Financial Statements
September 30, 2018

Valley Regional Transit

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Independent Auditor's Report

To The Board of Directors
Valley Regional Transit
Meridian, Idaho

Report on the Financial Statements
We have audited the accompanying financial statements of Valley Regional Transit (VRT) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise VRT's basic financial statements as listed in the table of contents.

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

Auditor's 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 Audit Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the schedules of employer's share of net pension liability and employer contributions as listed in the table of contents, 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 or 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.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basis financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basis financial statements in an appropriate operation, economic, or historical context. Our opinion on the basis financial statements is not affected by the missing information.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise VRT's financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019 on our consideration of VRT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 VRT'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 VRT's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
January 25, 2019

Assets	
Cash and cash equivalents	$ 830,490
Accounts receivable	
Federal receivable	694,932
Dues and capital commitments receivable	171,618
Other receivable	48,558
Prepaid expenses	79,735
Inventories	440,044
Capital assets	
Construction in process	202,278
Land	1,210,000
Office equipment	731,147
Software	1,961,251
Machinery and equipment	770,773
Vehicles	21,196,814
Buildings and improvements	26,802,123
Accumulated depreciation	(21,030,728)
Total assets	34,109,035
Deferred Outflows of Resources	
Deferred net pension	181,177
Liabilities	
Accounts payable and other accrued expenses	921,026
Accrued payroll and benefits	646,271
Unearned revenue	384,581
Net pension liability	646,919
Total liabilities	2,598,797
Deferred Inflows of Resources	
Deferred net pension	128,934
Net Position	
Investment in capital assets	31,843,658
Unrestricted	(281,177)
Total net position	$ 31,562,481

Operating Revenues	
Directly generated funds	$ 1,004,820
Auxiliary transportation funds	127,716
Federal funds	5,618,435
Local funds	8,209,506
Total operating revenues	14,960,477
Operating Expenses	
Salaries and fringe benefits	9,510,007
Professional services	1,863,984
Materials and supplies	1,397,595
Utilities	254,862
Casualty and liability insurance	518,121
Miscellaneous	593,621
Lease and rental	148,954
Non-capital expenditures	2,950,642
Purchased transportation	1,072,048
Depreciation	2,949,329
Total operating expenses	21,259,163
Operating Loss	(6,298,686)
Nonoperating Revenue and Expense	
Federal capital grants	3,578,160
Local capital grants	339,134
Other income	221,660
Interest expense	(306)
Total nonoperating revenue, net	4,138,648
Change in Net Position	(2,160,038)
Net Position, Beginning of Year	33,722,519
Net Position, End of Year	$ 31,562,481

Operating Activities	
Receipts from customers and users	$ 1,352,590
Receipts from federal government	5,827,900
Receipts from local government	8,249,115
Payments to suppliers	(8,807,566)
Payments to employees	(9,475,203)
Net Cash used for Operating Activities	(2,853,164)
Investing Activities	
Net interest received on cash and cash equivalents	221,354
Net Cash from Investing Activities	221,354
Capital and Related Financing Activities	
Receipts of capital grants	3,917,294
Purchase of capital assets	(477,925)
Proceeds from sale of capital assets	200
Net Cash from Capital and Related Financing Activities	3,439,569
Net Change in Cash and Cash Equivalents	807,759
Cash and Cash Equivalents, Beginning of Year	22,731
Cash and Cash Equivalents, End of Year	$ 830,490
Reconciliation of Operating Loss to Net Cash used for Operating Activities	
Operating loss	$ (6,298,686)
Adjustment to reconcile operating loss to net cash used for operating activities	
Depreciation	2,949,329
GASB 68 actuarial pension expense	(16,083)
Changes in assets and liabilities	
Accounts receivable	276,772
Inventories	5,950
Prepaid expenses	39,745
Accounts payable	(53,434)
Accrued expenses	50,887
Unearned revenue	192,356
Net Cash used for Operating Activities	$ (2,853,164)

Note 1 - Summary of Significant Accounting Policies

The financial statements of Valley Regional Transit (VRT) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting and reporting policies and practices used by VRT are described below.

Reporting Entity

VRT is an enterprise fund created by a vote of Ada and Canyon County voters. VRT is the regional public transportation authority responsible for the short and long-term planning and operations of the regional transit system. The VRT Board of Directors consists of 24 appointed representatives from incorporated cities, counties and highway districts in Ada and Canyon Counties, plus one representative from Capital City Development Corporation, one representative from Meridian Development Corporation, one representative from Idaho Department of Transportation and one representative from Boise State University.

VRT entered into a contract with Transit Management of Ada County (TMAC) and Transit Management of Canyon County (TMCC), wholly-owned subsidiaries of First Transit Corporation, for operation of the Ada County transit system and the Canyon County transit system, respectively. Under this model, TMAC and TMCC are responsible for all operational and personnel decisions for operations. TMAC and TMCC perform all payroll and human resource functions, issue standard purchase orders, approve accounts payable, manage inventory and maintain separate bank accounts for the operations. TMAC and TMCC enter all approved purchase orders and accounts payable into the Fleetnet system, which is the overall financial information system for VRT. VRT generates all accounts payable payments which are approved by the Board of Directors and signed by authorized signatories within VRT. VRT transfers funds to the TMAC and TMCC payroll accounts on a bi-weekly basis to cover incurred personnel expenses. The results of all financial and personnel transactions are reflected in VRT's financial statements. TMAC and TMCC are responsible for remittance and reporting of all employer related payroll expenses.

The financial statements for VRT include all organizations for which VRT is financially accountable, and other organizations for which the nature and significance of their relationships with VRT are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no such organizations included in the current year.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

VRT is accounted for and reported as a proprietary-type enterprise fund, using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred, regardless of the timing of cash flows. The statement of net position and the statement of revenues, expenses, and change in net position display information about VRT. These statements include the financial activity of the overall reporting entity. These statements report all activities of VRT as a business type activity. Operations are financed from Federal grant monies, local contributions, advertising and fares.

When both restricted and unrestricted resources are available for use, it is VRT's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of VRT are user charges to customers, local contributions, dues, and operating grants. Operating expenses for VRT include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, VRT considers all highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Receivables are due from city and federal governments for capital commitment contributions, fuel rebates, and federal grants. Based on experience, no allowance for uncollectible accounts has been established as of September 30, 2018. It is reasonably possible that this estimate will change in the near future of the date of the financial statements.

Prepaids
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the financial statements.

Inventories

Inventories are stated at average cost (first-in, first-out). Inventories consist of spare parts and equipment held for consumption. The cost is recorded as an expense at the time individual inventory items are used.

Capital Assets

The policy of VRT is to capitalize all property, such as land, buildings, and equipment with a cost equal to or greater than $5,000, and a useful life of one or more years. All capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend an asset's life is not capitalized.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the results of operations in the period of disposal.

The estimated useful lives of fixed assets are as follows:

Office equipment	3-15 years
Software	3 years
Machinery and equipment	5-15 years
Vehicles	3-15 years
Buildings and improvements	10-45 years

Deferred Outflows/Inflows of Resources

The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. VRT has one item that qualifies for reporting in this category: the deferred outflows related to the net pension liability reported on the statement of net position. The deferred net pension results from changes in assumptions or other inputs, changes in VRT's proportion and VRT's contributions and proportionate share of contributions, and the net difference between projected and actual earnings on pension plan investments in the actuarial calculation of VRT's net pension liability.

The statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. VRT has one item that qualifies for reporting in this category: the deferred inflows related to the net pension liability. The deferred net pension results from the differences between the expected and actual experience and the net difference between projected and actual earnings on pension plan investments derived from the actuarial calculation of VRT's net pension liability.

Accrued Compensated Absences

Accumulated unpaid vacation and compensatory time amounts are accrued and charged to expenses when earned. Terminated employees are paid out their unused vacation without stipulation except for TMCC terminated employees who are not paid for unused vacation unless they have 10 years of service or are over 62 years of age at the date of termination.

Sick pay amounts are charged to expenses when used. Terminated employees are not paid for unused sick time unless they are over 60 years of age at the date of termination (VRT employee) or unless they have 15 years of service or are over 60 years of age at the date of termination (TMAC employee), in which case they are eligible to receive 50% of their sick pay balance. Terminated TMCC employees are not paid for unused sick time.

Net Position

VRT classifies net position, revenues and other support based on the existence or absence of grantor-imposed restrictions. Accordingly, net position of VRT and changes therein are classified and reported as follows:

Investment in Capital Assets – This represents VRT's total investment in capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this section.

Unrestricted Net Position – Net position not subject to grantor-imposed stipulations or received with restrictions that were satisfied in the same period.

Risk Management

VRT is exposed to various risks of loss related to theft of, damage to, or destruction of assets. VRT participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for liability insurance. VRT's exposure to loss from its participation in ICRMP is limited only to the extent of their deductible.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net position and disclosures regarding contingent assets and liabilities. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Cash and Cash Equivalents

Financial instruments which potentially subject VRT to concentration of credit risk consist principally of cash and sweep accounts. VRT maintains its cash and sweep accounts in one commercial bank.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, VRT will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All deposits greater than the FDIC insurance coverage were subject to custodial credit risk. VRT has a written policy limiting custodial credit risk through preauthorization of financial institutions. Accounts at the commercial bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank.

A summary of the total insured and uninsured bank balances follows:

Total cash in bank	$ 886,006
Portion insured by	
FDIC	(250,000)
Collateralized held by Wells Fargo, pledged to VRT	(241,565)
Uninsured and uncollateralized cash	$ 394,441

Note 3 - Capital Assets

The following presents capital asset activity for the year ended September 30, 2018.

	Balance October 1, 2017	Additions	Deletions	Transfers	Balance September 30, 2018
Non-depreciable					
Construction in process	$ 56,657	$ 145,621	$ -	$ -	$ 202,278
Land	1,210,000	-	-	-	1,210,000
Depreciable					
Office equipment	722,856	8,291	-	-	731,147
Software	1,961,251	-	-	-	1,961,251
Machinery and equipment	724,423	84,216	(37,866)	-	770,773
Vehicles	21,082,203	193,493	(78,882)	-	21,196,814
Building and improvements	26,755,819	46,304	-	-	26,802,123
Total capital assets	52,513,209	477,925	(116,748)	-	52,874,386
Accumulated depreciation	(18,197,947)	(2,949,329)	116,548	-	(21,030,728)
Net capital assets	$ 34,315,262	$ (2,471,404)	$ (200)	$ -	$ 31,843,658

Note 4 - Defined Contribution Plan

TMAC provides for a non-discretionary 401(k) contribution of 7.5% of eligible compensation to TMAC eligible employees. To participate, the TMAC employee must have completed three months of continuous service. The 401(k) plan allows employee deferred pre-tax and Roth contributions. The maximum contribution amount to the plan is 100% of compensation less any mandatory income and payroll tax withholding or the IRS prescribed amount, whichever is less.

TMCC provides for a 401(k) plan that all ATU Bargaining Unit employees who have completed three months of service can contribute to a pre-tax and a Roth contribution up to 100% of compensation less any mandatory income and payroll tax withholding or the IRS prescribed amount, whichever is less. TMCC will offer matching contributions of $0.50 for each $1.00 an employee contributes, up to a maximum of 50% of the first 6% of the employee's pay.

During the year ended September 30, 2018, VRT reimbursed TMAC and TMCC for contributions of $300,771 to the plans that are managed by Empower Retirement and Quorum Financial.

Note 5 - Defined Benefit Pension Plan

Plan Description

Valley Regional Transit contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2018, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. VRT's contributions were $162,701 for the year ended September 30, 2018.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, VRT reported a liability 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 that date. VRT’s proportion of the net pension liability was based on VRT’s share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2018, VRT’s proportion was .000438584 percent.

For the year ended September 30, 2018, VRT recognized pension expense of $146,618. At September 30, 2018, VRT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 71,013	$ 48,858
Changes in assumptions or other inputs	42,095	-
Net difference between projected and actual earnings on pension plan investments	-	71,876
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	29,931	8,200
VRT's contributions subsequent to the measurement date	38,138	-
Total	$ 181,177	$ 128,934

The $38,138 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017, the beginning of the measurement period ended June 30, 2018, is 4.8 for the measurement period June 30, 2018.

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

Year ended September 30:	
2019	$ 69,464
2020	14,355
2021	(54,590)
2022	(15,124)
	$ 14,105

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	
Inflation	3.00%
Salary increases including inflation	3.75%
Investment rate of return	7.05%, net of pension plan investment expenses
Cost-of-living adjustments	1.00%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back three years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period 2013 through 2017 for the PERSI Base Plan, which reviewed all economic and demographic assumptions. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date July 1, 2018.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of the System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

The capital market assumptions are:

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Stardard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investments Expenses		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%

Valuation Assumptions Chosen by PERSI Board	
Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	**7.05%**

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for administrative expense.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Employer's proportionate share calculated using the discount rate of 7.05%, as well as what the Employer's proportionate share of the liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	$ 1,619,385	$ 646,919	$ (158,322)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the Pension Plan

At September 30, 2018, VRT had reported payables to the defined benefit pension plan of $6,371 for legally required employer contributions, $3,821 for legally required employee contributions, and $1,736 for the PERSI Choice 401(k) of which had been withheld from employee wages but not yet remitted to PERSI.

Defined Contribution – PERSI Choice 401(k)

Employees of VRT participating in the PERSI Base Plan may enroll in the PERSI Choice 401(k) defined contribution retirement savings plan available to active members. Participation is voluntary. The PERSI Choice 401(k) is intended to be a government plan within the meaning of Code Section 414 (d) and within the meaning of section 3(32) of the Employee Retirement Income Security Act (ERISA) and as such, is exempt from provisions of Title I ERISA. VRT does not match participants' contributions in the PERSI Choice 401(k). A participant shall be 100% vested in their individual account at all times. The authority of the benefit and contribution terms are established and amended by the PERSI Board. VRT recognized $44,105 contributions to the PERSI Choice 401(k) as benefits expense during the year ended September 30, 2018.

Note 6 - Lease Commitments

Under the transfer agreement with the City of Boise, VRT assumed lease payments for the vehicle maintenance facility renewed effective October 1, 2015 and expires September 30, 2045. Monthly lease payments are $11,805 beginning October 1, 2017. Subsequent to October 1, 2017, base rent payments increase annually based on the Consumer Price Index.

VRT entered a lease agreement effective September 1, 2018, for the use of a facility in the operations of the Boise Bike Share Program. The lease is a three-year lease, with monthly payments of $2,300.

VRT is also in a lease agreement for copiers for 39 months starting in September of 2018. The monthly payments are $1,917.

Minimum lease payments are as follows:

2019	$ 152,144
2020	154,705
2021	155,031
2022	115,170
2023	112,179
Thereafter	3,327,866
	$ 4,017,095

Total rent expense was $140,769 for the year ended September 30, 2018.

Note 7 - Concentrations

Concentration by revenue source. Approximately 48% of VRT's total revenue for the year ended September 30, 2018, was derived from contracts with the Federal government, and 81% of the local revenue came from the City of Boise.

Note 8 - Self-Insurance

TMAC established a partially self-funded health plan for its employees. The employees are responsible for the first $250 of their deductible. TMAC is responsible for the remainder of the deductible up to the $2,000 out-of-pocket limit. The employee is responsible for all further claims not covered by the insurance. The health care plan is administered by Blue Cross of Idaho and they are responsible for the approval, processing and payment of claims.

At September 30, 2018, VRT has reported a liability of $69,364, which represents amounts payable by VRT towards the employee's deductible for claims incurred as of the end of the year but not paid by VRT as of that date.

Note 9 - Related Party

The Board of VRT is made up of representatives from member organizations that pay dues to VRT as a part of the local match requirement on federal grants.

Required Supplementary Information
September 30, 2018

Valley Regional Transit

Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years*

	2015	2016	2017	2018
Employer’s portion of the net pension liability	0.000439740	0.000443322	0.000445219	0.000438584
Employer’s proportionate share of the net pension liability	$ 579,066	$ 699,808	$ 699,808	$ 646,919
Covered payroll	$ 1,231,700	$ 1,296,576	$ 1,425,209	$ 1,411,082
Employer’s proportional share of the net pension liability as a percentage of its covered payroll	47.01%	53.97%	49.10%	45.85%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	87.26%	90.68%	91.69%

Data reported is measured at the measurement date which is as of June 30 of each year.

Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years*

	2015	2016	2017	2018
Statutorily required contribution	$ 138,531	$ 152,675	$ 150,283	$ 162,701
Contributions in relation to the statutorily required contribution	$ (140,279)	$ (150,744)	$ (145,075)	$ (170,757)
Contribution (deficiency) excess	$ 1,748	$ (1,931)	$ (5,208)	$ 8,056
Covered payroll	$ 1,223,775	$ 1,348,714	$ 1,350,824	$ 1,437,288
Contributions as a percentage of covered payroll	11.46%	11.18%	10.74%	11.88%

Data reported is measured as of September 30 of each year.

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, Valley Regional Transit will present information for those years for which information is available.

Federal Awards Reports in Accordance with the Uniform Guidance

September 30, 2018

Valley Regional Transit

Federal/Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Expenditures	Amounts Passed Through to Subrecipients
Direct from U.S. Department of Transportation				
Formula Grants	20.507	N/A	$ 8,102,058	$ 2,882,475
Bus and Bus Facilities Formula Program	20.526	N/A	73,508	-
Capital Improvement Grants	20.500	N/A	173,166	173,166
Total Federal Transit Cluster			8,348,732	3,055,641
Direct from U.S. Department of Transportation				
New Freedom Program	20.521	N/A	136,169	-
Pass through from Idaho Department of Transportation				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	631,630	-
Total Transit Services Cluster			767,799	-
Pass through from Idaho Department of Transportation				
Formula Grants for Rural Areas	20.509	ID18042	170,887	170,887
Total U.S. Department of Transportation			$ 9,287,418	$ 3,226,528

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Valley Regional Transit (VRT) under programs of the federal government for the year ended September 30, 2018. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of VRT, it is not intended to and does not present the financial position, changes in net position, or cash flows of VRT.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the cash basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

VRT has not elected to use the 10% de minimis cost rate.

CPAs & BUSINESS ADVISORS

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*

The Board of Directors
Valley Regional Transit
Meridian, Idaho

We have audited, 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, the financial statements of Valley Regional Transit (VRT) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise VRT's basic financial statements, and have issued our report thereon dated January 25, 2019.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered VRT'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VRT's internal control. Accordingly, we do not express an opinion on the effectiveness of VRT'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 VRT'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency. See finding 2018-001.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether VRT'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*.

VRT's Response to Findings
VRT's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. VRT'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 VRT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VRT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
January 25, 2019

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Directors
Valley Regional Transit
Meridian, Idaho

Report on Compliance for Each Major Federal Programs
We have audited Valley Regional Transit's (VRT) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of VRT's major federal programs for the year ended September 30, 2018. VRT's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for each of VRT's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about VRT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of VRT's compliance.

Opinion on the Major Federal Program
In our opinion, VRT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2018.

Report on Internal Control over Compliance
Management of VRT is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered VRT's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of VRT's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See finding 2018-002.

VRT's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. VRT management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Eide Bailly LLP

Boise, Idaho
January 25, 2019

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 not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
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 Uniform Guidance 2 CFR 200.516?	Yes

Identification of major programs:

Name of Federal Program	CFDA Number
Federal Transit Cluster	
Dept. of Transportation – Capital Improvement Grants	20.500
Dept. of Transportation – Formula Grants	20.507
Dept. of Transportation – Bus and Bus Facilities Formula Program	20.526
Transit Services Cluster	
Dept. of Transportation – Enhanced Mobility of Seniors and Individuals with Disabilities	20.513
Dept. of Transportation – New Freedom Program	20.521

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2018-001
Financial Statement Preparation
Significant Deficiency in Internal Control

Criteria:
Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited.

Condition:
Eide Bailly, LLP prepared the financial statements using the trial balance accounts and figures obtained during our audit procedures. This preparation included the statement of net position; statement of revenues, expenses, and change in net position; cash flow statements; and other supplementary information.

Cause:
VRT did not have the time and resources to prepare the financial statements.

Effect:
Management must rely on the auditing firm to report financial data reliably in accordance with generally accepted accounting principles. Although the circumstance is not unusual for an organization of your size, the absence of controls over the preparation of financial statements increase the possibility that a misstatement of the financial statements could occur and not be prevented or detected and corrected by VRT's internal control.

Recommendation:
Management should consider filling the vacant Finance Director position with a person with the qualifications and education necessary to prepare GAAP compliant financial statements, disclosures and required supplementary information.

Views of Responsible Officials:
Valley Regional Transit experienced an unplanned staffing change when our finance director left the organization in mid-November. In addition, our long-term accounting manager retired just prior to the end of the audit period. This left VRT temporarily without the technical expertise to complete the financial statements. VRT has hired a controller to replace the finance director. The controller will begin January 22, 2019. This person will have the technical expertise to meet the internal control requirements in this area.

Section III - Federal Award Findings and Questioned Costs

2018-002
Direct Programs – Department of Transportation
CFDA #20.500, 20.507, 20.526
Federal Transit Cluster

Special Tests and Provisions: Wage Rate Requirements
Significant Deficiency in Internal Control over Compliance

Criteria:
For each construction contract and subcontract greater than $2,000 covered by the Wage Rate Requirements, the contractors or subcontractors are required to submit the required certified payroll reports for each week in which work was performed.

Condition:
During our testing of the Wage Rate Requirement, one contractor out of three did not submit all weekly certified payroll reports to Valley Regional Transit.

Cause:
Valley Regional Transit did not have a control in place to ensure that all required weekly certified payroll reports were received.

Effect:
Valley Regional Transit is out of compliance with the Wage Rate Requirement.

Questioned Costs:
None Reported

Context/Sampling:
A nonstatistical sample of projects from 3 vendors out of 15 vendors were selected for special tests and provisions testing.

Repeat Finding from Prior Year:
Yes, prior year finding 2017-001

Recommendation:
Management should implement a control process to ensure that all weekly wage reports are submitted for each contractor or subcontractor.

Views of Responsible Officials:
Valley Regional Transit developed and submitted an internal control process to the Federal Transit Administration in September 2018. The issues found in the audit were from projects that occurred prior to the process being developed. The operations director, the staff responsible for overseeing contractors, is reviewing invoices for all contractors to determine they are following the procedures.