized as revenue when all applicable eligibility requirements are met. The Authority 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. The Authority 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 the Authority's main funding sources:

Passenger Revenue:

Passenger fares consist of fare charges to the users of the system.

Operating Assistance:

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

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Federal Transit Administration (FTA):

FTA revenues are funded by a federal gas tax and revenues of the federal general fund. The Authority receives Section 5311 and Section 5316 grants which are used for operations. In addition, the Authority has received funds from Sections 5310 and 5320 as well as American Recovery and Reinvestment Act of 2009 (ARRA) funds, which have been used for capital assistance.

Transportation Development Act (TDA):

TDA provides funding for public transit operators. This is also known as Local Transportation Fund (LTF) funding. This state fund is one quarter of a percent of the sales taxes assessed in the multi-jurisdictional region. The Inyo County and Mono County Local Transportation commissions are responsible for apportionment of these funds within both Inyo and Mono Counties. This funding is highly dependent on local economic activity.

State Transit Assistance (STA):

STA funding comes from the Public Transportation Act (PTA) which derives its revenue from the state sales tax on gasoline. These funds are designated as discretionary or formula. The former is appropriated by the legislature. The latter is a formula based on population and fares generated.

D. 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.

E. CASH AND EQUIVALENTS

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and equivalents.

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 the Authority's investment policy.

G. CAPITAL ASSETS

Capital assets are stated at historical cost. The cost of normal maintenance and repairs is charged to operations as incurred. 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	4 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 the Authority to capitalize all capital assets with an individual cost of more than \$5,000, and a useful life in excess of one year.

H. COMPENSATED ABSENCES

The Authority's policy allows employees to accumulate earned but unused comprehensive leave and compensated time off, which will be paid to employees upon separation from the Authority's service, subject to a vesting policy.

I. 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 the Authority uses restricted resources first.

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

K. 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.

L. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

The following Governmental Accounting Standards Board (GASB) Statements were implemented during the 2015 fiscal year:

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27 – The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the easurement Date – an amendment of GASB Statement No 27. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Note 2: CASH AND INVESTMENTS

Cash & investments consisted of the following at June 30, 2015:

Deposits held in the County of Inyo investment pool	\$ 3,224,952
Deposits held in financial institutions	63,285
Imprest cash	100
Total	<u>\$ 3,288,337</u>

A. CUSTODIAL CREDIT RISK

At June 30, 2015, the carrying amount of the deposits held at banks was \$63,285 and the bank balances totaled \$63,285. The bank balances are insured by the FDIC for \$250,000 and the remaining was collateralized, as required by California Government Code 53630, by the pledging financial institution with assets held in a common pool for the Authority and other

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 2: CASH AND INVESTMENTS (Continued)

governmental agencies. 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.

B. AUTHORIZED INVESTMENTS

California statutes authorize the Authority 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 the District'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.

C. 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. The Authority did not have a deposit or investment policy that addresses specific types of risks.

Required risk disclosures for the Authority's investment in the Inyo County Investment Pool at June 30, 2015 were as follows:

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 2: CASH AND INVESTMENTS (Continued)

C. CASH IN COUNTY TREASURY (Continued)

Credit Risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	320 days average maturity

The fair value of the Authority'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, 2015:

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2015</u>
Vehicles	\$8,270,822	\$1,196,582	\$(634,728)	\$8,832,676
Equipment	223,513	13,184	-	236,698
Buildings/structures	<u>53,655</u>	<u>-</u>	<u>-</u>	<u>53,655</u>
Total assets	8,547,990	1,209,766	(634,728)	9,123,029
Accumulated depreciation	<u>(3,631,999)</u>	<u>(1,087,784)</u>	<u>634,728</u>	<u>(4,085,055)</u>
Capital Assets, Net	<u>\$4,915,991</u>	<u>\$ 121,981</u>	<u>\$ -</u>	<u>\$5,037,972</u>

Depreciation expense was \$1,087,784 for the year ended June 30, 2015.

Note 4: LEASES

The Authority leases buildings and office facilities under non-cancelable operating leases. Total cost for such leases was \$36,133 for the year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 168,000
2017	150,000
2018	150,000
2019	150,000
2020	<u>150,000</u>
Total	<u>\$ 768,000</u>

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 5: FARE REVENUE RATIO

The Authority 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 the Authority is calculated as follows for the year ended June 30:

	2015
Fare Revenues	\$1,720,918
Total Revenues	1,720,918
Operating Expenses	5,026,715
Less Allowable Exclusions:	
Depreciation and Amortization	1,087,784
Net Operating Expenses	\$3,938,931
Fare Revenue Ratio	43.69%

Note 6: AUTHORITY EMPLOYEE’S RETIREMENT PLAN (DEFINED BENEFIT PLAN)

A. Plan Description

The Authority’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), 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 is established by State statutes within the Public Employee’s Retirement Law. The Authority 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.

B. Funding Policy

Active plan members in the Authority’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. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for 2014-15 were 15.611%, 11.032%, or 6.25% of covered payroll depending upon the retirement plan. 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, the Authority pays the plan members contribution on their behalf for employees hired on or before December 31, 2012.

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 6: AUTHORITY EMPLOYEE'S RETIREMENT PLAN (DEFINED BENEFIT PLAN)
(Continued)**

At June 30, 2015 the District reported a liability of \$413,616 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, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

For the fiscal year ended June 30, 2015 the District recognized pension expense of \$330,003 in its Government-Wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

C. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate/Rate of Return – 7.5%, net of investment expense
- Inflation Rate – 2.75%
- Salary increases – Varies by Entry Age and Service
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using CalPERS' Membership Data for all Funds

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2013.

The long-term expected rate of return on pension plan investments (7.5%) 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 6: AUTHORITY EMPLOYEE’S RETIREMENT PLAN (DEFINED BENEFIT PLAN)
(Continued)**

C. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	47.0%	5.71%
Global Fixed Income	19.0%	2.43%
Inflation Sensitive	6.0%	3.36%
Private Equity	12.0%	6.95%
Real Estate	11.0%	5.13%
Infrastructure and Forestland	3.0%	5.09%
Liquidity	2.0%	(1.05)%

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund’s fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.5%	1% Increase 8.5%
District’s proportionate share of the net pension plan liability	\$ 686,096	\$ 413,616	\$ 187,484

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 PERS.

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 7: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, the District recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the District that is applicable to a future reporting period.

The District has one item that is reportable on the Government-wide Statement of Net Position as Deferred Outflows of Resources which is related to pensions. The sum total is \$307,930.

The District also recognized deferral inflows of resources in the government-wide financial statements. This is an acquisition of net position by the District that is applicable to a future reporting period. The District has one item related to pensions that is captured as a deferred inflow of resources. The sum total at year-end was \$189,543.

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period.

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$307,930 was reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year-end June 30, 2016.

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

Year Ending June 30,	Amount
2016	\$ 55,621
2017	55,621
2018	50,132
2019	28,169
Total	\$ 189,543

Note 8: PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded in the financial statements in an amount totaling \$273,156 to decrease the beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability.

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through December 22, 2015, the date the basic financial statements, were available to be issued, require adjustment to, or disclosure in the basic financial statements. No events were found to have occurred that would materially affect the carrying balances of assets and liabilities at the balance sheet date out of the ordinary course of business operations.

**EASTERN SIERRA TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
FOR THE YEAR ENDED JUNE 30, 2015**

Eastern Sierra Transit Authority – Schedule of the Authority’s proportionate share of the Net Pension Liability:

Last 10 Fiscal years*:

	<u>FY 2014</u>
District’s proportion of the net pension liability	Varies by plan
District’s proportionate share of the net pension liability	\$ 413,616
District’s covered employee payroll	1,366,206
District’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.27%
Plan Fiduciary net position as a percentage of the total pension liability	79.87%

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

CALPERS - Schedule of District contributions

Last 10 Fiscal Years*:

	<u>FY 2014</u>
Actuarially determined contribution	\$ 115,464
Total actual contributions	(115,464)
Contribution deficiency (excess)	<u>\$ -</u>
District’s covered-employee payroll	\$ 1,366,206
Contributions as a percentage of covered employee payroll	8.45%

OTHER REPORTS

**EASTERN SIERRA TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Grantor/Pass-through Grantor/Program Name	Federal CFDA Number	Contract Number	Period	Contract Amount	Federal Expenditures
<u>CALIFORNIA DEPARTMENT OF TRANSPORTATION</u>					
<u>FEDERAL DEPARTMENT OF TRANSPORTATION</u>					
FTA Section 5311 Apportionment	20.509	SA# 6414138	7/1//13 - 3/31//15	\$	124,623 *
FTA Section 5311 Apportionment	20.509	SA# 6414137	7/1//13 - 3/31//15		95,432 *
FTA Section 5311(f)	20.509	SA # 643456	7/1/14-6/30/15		179,227 *
FTA Secion 5316 Job Access and Reverse Comr	20.516	SA #643618	10/1/13- 6/30/15		27,930
FTA Secion 5316 Job Access and Reverse Comr	20.516	SA #643632	1/1/14-7/31/15		38,534
FTA Sction 5317 New Freedom	20.516	SA #643706	10/1/13- 10/31/16		13,608
FTA Secion 5316 Job Access and Reverse Comr	20.516	SA #643600	10/1/13- 01/30/15		682
FTA Section 5311	20.516	SA #640187	2/1/11-12/31/18		24,692
Totals					<u>\$ 504,728</u>

* - Denotes a major program

Note 1 - This schedule includes the federal grant activity of the Eastern Sierra Transit Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S 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

Members of the 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 which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Eastern Sierra Transit Authority'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 the Eastern Sierra Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Eastern Sierra Transit Authority's internal control.

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

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.

Members of the Board of Directors
Eastern Sierra Transit Authority
Bishop, California

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fechter & Company, Certified Public Accountants

A handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style.

Sacramento, California
December 22, 2015

**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
TRANSPORTATION COMMISSION**

Members of the Board of Directors
Eastern Sierra Transit Authority
Bishop, California

We have audited the financial statements of the Eastern Sierra Transit Authority as of and for the years ended June 30, 2015 and have issued our report thereon dated December 22, 2015. 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.

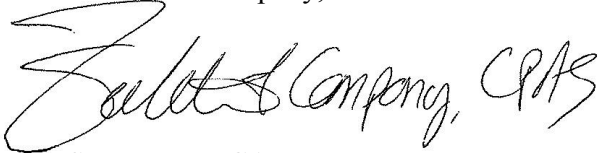
Members of the Board of Directors
Eastern Sierra Transit Authority
Bishop, California

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, 2015, the Authority received proceeds of \$15,000 of PTMISEA funds from the Mono County LTC to purchase a pressure washer in Mammoth Lakes, CA

This report is intended solely for the information and use of the Eastern Sierra Transit Authority, the Mono and Inyo County Local Transportation Commissions, 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.

Fechter & Company, Certified Public Accountants

A handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is stylized and cursive.

Sacramento, CA
December 22, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Directors
Eastern Sierra Transit Authority
Bishop, California

Compliance

We have audited the Eastern Sierra Transit Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Eastern Sierra Transit Authority's major federal programs for the year ended June 30, 2015. The Eastern Sierra Transit Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our Responsibility is to express an opinion for each of the Eastern Sierra Transit Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Eastern Sierra Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the Eastern Sierra Transit Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Eastern Sierra Transit Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Members of the Board of Directors
Eastern Sierra Transit Authority
Bishop, California

Report on Internal Control Over Compliance

Management of the Eastern Sierra Transit Authority is responsible for establishing and maintaining an effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Eastern Sierra Transit Authority's internal control over compliance with the types of requirements that could have direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Eastern Sierra Transit Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct a material noncompliance with a compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Fechter & Company, Certified Public Accountants



Sacramento, California
December 22, 2015

**EASTERN SIERRA TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No
- Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>Program Title</u>	<u>CFDA Number</u>
Non-Urbanized Area Formula Program Grant	20.509

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee No