

**County of Nevada Transit Services Fund and  
RSTP and PTMISEA Expenditure Reports**

**Nevada City, California**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS

**June 30, 2017 and 2016**



# County of Nevada Transit Services Fund

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June 30, 2017 and 2016

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Supervisors  
County of Nevada  
Nevada City, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Transit Services Fund of the County of Nevada (the County), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 County'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.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transit Services Fund of the County of Nevada, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

**Emphasis of Matter** As discussed in note 1, the financial statements present only the Transit Services Fund and do not purport to, and do not, present fairly the financial position of the County of Nevada, as of June 30, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Information** Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Transit Services Fund's basic financial statements. The Statement of Revenues, Expenses, and Changes in Net Position - By Operation listed in the table of contents in the supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Revenues, Expenses, and Changes in Net Position - by Operation 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 Statement of Revenues, Expenses, and Changes in Net Position - By Operation is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018, on our consideration of the County's internal control over financial reporting as it relates to the Transit Services Fund 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 County's internal control over financial reporting and compliance as it relates to the Transit Services Fund.



February 20, 2018  
Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Redding, California

## **FINANCIAL SECTION**

**County of Nevada Transit Services Fund**  
**STATEMENTS OF NET POSITION**

June 30	2017	2016
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,602,949	\$ 1,454,590
Accounts receivable	1,201	537
Due from other agencies	494,930	119,033
<b>Total Current Assets</b>	<b>2,099,080</b>	<b>1,574,160</b>
<b>Noncurrent Assets</b>		
Restricted cash - insurance reserve	79,605	78,706
Depreciable capital assets - net	2,454,388	2,880,406
<b>Total Noncurrent Assets</b>	<b>2,533,993</b>	<b>2,959,112</b>
<b>Total Assets</b>	<b>4,633,073</b>	<b>4,533,272</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows from pensions	360,811	172,578
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 4,993,884</b>	<b>\$ 4,705,850</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 116,813	\$ 103,780
Accrued salaries and benefits	39,279	34,661
Due to other agencies	124,098	83,226
Compensated absences - current	13,043	16,420
Unearned revenue	2,665,837	2,015,945
<b>Total Current Liabilities</b>	<b>2,959,070</b>	<b>2,254,032</b>
<b>Noncurrent Liabilities</b>		
Compensated absences - net	56,907	46,548
Other post-employment benefits	76,793	70,199
Net pension liability	1,815,972	1,715,926
<b>Total Noncurrent Liabilities</b>	<b>1,949,672</b>	<b>1,832,673</b>
<b>Total Liabilities</b>	<b>4,908,742</b>	<b>4,086,705</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows from pensions	19,105	123,549
<b>Net Position</b>		
Net investment in capital assets	2,454,388	2,880,406
Restricted for insurance claims	79,605	78,706
Unrestricted	(2,467,956)	(2,463,516)
<b>Total Net Position</b>	<b>66,037</b>	<b>495,596</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 4,993,884</b>	<b>\$ 4,705,850</b>

*The accompanying notes are an integral part of these financial statements.*

# County of Nevada Transit Services Fund

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30	2017	2016
<b>Operating Revenues</b>		
Passenger fares	\$ 307,534	\$ 319,030
Contributions from other agencies	74,927	73,240
Other operating revenues	4,413	3,150
<b>Total Operating Revenues</b>	<b>386,874</b>	<b>395,420</b>
<b>Operating Expenses</b>		
Salaries and benefits	1,109,810	731,458
Professional services	1,586,346	1,522,345
Maintenance, supplies, and utilities	393,438	400,747
Insurance and claims payments	74,749	41,926
Administration and overhead	140,715	134,964
Rent	27,964	24,401
Depreciation	471,404	278,611
<b>Total Operating Expenses</b>	<b>3,804,426</b>	<b>3,134,452</b>
<b>Operating (Loss)</b>	<b>(3,417,552)</b>	<b>(2,739,032)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Local Transportation funds	2,033,157	1,153,510
State transit assistance	379,190	379,190
FTA section 5311	449,352	886,585
Prop 1B - PTMISEA	6,772	11,210
LCTOP Funds	18,249	17,711
Net interest income (expense)	16,116	12,813
Gain (loss) on disposal of capital assets	36,448	675
Other revenues	3,323	4
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,942,607</b>	<b>2,461,698</b>
<b>Income (Loss) Before Contributions</b>	<b>(474,945)</b>	<b>(277,334)</b>
<b>Contributions</b>		
Prop 1B - PTMISEA capital contributions	45,386	1,292,095
<b>Total Contributions</b>	<b>45,386</b>	<b>1,292,095</b>
<b>Change in Net Position</b>	<b>(429,559)</b>	<b>1,014,761</b>
<b>Total Net Position - Beginning of Year</b>	<b>495,596</b>	<b>(519,165)</b>
<b>Total Net Position - End of Year</b>	<b>\$ 66,037</b>	<b>\$ 495,596</b>

The accompanying notes are an integral part of these financial statements.



**County of Nevada Transit Services Fund**  
**STATEMENTS OF CASH FLOWS**

Years Ended June 30	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 386,210	\$ 395,687
Payments to employees	(1,284,248)	(1,227,508)
Payments to suppliers	(2,210,179)	(2,191,264)
<b>Net Cash Used by Operating Activities</b>	<b>(3,108,217)</b>	<b>(3,023,085)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local Transportation Funds allocations	2,065,192	1,953,419
State Transit Assistance allocations	379,190	379,190
Federal operating assistance allocations	-	886,585
Other grant proceeds and revenues	124,712	49,961
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>2,569,094</b>	<b>3,269,155</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital grants	681,203	600,153
Purchases of capital assets	(45,386)	(1,292,095)
Proceeds from sale of capital assets	36,448	675
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<b>672,265</b>	<b>(691,267)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earnings on investments	16,116	12,813
<b>Net Cash Provided by Investing Activities</b>	<b>16,116</b>	<b>12,813</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>149,258</b>	<b>(432,384)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>1,533,296</b>	<b>1,965,680</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 1,682,554</b>	<b>\$ 1,533,296</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 1,602,949	\$ 1,454,590
Restricted cash - insurance reserve	79,605	78,706
<b>Total Cash and Cash Equivalents</b>	<b>\$ 1,682,554</b>	<b>\$ 1,533,296</b>

*The accompanying notes are an integral part of these financial statements.*

# County of Nevada Transit Services Fund

## STATEMENTS OF CASH FLOWS

(Continued)

Years Ended June 30	2017	2016
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (3,417,552)	\$ (2,739,032)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	471,404	278,611
Changes in assets and liabilities:		
Accounts receivable	(664)	267
Deferred outflows from pensions	(188,233)	53,626
Accounts payable	13,033	(66,881)
Accrued salaries and benefits	4,618	10,801
Compensated absences	6,982	7,854
Other post-employment benefits	6,594	(544)
Net pension liability	100,045	(367,137)
Deferred inflows from pensions	(104,444)	(200,650)
<b>Net Cash (Used) by Operating Activities</b>	<b>\$ (3,108,217)</b>	<b>\$ (3,023,085)</b>

*The accompanying notes are an integral part of these financial statements.*

# County of Nevada Transit Services Fund

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Transit Services Fund of the County of Nevada (the County), California, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies are described below.

**Reporting Entity** The Transit Services Fund receives allocations from the Nevada County Transportation Commission (the Commission) to operate and provide public transit services in the western portion of the County of Nevada, the City of Grass Valley, and the City of Nevada City.

The financial statements are intended to reflect the financial position, results of operations, cash flows, and compliance of the Transit Services Fund with the laws, rules, and regulations of the Transportation Development Act (the TDA). They do not present the financial position of the County as of June 30, 2017 and 2016, and the changes in its financial position and cash flows, thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis of Presentation** The accounts of the Transit Services Fund are organized and operated on the fund accounting basis and the fund is considered to be a separate accounting entity. The operations of the Transit Services Fund are accounted for with a separate set of self-balancing accounts that comprise the Transit Services Fund's assets, liabilities, net position, revenues, and expenses.

**Measurement Focus and Basis of Accounting** The activities of the Transit Services Fund are recorded in an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector, in which a fee is charged to external users for goods and services. Enterprise funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

Enterprise 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 an enterprise fund's principal ongoing operations. The principal operating revenues of the Transit Services Fund are charges to customers for services, including the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Grants** Grant revenues and receivables are recorded when all eligibility requirements have been met. Grant sources include Local Transportation Fund (LTF) and State Transit Assistance (STA). LTF and STA were created by the State Legislature under the Transportation Development Act.

**Cash and Cash Equivalents** The Transit Services Fund follows the cash and investment policies of the County. The Transit Services Fund is unable to determine the composition of its cash and cash equivalents. Detailed disclosures, including investment policies and associated risk policies, regarding the County's cash and cash equivalents can be found in the County's June 30, 2017 and 2016, basic financial statements. For purposes of the statements of cash flows, the County considers all cash in the Transit Services Fund to be cash and cash equivalents.

## County of Nevada Transit Services Fund

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Accounts Receivable and Due from Other Agencies** Receivables consist mostly of amounts due from other governmental agencies for operating and capital grants. Management believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts has been recorded.

**Capital Assets** All capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Contributed capital assets are valued at their estimated fair market value on the date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to twenty years.

**Deferred Outflows/Inflows of Resources** In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) which will only be recognized as an outflow of resources (expense/expenditures) in the future. A portion of the change in proportion and differences between County contributions and proportionate share of contributions, and County contributions subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources. County contributions subsequent to the measurement date will be amortized during the next fiscal year as provided by accounting pronouncement GASB Statement No. 71. The change in proportion and differences between County contributions and proportionate share of contributions is amortized over the estimated service lives of the pension plan participants.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and would only be recognized as an inflow of resources (revenue) at that time. The County's proportionate share of the net difference between projected and actual earnings on pension plan investments is reported as deferred inflows of resources. A portion of the change in proportion and differences between County contributions and proportionate share of contributions is reported as deferred inflows of resources. The amount of deferred inflows resulting from differences between projected and actual earnings will be amortized over a five year period. The change in proportion and differences between County contributions and proportionate share of contributions is amortized over the estimated service lives of the pension plan participants.

**Compensated Absences** The County's policy is to permit employees to accumulate a limited amount of earned but unused vacation, sick leave, and personal leave, which will be paid to employees upon separation from County service. The cost of vacation, sick leave, and personal leave is recorded in the period accrued.

**Unearned Revenues** Unearned revenues arise when resources are received by the Transit Services Fund before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Transit Services Fund has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

# County of Nevada Transit Services Fund

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

**Net Position** The Transit Service Fund's net position is classified as follows:

*Net Investment in Capital Assets:* This represents the County's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted Net Position:* This category represents the net position that is not accessible for general use because its use is subject to restrictions enforceable by third parties. The restricted cash held for the County's insurance program is considered restricted net position.

*Unrestricted Net Position:* This category represents net position of the Transit Services Fund that is available for general use.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the County considers restricted funds to have been spent first.

**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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## 2. CAPITAL ASSETS

A summary of changes in capital assets are as follows:

	Balance July 1, 2016	Additions	Deletions	Transfer	Balance June 30, 2017
<b>Nondepreciated Capital Assets</b>					
Construction in progress	\$ -	\$ -	\$ -	\$ -	-
<b>Total Nondepreciable Capital Assets</b>	-	-	-	-	-
<b>Depreciable Capital Assets</b>					
Building and structures	1,654,573	-	-	-	1,654,573
Vehicles and equipment	3,095,745	45,386	(1,020,475)	-	2,120,656
<b>Total Depreciable Capital Assets</b>	4,750,318	45,386	(1,020,475)	-	3,775,229
<b>Accumulated Depreciation</b>					
Building and structures	(198,527)	(59,922)	-	-	(258,449)
Vehicles and equipment	(1,671,385)	(411,482)	1,020,475	-	(1,062,392)
<b>Total Accumulated Depreciation</b>	(1,869,912)	(471,404)	1,020,475	-	(1,320,841)
<b>Net Depreciable Capital Assets</b>	2,880,406	(426,018)	-	-	2,454,388
<b>Net Capital Assets</b>	\$ 2,880,406	\$ (426,018)	\$ -	\$ -	2,454,388

# County of Nevada Transit Services Fund

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

	Balance July 1, 2015	Additions	Deletions	Transfer	Balance June 30, 2016
<b>Nondepreciated Capital Assets</b>					
Development in progress	\$ 38,802	\$ -	\$ -	\$ (38,802)	\$ -
<b>Total Nondepreciable Capital Assets</b>	38,802	-	-	(38,802)	-
<b>Depreciable Capital Assets</b>					
Building and structures	1,654,573	-	-	-	1,654,573
Vehicles and equipment	1,764,848	1,292,095	-	38,802	3,095,745
<b>Total Depreciable Capital Assets</b>	3,419,421	1,292,095	-	38,802	4,750,318
<b>Accumulated Depreciation</b>					
Building and structures	(138,605)	(59,922)	-	-	(198,527)
Vehicles and equipment	(1,452,696)	(218,689)	-	-	(1,671,385)
<b>Total Accumulated Depreciation</b>	(1,591,301)	(278,611)	-	-	(1,869,912)
<b>Net Depreciable Capital Assets</b>	1,828,120	1,013,484	-	38,802	2,880,406
<b>Net Capital Assets</b>	\$ 1,866,922	\$ 1,013,484	\$ -	\$ -	\$ 2,880,406

Depreciation expense for the years ended June 30, 2017 and 2016, was \$471,404 and \$278,611.

### 3. COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS

The TDA is defined at Chapter 4 of the *California Public Utilities Code* commencing with Section 99200. Funds received pursuant to Section 99260 of the TDA (Article 4) may only be used for specific purposes including the support of public transportation systems. Article 4 funds are the primary funding source for the Transit Fund. TDA funds are apportioned, allocated, and paid in accordance with allocation instructions from the Commission for specific transportation purposes.

The Transit Services Fund is subject to the provision of Section 6633.2 of Title 21, Division 3, Chapter 2, Article 4 of the *California Code of Regulations* requiring the calculation and adherence of fare and local support ratios for TDA transit funding. Accordingly, the Transit Services Fund must maintain a ratio equaling or exceeding 10%. The Transit Services Fund's fare ratio of operating revenues to operating expenses, as calculated below, indicates the Transit Services Fund was in compliance with the provisions of the TDA for the fiscal years ended June 30, 2017 and 2016. The fare ratio calculations are as follows:

June 30	2017	2016
Passenger fares	\$ 307,534	\$ 319,030
LCTOP fare supplement	18,249	17,711
Advertising income	4,413	3,150
<b>Applicable Operating Revenues</b>	<b>\$ 330,196</b>	<b>\$ 339,891</b>
Operating expenses	\$ 3,804,426	\$ 3,134,452
Less: Depreciation	(471,404)	(278,611)
Less: Vehicle lease expense	(144,000)	(144,000)
<b>Applicable Operating Expenses</b>	<b>\$ 3,189,022</b>	<b>\$ 2,711,841</b>
<b>Actual Fare Ratio</b>	<b>10.35%</b>	<b>12.53%</b>

# County of Nevada Transit Services Fund

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 4. UNEARNED REVENUE

The Commission allocates monies to the Transit Services Fund to support transit operations. LTF allocations are considered earned when they are properly spent for operations by the transit system. Allocations received but not earned are recorded as unearned revenue. In addition, other revenue sources (such as Proposition 1b and the Low Carbon Transit Operations Program (LCTOP)) often provide funds that have not been earned. At June 30, 2017 and 2016, the Transit Services Fund had allocations that had been received but not earned as follows:

	LTF	Prop. 1B	LCTOP	Total
<b>Unearned Revenue - July 1, 2015</b>	\$ 84,620	\$ 1,755,655	\$ 27,626	\$ 1,867,901
Allocations	1,939,195	600,153	83,222	2,622,570
Add interest allocated to unspent funds	-	8,873	156	9,029
Maximum eligibility:				
Operating	(1,153,510)	(20,239)	(17,711)	(1,191,460)
Capital asset purchases	-	(1,292,095)	-	(1,292,095)
<b>Unearned Revenue - June 30, 2016</b>	870,305	1,052,347	93,293	2,015,945
Allocations	2,033,180	682,048	38,243	2,753,471
Add interest allocated to unspent funds	-	11,417	828	12,245
Maximum eligibility:				
Operating	(2,033,157)	(19,033)	(18,248)	(2,070,438)
Capital asset purchases	-	(45,386)	-	(45,386)
<b>Unearned Revenue - June 30, 2017</b>	\$ 870,328	\$ 1,681,393	\$ 114,116	\$ 2,665,837

Allocations in excess of the maximum eligible amounts for LTF are recorded as unearned revenue. Maximum eligibility for operation LTF allocations was determined as follows:

June 30	2017	2016
Operating expenses	\$ 3,804,426	\$ 3,134,452
Adjustments:		
Depreciation	(471,404)	(278,611)
Fare Box revenues and contributions from other agencies	(386,874)	(395,420)
Other operating grants	(853,563)	(1,293,419)
Other revenues	(43,312)	(679)
Net interest income	(16,116)	(12,813)
<b>Maximum Eligibility</b>	<b>\$ 2,033,157</b>	<b>\$ 1,153,510</b>

## County of Nevada Transit Services Fund

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

#### 5. EMPLOYEE RETIREMENT PLAN

The County contributes to the California Public Employees Retirement system (CalPERS), a cost-sharing, multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Information regarding the County's CalPERS retirement plan is available in the County's comprehensive annual financial report. As a fund of the County, the Transit Services Fund makes contributions towards the employee retirement plan and reports a portion of the net pension liability.

#### 6. RISK MANAGEMENT

The Transit Services Fund is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Transit Services Fund participates in the County's self-insurance program and also maintains commercial insurance policies through third parties. Cash in the amount of \$79,605 and \$78,706 at June 30, 2017 and 2016, respectively, was restricted for insurance purposes.

#### 7. COMPENSATED ABSENCES

The following is a summary of the compensated absences liability:

	Balance				Balance		Amounts
	July 1, 2016	Additions	Deletions	June 30, 2017	Due Within	One Year	
Compensated absences	\$ 62,968	\$ 85,628	\$ (78,646)	\$ 69,950	\$	13,043	

	Balance				Balance		Amounts
	July 1, 2015	Additions	Deletions	June 30, 2016	Due Within	One Year	
Compensated absences	\$ 55,114	\$ 72,280	\$ (64,426)	\$ 62,968	\$	16,420	

#### 8. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Transit Services Fund's employees are employees of the County and receive all the benefits of being County employees. The County offers post-employment health benefits to eligible employees. The net OPEB obligation of the Transit Services Fund at June 30, 2017 and 2016, was \$76,793 and \$70,199, respectively, and contributions for the years ended were \$46,317 and \$48,836 respectively.

Information regarding the County's OPEB plan is available in the County's comprehensive annual financial report.



## **County of Nevada Transit Services Fund**

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### **9. CONTINGENT LIABILITIES**

The Transit Services Fund receives a significant portion of its revenues from the State of California (passed through the Commission). Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the Transit Services Fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although management expected such amounts, if any, would be immaterial.

**SUPPLEMENTARY INFORMATION SECTION**

## County of Nevada Transit Services Fund

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BY OPERATION

Year Ended June 30, 2017	Gold Country Stage	Para Transit	Totals
<b>Operating Revenues</b>			
Passenger fares	\$ 197,825	\$ 109,709	\$ 307,534
Contributions from other agencies	74,927	-	74,927
Other operating revenues	4,413	-	4,413
<b>Total Operating Revenues</b>	277,165	109,709	386,874
<b>Operating Expenses</b>			
Salaries and benefits	1,109,810	-	1,109,810
Professional services	462,485	1,123,861	1,586,346
Maintenance, supplies, and utilities	393,438	-	393,438
Insurance and claims payments	74,749	-	74,749
Administration and overhead	140,715	-	140,715
Rent	27,964	-	27,964
Depreciation	471,404	-	471,404
<b>Total Operating Expenses</b>	2,680,565	1,123,861	3,804,426
<b>Operating (Loss)</b>	(2,403,400)	(1,014,152)	(3,417,552)
<b>Nonoperating Revenues (Expenses)</b>			
Local Transportation funds	1,019,005	1,014,152	2,033,157
STA - Transit assistance	379,190	-	379,190
FTA section 5311	449,352	-	449,352
Prop 1B - PTMISEA	6,772	-	6,772
LCTOP funds	18,249	-	18,249
Net interest income (expense)	16,116	-	16,116
Gain (loss) on sale of capital assets	36,448	-	36,448
Other revenues	3,323	-	3,323
<b>Total Nonoperating Revenues (Expenses)</b>	1,928,455	1,014,152	2,942,607
<b>Income (Loss) Before Contributions</b>	(474,945)	-	(474,945)
<b>Contributions</b>			
Prop 1B - PTMISEA capital contributions	45,386	-	45,386
<b>Total Contributions</b>	45,386	-	45,386
<b>Change in Net Position</b>	\$ (429,559)	\$ -	\$ (429,559)

## **COMPLIANCE SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors  
County of Nevada  
Nevada City, California

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 the Transit Services Fund of the County of Nevada (the County) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Transit Services Fund's basic financial statements, and have issued our report thereon dated February 20, 2018. The financial statements present only the Transit Services Fund, and do not purport to, and do not present fairly the financial position of the County as of June 30, 2017, and the changes in its financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as it relates to the Transit Services Fund 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 County's internal control as it relates to the Transit Services Fund. Accordingly, we do not express an opinion on the effectiveness of the County's internal control as it relates to the Transit Services Fund.

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 Transit Services Fund'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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Transit Services Fund'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*.

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Nevada County Transportation Commission, for the year ended June 30, 2017. In connection with our audit, we performed to the extent applicable, the compliance audit tasks set forth in Section 6667 of the *California Code of Regulations*. The results of performing the tasks specified in Section 6667 disclosed no instances of noncompliance with the applicable statutes, rules, and regulations of the Act, and the allocation instructions and resolutions of the Nevada County Transportation Commission. In our opinion, the funds allocated to and received by the Transit Services Fund for the year ended June 30, 2017, pursuant to the Transportation Development Act, were accounted for and expended in conformance with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Nevada County Transportation Commission.

**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 to express an opinion on the compliance of the Transit Services Fund with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Nevada County Transportation Commission, and not to provide an opinion on the effectiveness of the Transit Services Fund's internal control or on other compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transit Services Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Aiello, Goodrich & Teuscher*

February 20, 2018  
Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Redding, California



**INDEPENDENT AUDITORS' REPORT ON REGIONAL SURFACE  
TRANSPORTATION PROGRAM (RSTP) FUNDS EXPENDED**

To the Board of Supervisors  
County of Nevada  
Nevada City, California

**Compliance**

We have audited the expenditure of Nevada County's (the County) Regional Surface Transportation Program (RSTP) funds for the year ended June 30, 2017, which were allocated to the County by the Nevada County Transportation Commission (the Commission).

***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the County's management.

***Auditors' Responsibility***

Our responsibility is to express an opinion on whether or not the County spent the RSTP funds in accordance with the agreement set forth between the Commission and the County based on our audit.

During the fiscal year ended June 30, 2017, the County received RSTP funds of \$651,337 from the Commission for the purpose of street and road improvements. As of June 30, 2017, RSTP funds received and expended were as follows:

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<b>Proceeds Received - Year Ended June 30, 2017</b>	
RSTP	\$ 651,337
<hr/>	
Expenditures incurred:	
Road Maintenance Project	448,500
Combie Corridor Project	126,887
Striping Project	75,950
<hr/>	
<b>Total Expenditures Incurred</b>	<b>651,337</b>
<hr/>	
<b>Unexpended Proceeds - June 30, 2017</b>	<b>\$ -</b>

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**Opinion**

In our opinion, the County expended the funds in accordance with the agreement set forth between the Commission and the County, in all material respects, for the year ended June 30, 2017.

**INDEPENDENT AUDITORS' REPORT ON REGIONAL SURFACE  
TRANSPORTATION PROGRAM (RSTP) FUNDS EXPENDED**

(Continued)

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of the RSTP funds and the results of that testing based on the agreement with the Commission. Accordingly, this report is not suitable for any other purpose.

*Aiello, Goodrich & Teuscher*

February 20, 2018  
Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Redding, California





**INDEPENDENT AUDITORS' REPORT ON PUBLIC TRANSPORTATION  
MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT  
ACCOUNT (PTMISEA) GRANT**

To the Board of Supervisors  
County of Nevada  
Nevada City, California

**Compliance**

We have audited the expenditure of Nevada County's (the County) Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) funds for the year ended June 30, 2017, which were allocated to the County by the State of California.

***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the County's management.

***Auditors' Responsibility***

Our responsibility is to express an opinion on whether or not the County spent the PTMISEA funds in accordance with the agreement set forth by the State of California based on our audit.

During the fiscal year ended June 30, 2017, the County applied for and received additional PTMISEA proceeds of \$682,048 for the purpose constructing and improving transit facilities and for bus stop improvements. As of June 30, 2017, PTMISEA funds received and expended were as follows:

<b>Beginning Balance</b>	\$ 1,052,347
Proceeds received:	
PTMISEA	682,048
Interest allocated to unspent proceeds	11,417
Expenditures incurred:	
Vehicle procurement and rehabilitation	(64,419)
<b>Unexpended Proceeds</b>	<b>\$ 1,681,393</b>

***Opinion***

In our opinion, the County expended the PTMISEA funds in accordance with the agreement set forth by the State of California, in all material respects, for the year ended June 30, 2017.

**INDEPENDENT AUDITORS' REPORT ON PUBLIC TRANSPORTATION  
MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT  
ACCOUNT (PTMISEA) GRANT**

(Continued)

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of the PTIMSEA funds and the results of that testing based on the agreement with the State of California. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Aiello, Goodrich & Teuscher".

February 20, 2018  
Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Redding, California

**County of Nevada Transit Services Fund**

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2017

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**CURRENT YEAR FINDINGS AND RESPONSES**

None

**PRIOR YEAR FINDINGS AND RESPONSES**

None