County of Nevada
Transit Services Fund

Nevada City, California

Financial Statements and Independent Auditors' Report and Schedules of RSTP, RTMF, PTMISEA, and LCTOP Proceeds

For the Years Ended June 30, 2022 and 2021

County of Nevada Transit Services Fund
Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Table of Contents

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

4660 La Jolla Village Drive, Suite 100
San Diego, California 92122

www.pungroup.cpa

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Nevada
Nevada City, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transit Services Fund (the "Fund") of the County of Nevada, California (the "County"), which comprise the statements of net position as of June 30, 2022 and 2021 and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Statements of Revenues, Expenses, and Changes in Net Position – by Operation, the Schedule of Regional Surface Transportation Program Proceeds, the Schedule of Regional Transportation Mitigation Fee Proceeds, the Schedule of PTMISEA Proposition 1B Proceeds, and the Schedule of LCTOP Proceeds, as listed in the table of contents, are presented for purposes of additional analysis as required by the Transportation Development Act and the *California Code of Regulations* and are not a required part of the basic financial statements.

The Statements of Revenues, Expenses, and Changes in Net Position - by Operation, the Schedule of Regional Surface Transportation Program Proceeds, the Schedule of Regional Transportation Mitigation Fee Proceeds, the Schedule of PTMISEA Proposition 1B Proceeds, and the Schedule of LCTOP Proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statements of Revenues, Expenses, and Changes in Net Position - By Operation, the Schedule of Regional Surface Transportation Program Proceeds, the Schedule of Regional Transportation Mitigation Fee Proceeds, the Schedule of PTMISEA Proposition 1B Proceeds, and the Schedule of LCTOP Proceeds are 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 May 10, 2023 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The Pun Group, LLP

San Diego, California
May 10, 2023

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BASIC FINANCIAL STATEMENTS

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County of Nevada Transit Services Fund
Statements of Net Position
June 30, 2022 and 2021

		2022		2021 as restated
ASSETS				
Current assets:				
Cash and cash equivalents	$	586,908	$	637,653
Accounts receivable		22,725		194,617
Due from other agencies		7,342		833,817
Total current assets		616,975		1,666,087
Noncurrent assets:				
Restricted cash - insurance reserve		85,919		85,078
Capital assets:				
Capital assets - not being depreciated, net		156,115		91,317
Capital assets - being depreciated, net		1,733,782		1,640,021
Capital assets, net		1,889,897		1,731,338
Total noncurrent assets		1,975,816		1,816,416
Total assets		2,592,791		3,482,503
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows of resources		339,841		362,633
OPEB-related deferred outflows of resources		51,111		70,726
Total deferred outflows of resources		390,952		433,359
LIABILITIES				
Current liabilities:				
Accounts payable		149,392		108,982
Accrued salaries and benefits		77,092		63,773
Due to County		171,601		133,555
Unearned revenue		461,447		858,117
Compensated absences - due within one year		48,550		54,618
Total current liabilities		908,082		1,219,045
Noncurrent liabilities:				
Net pension liability		1,878,502		2,561,097
Net OPEB liability		105,977		311,330
Compensated absences, net of current portion		-		3,300
Total noncurrent liabilities		1,984,479		2,875,727
Total liabilities		2,892,561		4,094,772
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows of resources		527,191		-
OPEB-related deferred inflows of resources		157,843		52,845
Total deferred inflows of resources		685,034		52,845
NET POSITION (DEFICIT)				
Net investment in capital assets		1,889,897		1,731,338
Restricted for:				
Insurance claims		85,919		85,078
Capital projects		802,254		802,254
Total restricted		888,173		887,332
Unrestricted (deficit)		(3,371,922)		(2,850,425)
Total net position (deficit)	$	(593,852)	$	(231,755)

See accompanying Notes to the Basic Financial Statements.

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County of Nevada Transit Services Fund
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Passenger fares	$ 190,626	$ 129,260
Contributions from other agencies	72,800	43,028
Other operating revenues	4,725	206
Total operating revenues	268,151	172,494
OPERATING EXPENSES		
Salaries and benefits	1,428,123	1,594,532
Professional services	1,582,901	1,590,954
Maintenance, supplies, and utilities	702,488	464,230
Insurance claims payments	116,444	115,104
Administration and overhead	279,545	246,864
Depreciation	269,104	248,244
Total operating expenses	4,378,605	4,259,928
Operating (loss)	(4,110,454)	(4,087,434)
NONOPERATING REVENUES (EXPENSES)		
Local Transportation funds	3,262,395	2,464,007
State Transit Assistance	17,795	193,446
FTA Section 5311	497,313	855,159
Net interest income (loss)	(21,377)	14,277
Gain (loss) on sale or disposition of assets	-	10,500
Other revenues	40,488	73,289
Other expenses	(48,257)	(71,790)
Total nonoperating revenues (expenses)	3,748,357	3,538,888
Changes in net position	(362,097)	(548,546)
Net position (deficit), beginning of year	(231,755)	316,791
Net position (deficit), end of year	$ (593,852)	$ (231,755)

See accompanying Notes to the Basic Financial Statements.

County of Nevada Transit Services Fund
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 268,151	$ 172,494
Payments for employee wages, benefits, and related costs	(1,917,069)	(1,734,021)
Payments to suppliers	(2,189,531)	(2,160,936)
Net cash (used in) operating activities	(3,838,449)	(3,722,463)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local Transportation Funds allocations	2,865,725	2,684,067
State Transit Assistance allocations	17,795	193,446
Federal operating assistance allocations	497,313	28,684
Grant proceeds and expenditures	856,752	1,040,889
Net cash provided by noncapital financing activities	4,237,585	3,947,086
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(427,663)	(222,540)
Proceeds from sale of capital assets	-	10,500
Net cash provided by (used in) capital and related financing activities	(427,663)	(212,040)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	(21,377)	14,277
Net cash provided by investing activities	(21,377)	14,277
Net increase (decrease) in cash and cash equivalents	(49,904)	26,860
Cash and cash equivalents, beginning of year	722,731	695,871
Cash and cash equivalents, end of year	$ 672,827	$ 722,731

(Continued)

See accompanying Notes to the Basic Financial Statements.

County of Nevada Transit Services Fund
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2022 and 2021

	2022	2021
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating (loss)	$ (4,110,454)	$ (4,087,434)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	269,104	248,244
Changes in operating assets and liabilities:		
Accounts receivable	171,892	15,896
Deferred outflows of resources from pensions	22,792	(38,410)
Deferred outflows of resources from OPEB	19,615	(18,906)
Accounts payable	40,410	(28)
Accrued salaries and benefits	13,319	253
Compensated absences	(9,368)	(12,080)
Net pension liability	(682,595)	187,744
Net OPEB liability	(205,353)	11,756
Deferred inflows of resources from pensions	527,191	(25,075)
Deferred inflows of resources from OPEB	104,998	(4,423)
Net cash (used in) operating activities	$ (3,838,449)	$ (3,722,463)

(Concluded)

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Note 1 – Summary of Significant Accounting Policies

The financial statements of the Transit Services Fund (the "Fund") of the County of Nevada, California (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.

A. Reporting Entity

The Fund receives allocations from the Nevada County Transportation Commission (the "Commission") which are restricted for operating and providing public transit services in the western portion of the County of Nevada, the City of Grass Valley, and the City of Nevada City. Services provided include Gold Country Stage bus routes and para-transit services in western Nevada County.

The financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2022 and 2021, 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 ("U.S. GAAP").

B. Basis of Presentation

The accounts of the 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 Fund are accounted for with a separate set of self-balancing accounts that comprise the Fund's assets, liabilities, net position, revenues, and expenses.

C. Measurement Focus and Basis of Accounting

The activities of the 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 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.

D. Public Support

Public support revenues and receivables are recorded when all eligibility requirements have been met. Public support sources include primarily Local Transportation Fund ("LTF") and State Transit Assistance ("STA"), which were created by the State Legislature under the Transportation Development Act, but also include Public Transportation Modernization, Improvement, and Service Enhancement Account ("PTMISEA"), Regional Surface Transportation Program ("RSTP"), Regional Transportation Mitigation Fee ("RTMF") funding, and Low Carbon Transit Operations Program ("LCTOP") funding.

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

The Fund follows the cash and investment policies of the County. On a quarterly basis, the County allocates interest to funds based on their average daily balances. 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, 2022 and 2021 annual comprehensive financial report by contacting the County of Nevada's Auditor-Controller's office at 950 Maidu Avenue, Nevada City, CA. For purposes of the statements of cash flows, the County considers all cash in the Fund to be cash and cash equivalents.

F. 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.

G. 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.

H. 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. 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.

For the County's pension and other post-employment benefit plans, County contributions subsequent to the measurement date, differences between expected and actual experience, differences due to changes in assumptions, differences due to differences in proportions, differences between projected and actual earnings on plan investments and differences between projected and actual contributions are reported as deferred outflows/inflows of resources in the statement of net position. County contributions subsequent to the measurement date will be amortized during the next fiscal year. Differences between expected and actual experience, changes in assumptions, differences in proportions, and differences between projected and actual contributions are amortized over the estimated service lives of the plan participants. Difference between projected and actual earnings on pension plan investments will be amortized over a five-year period.

Note 1 – Summary of Significant Accounting Policies (Continued)

I. 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.

J. Unearned Revenues

Unearned revenues arise when resources are received by the 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 Fund has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS:	2022	2021
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Measurement period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

L. Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. The following timeframes are used for OPEB reporting:

	2022	2021
Valuation date	June 30, 2021	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Measurement period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Net Position

The Fund's net position is classified as follows:

Net Investment in Capital Assets: This represents the Fund'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.

***Unrestricted Net Position**:* This category represents net position of the 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.

N. Estimates

The preparation of financial statements in conformity U.S. GAAP 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.

Note 2 – Cash and Cash Equivalents

At June 30, 2022 and 2021, cash and cash equivalents are classified in the financial statements as follows:

	2022	2021
Cash and cash equivalents	$ 586,908	$ 637,653
Restricted cash - insurance reserve	85,919	85,078
Total	$ 672,827	$ 722,731

At June 30, 2022 and 2021, cash and cash equivalents consisted of the following:

	2022	2021
Nevada County investment pool	$ 672,827	$ 722,731
Total	$ 672,827	$ 722,731

Cash Pooled with Nevada County Investment Pool

The Transit Services Fund is a participant in the Nevada County Investment Pool ("Pool") and maintained cash in the amount of $672,827 and $722,731 in the Nevada County Treasury at June 30, 2022 and 2021, respectively. The County pools these funds with those of other entities in the County and invests the cash. Cash on deposit in the Pool is stated at fair value. The Pool values participant shares on fair market value basis during the year and adjusts to fair value at year-end.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County of Nevada's Annual Comprehensive Financial Report.

Note 2 – Cash and Cash Equivalents (Continued)

Cash Pooled with Nevada County Investment Pool (Continued)

The Pool is not registered within the Securities and Exchange Commission ("SEC"), and a treasury oversight committee provides oversight to ensure that investments comply with the approved County investment policy. At June 30, 2022 and 2021, the weighted average maturity for the Pool is less than one year. The Nevada County Treasury is not rated by the rating agency. At the year end, the Nevada County Treasury was not exposed to custodial credit risk.

Fair Value Measurements

The Transit Services Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2022 and 2021, the Commission held no individual investments. All funds are invested in the Nevada County Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in the Nevada County Investment Pool are made based on $1 and not fair value. Accordingly, the Commission's proportionate share of investments in the Nevada County Investment Pool at June 30, 2022 and 2021 were measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3 input.

Note 3 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2022
Capital assets, not being depreciated					
Land easements	$ 9,750	$ -	$ -	$ -	$ 9,750
Construction in progress	81,567	222,010	-	(157,212)	146,365
Total capital assets, not being depreciated	91,317	222,010	-	(157,212)	156,115
Capital assets, being depreciated:					
Buildings and structures	1,654,573	-	-	157,212	1,811,785
Vehicles and equipment	2,514,995	205,653	-	-	2,720,648
Total capital assets, being depreciated	4,169,568	205,653	-	157,212	4,532,433
Less accumulated depreciation					
Buildings and structures	(498,139)	(59,923)	-	-	(558,062)
Vehicles and equipment	(2,031,408)	(209,181)	-	-	(2,240,589)
Total accumulated depreciation	(2,529,547)	(269,104)	-	-	(2,798,651)
Total capital assets, being depreciated, net	1,640,021	(63,451)	-	157,212	1,733,782
Total capital assets, net	$ 1,731,338	$ 158,559	$ -	$ -	$ 1,889,897

Note 3 – Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2021
Capital assets, not being depreciated					
Land easements	$ -	$ 9,750	$ -	$ -	$ 9,750
Construction in progress	-	81,567	-	-	81,567
Total capital assets, not being depreciated	-	91,317	-	-	91,317
Capital assets, being depreciated:					
Buildings and structures	1,654,573	-	-	-	1,654,573
Vehicles and equipment	2,425,404	131,223	(41,632)	-	2,514,995
Total capital assets, being depreciated	4,079,977	131,223	(41,632)	-	4,169,568
Less accumulated depreciation					
Buildings and structures	(438,217)	(59,922)	-	-	(498,139)
Vehicles and equipment	(1,884,718)	(188,322)	41,632	-	(2,031,408)
Total accumulated depreciation	(2,322,935)	(248,244)	41,632	-	(2,529,547)
Total capital assets, being depreciated, net	1,757,042	(117,021)	-	-	1,640,021
Total capital assets, net	$ 1,757,042	$ (25,704)	$ -	$ -	$ 1,731,338

Depreciation expense for the years ended June 30, 2022 and 2021, was $269,104 and $248,244, respectively.

Note 4 – Compliance Requirements of Local Transportation Funds

The Transportation Development Act ("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 Fund. TDA funds are apportioned, allocated, and paid in accordance with allocation instructions from the Commission for specific transportation purposes.

Note 4 – Compliance Requirements of Local Transportation Funds (Continued)

The 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 Fund must maintain a ratio equaling or exceeding 10%. The Fund's fare ratio of operating revenues to operating expenses, as calculated below, indicates the Fund was not in compliance with the provisions of the TDA for the fiscal years ended June 30, 2022 and June 30, 2021. The fare ratio calculations are as follows:

June 30,	2022	2021
Passenger fares	$ 263,426	$ 172,288
Advertising income	4,725	206
Applicable operating revenues	$ 268,151	$ 172,494
Operating expenses	$ 4,378,605	$ 4,259,928
Less: Depreciation	(269,104)	(248,244)
Applicable operating expenses	$ 4,109,501	$ 4,011,684
Actual fare ratio	6.53%	4.30%

Assembly Bill No. 90 (AB 90), signed into legislation on June 29, 2020, was enacted in response to the COVID-19 pandemic's impact on transit operators to hold them harmless for significant decreases in ridership and fare revenues. AB 90 prohibits the implementation of a penalty for failure to meet the required minimum fare revenue ratio during the years ended June 30, 2020 and 2021. AB 149, signed into legislation on July 16, 2021, extended the period for which no penalty will apply through the year ended June 20, 2023. No penalties will be applied to future years for the failure to meet the minimum required fare revenue ratio during these fiscal years.

Note 5 – Unearned Revenue

The Commission allocates monies to the Fund to support transit operations. TDA 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. At June 30, 2022 and 2021, the Fund had allocations that had been received but not earned as follows:

	Total
Unearned Revenue - July 1, 2020	$ 638,057
Allocations	
Community transit services	130,772
Local Transportation Fund	2,569,882
State Transit Assistance	193,446
Maximum eligibility:	
Operating, as restated (Note 13)	(2,674,040)
Unearned Revenue - June 30, 2021	$ 858,117
Allocations:	
Community transit services	151,884
Local Transportation Fund	2,745,483
State Transit Assistance	17,795
Maximum eligibility:	
Operating	(3,311,832)
Unearned Revenue - June 30, 2022	$ 461,447

Note 5 – Unearned Revenue (Continued)

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

	2022	2021
Operating expenses	$ 4,372,815	$ 4,259,928
Adjustments:		
Depreciation	(269,104)	(248,244)
Farebox revenues and contributions from other agencies	(263,426)	(172,494)
Other operating grants	(497,313)	(876,234)
Other revenues	(4,725)	-
Net interest income	(4,043)	-
Other adjustments	(22,372)	(288,916)
Total adjustments	(1,060,983)	(1,585,888)
Maximum eligibility, as restated (Note 13)	$ 3,311,832	$ 2,674,040

The maximum eligibility calculation for fiscal year 2021 was restated. See Note 13 for further details.

Note 6 – Compensated Absences

The following is a summary of the changes in the compensated absences liability:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2022	$ 57,918	$ -	$ (9,368)	$ 48,550	$ 48,550	$ -
June 30, 2021	$ 69,998	$ 92,459	$ (104,539)	$ 57,918	$ 54,618	$ 3,300

Note 7 – Employee Retirement Plan

A. CalPERS Pension Plan

Plan Description

All qualified permanent and probationary non-safety employees of the Fund are eligible to participate in the County's Miscellaneous Plan. The County's Miscellaneous Plan is an agent multiple-employer defined benefit pension plan. The County's Miscellaneous Plan is part of the California Public Employees Retirement System ("CalPERS"), a public employee retirement system which acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and other requirements are established by State statute and County resolution. The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The County selects optional benefit provisions by contract with CalPERS and adopts those benefits through County ordinance. CalPERS issues a separate comprehensive annual financial report; however, a separate report for the County's Miscellaneous Plan is not available. Copies of CalPERS annual financial reports which include required supplementary information (RSI) for each plan may be obtained from CalPERS Executive Offices, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

Note 7 – Employee Retirement Plan (Continued)

A. CalPERS Pension Plan (Continued)

Benefits Provided

All pension plans provide benefits, upon retirement, disability or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing five years of retirement service credit forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within a prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning five years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected and actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

Service-related disability benefits are provided to safety members and are based on final compensation. Non-service-related disability benefits are provided to both safety and miscellaneous members. The benefit is based on final compensation, multiplied by *service*, which is determined as follows:

- *Service* is CalPERS credited service, for members with fewer than 10 years of service or greater than 18.518 years of service; or
- *Service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service.

Death benefits are based upon a variety of factors including whether the participant was retired or not.

Annual cost-of-living adjustments (COLAs) after retirement are provided in all plans. COLAs are granted to retired members each May based upon the Bureau of Labor Statistics Average Consumer Price Index for All Urban Consumers for the previous calendar year and is subject to a maximum of 2% per annum. The Plans' provisions and benefits are summarized as follows:

	Miscellaneous Tier 1	Miscellaneous Tier 2	Miscellaneous PEPRA
Hire date	On or before December 13, 2012	December 14, 2012 to December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	60	62
Monthly benefits as a % of eligible compensation	2.70%	2.00%	2.00%
Required employee contribution rates	8.00%	7.00%	7.75%
Required employer contribution rates	11.26%	11.26%	11.26%

Note 7 – Employee Retirement Plan (Continued)

A. CalPERS Pension Plan (Continued)

Net Pension Liability

Net pension liability is reported in the accompanying statement of net position as follows:

	2022	2021
Net pension liability	$ 1,878,502	$ 2,561,097
Total	$ 1,878,502	$ 2,561,097

Employees Covered

At the June 30, 2021 (June 30, 2022 reporting date) and June 30, 2020 (June 30, 2021 reporting date) measurement dates, the following employees were covered by the benefit terms for the Miscellaneous Plan (the County does not specifically identify Transit Services Fund participation numbers):

	2022	2021
Active employees	738	732
Inactive employees entitled to but not yet receiving benefits	821	801
Inactive employees or beneficiaries currently receiving benefits	1,601	1,568
Total	3,160	3,101

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended June 30, 2022 and 2021, contributions to the Plan were the following:

	2022	2021
Contributions - employer	$ 297,010	$ 276,485

Note 7 – Employee Retirement Plan (Continued)

B. Net Pension Liability

The County's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability as of June 30, 2022 is shown below.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.25% net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

A summary of principal assumptions and methods used to determine the net pension liability as of June 30, 2021 is shown below.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.25% net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

Note 7 – Employee Retirement Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

The long-term expected rate of return by asset class for the measurement period ended June 30, 2021 was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100%		

[1]An expected inflation of 2.0% used for this period

[2]An expected inflation of 2.92% used for this period

The long-term expected rate of return by asset class for the measurement period ended June 30, 2020 was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100%		

[1]An expected inflation of 2.0% used for this period

[2]An expected inflation of 2.92% used for this period

Note 7 – Employee Retirement Plan (Continued)

B. Net Pension Liability (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability for the measurement period ended June 30, 2021 (reporting date June 30, 2022) are as follows:

Miscellaneous Plan

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2020 (Valuation Date)	$ 7,128,452	$ 4,567,355	$ 2,561,097
Changes in the year:			
Service cost	132,549	-	132,549
Interest on the total pension liability	508,199	-	508,199
Changes of assumptions	-	-	-
Differences between expected and actual experience	58,944	-	58,944
Benefit payments, including refunds of members contributions	(429,118)	(429,118)	-
Plan to plan resource movement	-	-	-
Contributions - employer	-	276,485	(276,485)
Contributions - employees	-	59,908	(59,908)
Net investment income	-	1,053,114	(1,053,114)
Administrative expenses	-	(7,220)	7,220
Proportional differences	-	-	-
Net changes	270,574	953,169	(682,595)
Balance at June 30, 2021 (Measurement Date)	$ 7,399,026	$ 5,520,524	$ 1,878,502

The changes in the net pension liability for the measurement period ended June 30, 2020 (reporting date June 30, 2021) are as follows:

Miscellaneous Plan

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019 (Valuation Date)	$ 6,817,038	$ 4,443,685	$ 2,373,353
Changes in the year:			
Service cost	130,827	-	130,827
Interest on the total pension liability	492,133	-	492,133
Changes of assumptions	-	-	-
Differences between expected and actual experience	50,954	-	50,954
Benefit payments, including refunds of members contributions	(409,827)	(409,827)	-
Plan to plan resource movement	-	-	-
Contributions - employer	-	248,053	(248,053)
Contributions - employees	-	59,439	(59,439)
Net investment income	-	227,409	(227,409)
Administrative expenses	-	(6,405)	6,405
Proportional changes	47,327	5,001	42,326
Net changes	311,414	123,670	187,744
Balance at June 30, 2020 (Measurement Date)	$ 7,128,452	$ 4,567,355	$ 2,561,097

Note 7 – Employee Retirement Plan (Continued)

B. Net Pension Liability (Continued)

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

The following represents the Fund's net pension liability calculated using the discount rate, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
Year Ended June 30,	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15)
2022	$ 2,772,257	$ 1,878,502	$ 1,122,609
2021	$ 3,447,889	$ 2,561,097	$ 1,836,003

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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

For the years ended June 30, 2022 and 2021, the Fund recognized pension expense of $151,259 and $276,743, respectively.

Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions of method, and plan benefits. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over five years straight-line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

At June 30, 2022 and 2021, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	$ 297,010	$ -	$ 276,485	$ -
Changes of assumptions	-	-	-	-
Difference between expected and actual experience	42,831	-	49,627	-
Difference between projected and actual earnings on pension plan investments	-	527,191	36,521	-
Total	$ 339,841	$ 527,191	$ 362,633	$ -

Note 7 – Employee Retirement Plan (Continued)

C. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The $297,010 reported as deferred outflows of resources related to pensions resulting from Transit Services Fund contributions subsequent to the measurement date at June 30, 2022 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

The $276,485 reported as deferred outflows of resources related to pensions resulting from Transit Services Fund contributions subsequent to the measurement date at June 30, 2021 were recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year Ended June 30,	2022	2021
2022	$ -	$ 22,855
2023	(101,150)	20,984
2024	(111,676)	23,666
2025	(126,495)	18,643
2026	(145,039)	-
	$ (484,360)	$ 86,148

At June 30, 2022 and 2021, the Fund did not owe anything to the Plan.

Note 8 – Other Postemployment Benefits (OPEB)

A. Plan Description

The County provides, under a defined benefit plan, retiree healthcare benefits to qualifying employees retiring directly from the County. The benefit level is determined by date of hire and length of service. The County has contracted for medical coverage to be provided through an agent multiple-employer CalPERS Healthcare ("PEMHCA") plan.

The County has established an irrevocable trust with CalPERS – California Employers' Retiree Benefit Trust Fund ("CERBT") to deposit the contributions above the current year pay-as-you-go portion. CERBT issues a publicly available financial report including GASB 43 disclosure information in the aggregate with the other CERBT participating employers. That report may be obtained by contacting CalPERS, P.O. Box 942703, Sacramento, CA 94229-2703 or www.calpers.ca.gov.

The County pays the least expensive available plan single premium up to Medicare eligible age for retirees with more than 20 years of County Service. Employees hired before July 1, 2000, with less than 20 years of County service at retirement, receive a fixed stipend amount. After reaching Medicare eligible age, the County also pays 80% of the least expensive Medicare supplemental plan single premium for all retirees hired before July 1, 2000 and for employees hired after July 1, 2000 with 20 years of County service. For safety employees with disability retirement, the County pays 100% of the least expensive medical single premium for life.

Note 8 – Other Postemployment Benefits (OPEB) (Continued)

A. Plan Description (Continued)

Employees hired on-or-after July 1, 2008—Employees hired on or after July 1, 2008, and who retire from the County, the County will continue to provide access to medical insurance coverage for those employees who retire from employment with the County and who constitute "annuitants" as defined by PEMHCA only.

Net OPEB Liability

Net OPEB liability is reported in the accompanying statement of net position as follows:

	2022	2021
Net OPEB liability	$ 105,977	$ 311,330
Total	$ 105,977	$ 311,330

B. Employees Covered by Benefit Terms

At June 30, 2022 and 2021, the following employees were covered by the benefit terms (the County does not specifically identify Transit Services Fund participation numbers):

	2022	2021
Active employees	762	772
Inactive employees or beneficiaries currently receiving benefits	632	632
Inactive employees entitled to but not yet receiving benefits	393	393
Total	1,787	1,797

C. Contributions

The contribution rate is determined on an annual basis by an independent actuary and is authorized by the County Board of Supervisors. For the year ended June 30, 2022 and 2021, the County's average contribution rate was 7.3 and 7.3 percent of covered-employee payroll, respectively. Employees are not required to contribute to the plan. The Transit Services Fund's contributions to the Plan were as follows:

	2022	2021
Contributions	$ 50,926	$ 59,364
Total	$ 50,926	$ 59,364

D. Actuarial Assumptions

The Transit Service Fund's net OPEB liability at June 30, 2022 was measured as of June 30, 2021, and the total OPEB liability used the calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Note 8 – Other Postemployment Benefits (OPEB) (Continued)

D. Actuarial Assumptions (Continued)

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified:

Actuarial Assumptions:	
Actuarial valuation date	June 30, 2021
Contribution policy	County contributes full actuarially determined contribution
Discount Rate	6.25%
Expected long-term investment rate of return	6.25%
Salary increases	2.75%
General inflation	2.50% annually
Mortality, retirement, termination, and disability	CalPERS 1997-2015 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-2018
Healthcare Trend Rate	Non-medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years
	Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years
Healthcare participation for future retirees	Hires before 7/1/08 - 65% without 20 years service and 95% with 20 years service
Cap increases	Fixed cap: 0%
	Premium cap: healthcare trend rate

The Transit Service Fund's net OPEB liability at June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used the calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the same actuarial assumptions shown above.

E. Target Asset Allocation

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

For the year ended June 30, 2022, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return
Global equity	59.00%	4.56%
Fixed Income	25.00%	0.78%
TIPS	5.00%	-0.08%
Commodities	3.00%	1.22%
REITs	8.00%	4.06%
Total	100.00%	

Note 8 – Other Postemployment Benefits (OPEB) (Continued)

E. Target Asset Allocation (Continued)

For the year ended June 30, 2021, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return
Global equity	59.00%	4.82%
Fixed Income	25.00%	1.47%
TIPS	5.00%	1.29%
Commodities	3.00%	0.84%
REITs	8.00%	3.76%
Total	100.00%	

F. Changes in the Net OPEB Liability

The changes in the net OPEB liability for the year ended June 30, 2022 are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance - June 30, 2021	$ 704,103	$ 392,773	$ 311,330
Changes Recognized for the Measurement Period:			
Service Cost	16,041	-	16,041
Interest on the total OPEB liability	45,081	-	45,081
Changes of benefit terms	2,146	-	2,146
Difference between expected and actual experience	(55,563)	-	(55,563)
Changes of assumptions	(55,184)	-	(55,184)
Contributions from the employer	-	50,926	(50,926)
Net investment income	-	107,218	(107,218)
Benefit payments	(33,472)	(33,472)	-
Administrative expenses	-	(270)	270
Net changes	(80,951)	124,402	(205,353)
Balance - June 30, 2022	$ 623,152	$ 517,175	$ 105,977

The changes in the net OPEB liability for the year ended June 30, 2021 are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance - June 30, 2020	$ 653,331	$ 353,757	$ 299,574
Changes Recognized for the Measurement Period:			
Service Cost	17,112	-	17,112
Interest on the total OPEB liability	47,665	-	47,665
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	19,964	-	19,964
Contributions from the employer	-	59,364	(59,364)
Net investment income	-	13,960	(13,960)
Benefit payments	(33,969)	(33,969)	-
Administrative expenses	-	(339)	339
Net changes	50,772	39,016	11,756
Balance - June 30, 2021	$ 704,103	$ 392,773	$ 311,330

Note 8 – Other Postemployment Benefits (OPEB) (Continued)

G. Discount Rate and Trend Sensitivity

The following presents the total OPEB liability of the Transit Services Fund, as well as what the Transit Services Fund's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage- point higher than the current discount rate:

	Plan's Net OPEB Liability		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
2022	$ 180,845	$ 105,977	$ 43,051
2021	$ 405,223	$ 311,330	$ 233,831

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

	Plan's Net OPEB Liability		
	Discount Rate - 1% (4.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (5.5% decreasing to 5.0%)	Discount Rate + 1% (6.5% decreasing to 6.0%)
2022	$ 37,338	$ 105,977	$ 188,743
2021	$ 221,323	$ 311,330	$ 421,857

H. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal years ended June 30, 2022 and 2021, the Transit Services Fund recognized OPEB expense/(income) of $(6,363) and $24,291, respectively.

At June 30, 2022 and 2021, the Transit Services Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following areas:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	$ 50,926	$ -	$ 59,364	$ -
Difference between expected and actual experience	-	(73,560)	-	(45,868)
Changes of assumptions	185	(27,199)	295	(6,977)
Net difference between projected and actual earning on OPEB plan investments	-	(57,084)	11,067	-
Total	$ 51,111	$ (157,843)	$ 70,726	$ (52,845)

The $50,926 reported as deferred outflows of resources related to OPEB resulting from Transit Services Fund contributions subsequent to the measurement date at June 30, 2022 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

Note 8 – Other Postemployment Benefits (OPEB) (Continued)

I. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

The $59,364 reported as deferred outflows of resources related to OPEB resulting from Fund contributions subsequent to the measurement date at June 30, 2021 were recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

Measurement Period Ended June 30,	2022	2021
2022	$ -	$ (14,354)
2023	(43,439)	(14,354)
2024	(41,999)	(12,773)
2025	(29,343)	1,015
2026	(31,230)	(1,017)
2027	(11,647)	-
Thereafter	-	-
	$ (157,658)	$ (41,483)

At June 30, 2022 and 2021, the Fund did not owe anything to the Plan.

Note 9 – Risk Management

The 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 Fund participates in the County's self-insurance program and also maintains commercial insurance policies through third parties. Cash in the amount of $85,919 and $85,078 at June 30, 2022 and 2021, respectively, was restricted for insurance purposes.

Note 10 – Contingent Liabilities

The 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 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.

Note 11 – Related Party Transactions

The Fund is a component unit of the County. Interfund receivables and payables occur in the normal course of business. At June 30, 2022 and 2021 the Fund owed the County $171,601 and $135,555.

Note 12 – Deficit Net Position

At June 30, 2022 and 2021, the Fund had the following net position deficits:

	2022	2021
Unrestricted (deficit)	$ (3,371,922)	$ (2,850,425)
Total net position (deficit)	$ (593,852)	$ (231,755)

The Fund plans to eliminate the deficits through the reduction in future expenditures and/or the use of new funding sources.

Note 13 – Prior Year Restatements

The Fund received $826,475 in federal FTA Section 5311 CARES Act funding that should have been recognized as a revenue and a receivable at June 30, 2021. Doing so would have affected the Fund's maximum eligibility calculation for recognition of Local Transportation fund revenue by the same amount. The Fund previously reported a maximum eligibility of $3,500,515, which has since been restated to $2,674,040. The decrease in the maximum eligibility amount resulted in the Fund having to defer an additional $826,475 of Local Transportation funds to be recognized in fiscal year 2022.

Accordingly, the following restatements have been made to the amounts reported as of and for the year ended June 30, 2021:

	Originally Reported	Adjustment	As Restated	Net Position Effect
Assets:				
Due from other agencies	$ 7,342	$ 826,475	$ 833,817	$ 826,475
Liabilities:				
Unearned revenue	31,642	826,475	858,117	(826,475)
Nonoperating revenues (expenses):				
Local Transportation funds	3,290,482	(826,475)	2,464,007	(826,475)
FTA Section 5311	28,684	826,475	855,159	826,475
Net effect on beginning net position:				$ -
TDA maximum eligibility	$ 3,500,515	$ (826,475)	$ 2,674,040	

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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County of Nevada Transit Services Fund
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Fiscal Years
Miscellaneous Plan
As of June 30, 2022

Fiscal year ended	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**
Measurement date	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**
Total pension liability			
Service cost	$ 132,549	$ 130,827	$ 126,564
Interest on total pension liability	508,199	492,133	463,297
Changes in assumptions	-	-	-
Differences between expected and actual experience	58,944	50,954	116,808
Changes in benefit terms	-	-	-
Proportional changes	-	47,327	1,722
Benefit payments, including refunds of employee contributions	(429,118)	(409,827)	(374,973)
Net change in total pension liability	270,574	311,414	333,418
Total pension liability - beginning	7,128,452	6,817,038	6,483,620
Total pension liability - ending (a)	$ 7,399,026	$ 7,128,452	$ 6,817,038
Plan fiduciary net position			
Contributions - employer	$ 276,485	$ 248,053	$ 230,472
Contributions - employee	59,908	59,439	54,070
Investment income (net of administrative expenses)	1,053,114	227,409	276,153
Benefit payments	(429,118)	(409,827)	(374,973)
Plan to plan resource movement	-	5,001	2,510
Administrative expenses	(7,220)	(6,405)	(3,031)
Net change in plan fiduciary net position	953,169	123,670	185,201
Plan fiduciary net position - beginning	4,567,355	4,443,685	4,258,484
Plan fiduciary net position - ending (b)	$ 5,520,524	$ 4,567,355	$ 4,443,685
Net pension liability - ending (a)-(b)	$ 1,878,502	$ 2,561,097	$ 2,373,353
Plan fiduciary net position as a percentage of the total pension liability	74.61%	64.07%	65.18%
Covered payroll	$ 779,970	$ 757,253	$ 716,454
Net pension liability as a percentage of covered-employee payroll	240.84%	338.21%	331.26%

Notes to Schedule:

Benefit changes: There were no changes in benefits.

Changes in assumptions: In 2020, there were no changes. In 2019, there were no changes. In 2018, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2017, there were no changes. In 2016, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expense).

Historical information is presented only for measurement periods for which GASB 68 is implemented. Only three years are available.

County of Nevada Transit Services Fund
Required Supplementary Information (Unaudited)
Schedule of Contributions
Last Ten Fiscal Years *
For the Year Ended June 30, 2022

	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	$ 297,010	$ 276,485	$ 248,053	$ 230,472
Contributions in relation to the actuarily determined contributions	(297,010)	(276,485)	(248,053)	(230,472)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 779,970	$ 757,253	$ 716,454	$ 695,586
Contributions as a percentage of covered payroll	38.08%	36.51%	34.62%	33.13%

Notes to Schedule:

Valuation date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Methods and assumptions used to determine contribution rates:				
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)
Asset valuation method	Fair value	Fair value	Fair value	Fair value
Inflation	2.625%	2.625%	2.625%	2.75%
Salary increases	(2)	(2)	(2)	(2)
Investment rate of return	7.25% (3)	7.25% (3)	7.25% (3)	7.375% (3)
Retirement age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) The probabilities of retirement are based on the CalPERS 2014 Experience Study for the period from 1997 to 2018
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS

* Historical information is only available for periods where GASB 68 is applicable. Only four years of information is available.

County of Nevada Transit Services Fund
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years [1]
For the Year Ended June 30, 2022

Fiscal year end	6/30/2022 [1]	6/30/2021 [1]	6/30/2020 [1]
Measurement date	6/30/2021	6/30/2020	6/30/2019
Total OPEB liability			
Service cost	$ 16,041	$ 17,112	$ 16,889
Interest	45,081	47,665	46,847
Changes of benefit terms	2,146	-	-
Differences between expected and actual experience	(55,563)	-	(71,734)
Changes of assumptions	(55,184)	19,964	446
Benefit payments, including refunds of member contributions	(33,472)	(33,969)	(32,612)
Net change in total OPEB liability	(80,951)	50,772	(40,164)
Total OPEB liability - beginning	704,103	653,331	693,495
Total OPEB liability - ending (a)	$ 623,152	$ 704,103	$ 653,331
OPEB fiduciary net position			
Contributions - employer	$ 50,926	$ 59,364	$ 50,146
Net investment income	107,218	13,960	20,423
Benefit payments, including refunds of member contributions	(33,472)	(33,969)	(32,612)
Administrative expense	(270)	(339)	(2,285)
Net change in plan fiduciary net position	124,402	39,016	35,672
Plan fiduciary net position - beginning	392,773	353,757	318,085
Plan fiduciary net position - ending (b)	517,175	392,773	353,757
Plan net OPEB liability - ending (a) - (b)	$ 105,977	$ 311,330	$ 299,574
Plan fiduciary net position as a percentage of the total OPEB liability	82.99%	55.78%	54.15%
Covered payroll	$ 735,334	$ 715,653	$ 694,809
Plan net OPEB liability as a percentage of covered payroll	14.41%	43.50%	43.12%

[1] Historical information is presented only for periods for which GASB 75 is implemented. Only three years are available.

County of Nevada Transit Services Fund
Required Supplementary Information (Unaudited)
Schedule of Contributions - OPEB
Last Ten Fiscal Years [1]
For the Year Ended June 30, 2022

Report Date	June 30, 2022	June 30, 2021	June 30, 2020
Actuarially determined contribution	$ 50,926	$ 59,364	$ 50,146
Contributions in relation to the actuarially determined contributions	(50,926)	(59,364)	(50,146)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 735,334	$ 715,653	$ 694,809
Contributions as a percentage of covered payroll	6.93%	8.30%	7.22%

Notes to Schedule:

Valuation Date	6/30/2021	6/30/2019	6/30/2019

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal, level percentage of pay
Amortization method	Closed period, level percentage of pay
Amortization period	20 years
Inflation	2.50%
Assumed payroll growth	2.75%
Healthcare trend rates	6.50% trending down to 3.75%
Rate of return on assets	6.25%
Mortality rates	Derived from CalPERS pension plan updated to reflect most recent experience study

[1] Historical information is only available for periods where GASB 75 is applicable. Only three years are available.

SUPPLEMENTARY INFORMATION
(Unaudited)

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County of Nevada Transit Services Fund
Statements of Revenues, Expenses and Changes in Net Position - by Operation
For the Year Ended June 30, 2022

	Gold Country Stage	Para Transit	Totals
OPERATING REVENUES			
Passenger fares	$ 139,449	$ 51,177	$ 190,626
Contributions from other agencies	72,800	-	72,800
Other operating revenues	4,725	-	4,725
Total operating revenues	216,974	51,177	268,151
OPERATING EXPENSES			
Salaries and benefits	1,428,123	-	1,428,123
Professional services	1,582,901	-	1,582,901
Maintenance, supplies, and utilities	702,488	-	702,488
Insurance claims payments	116,444	-	116,444
Administration and overhead	279,545	-	279,545
Depreciation	269,104	-	269,104
Total operating expenses	4,378,605	-	4,378,605
Operating income	(4,161,631)	51,177	(4,110,454)
NONOPERATING REVENUES (EXPENSES)			
Local Transportation funds	1,997,608	1,264,787	3,262,395
State Transit Assistance	17,795	-	17,795
FTA Section 5311	497,313	-	497,313
Net interest income (loss)	(21,377)	-	(21,377)
Other revenues	40,488	-	40,488
Other expenses	(48,257)	-	(48,257)
Total nonoperating revenues (expenses)	2,483,570	1,264,787	3,748,357
Change in net position	$ (1,678,061)	$ 1,315,964	$ (362,097)

County of Nevada Transit Services Fund
Statements of Revenues, Expenses and Changes in Net Position - by Operation
For the Year Ended June 30, 2021

	Gold Country Stage	Para Transit	Totals
OPERATING REVENUES			
Passenger fares	$ 96,191	$ 33,069	$ 129,260
Contributions from other agencies	43,028	-	43,028
Other operating revenues	206	-	206
Total operating revenues	139,425	33,069	172,494
OPERATING EXPENSES			
Salaries and benefits	1,594,532	-	1,594,532
Professional services	453,850	1,137,104	1,590,954
Maintenance, supplies, and utilities	464,230	-	464,230
Insurance claims payments	115,104	-	115,104
Administration and overhead	246,864	-	246,864
Depreciation	248,244	-	248,244
Total operating expenses	3,122,824	1,137,104	4,259,928
Operating income	(2,983,399)	(1,104,035)	(4,087,434)
NONOPERATING REVENUES (EXPENSES)			
Local Transportation funds	1,359,972	1,104,035	2,464,007
State Transit Assistance	193,446	-	193,446
FTA Section 5311	855,159	-	855,159
Net interest income (expense)	14,277	-	14,277
Gain (loss) on sale or disposition of assets	10,500	-	10,500
Other revenues	73,289	-	73,289
Other expenses	(71,790)	-	(71,790)
Total nonoperating revenues (expenses)	2,434,853	1,104,035	3,538,888
Change in net position	$ (548,546)	$ -	$ (548,546)

County of Nevada Transit Services Fund
Schedule of Regional Surface Transportation (RSTP) Proceeds
For the Year Ended June 30, 2022

Beginning balance	$	-
RSTP proceeds received		939,150
Expenditures incurred:		
Road maintenance projects		867,946
Donner Pass Road Project		71,204
Total expenditures incurred		939,150
Unexpended proceeds	$	-

County of Nevada Transit Services Fund
Schedule of Regional Transportation Mitigation Fee (RTMF) Proceeds
For the Year Ended June 30, 2022

Beginning balance	$ -
RTMF proceeds received:	
RTMF	451,072
Interest allocated to unspent proceeds	949
Expenditures incurred:	
Admin expenses	(1,300)
Passthrough payments to Nevada County Transportation Commission	(420,561)
Passthrough payments to Town of Truckee	(30,160)
Total expenditures incurred	(452,021)
Unexpended proceeds	$ -

County of Nevada Transit Services Fund
Schedule of PTMISEA Proposition 1B Proceeds
For the Year Ended June 30, 2022

Beginning balance	$	310,231
Proceeds received:		
PTMISEA		-
Expenditures incurred:		
Bus stop improvements		(56,830)
Unexpended proceeds	$	253,401

County of Nevada Transit Services Fund
Schedule of LCTOP Proceeds
For the Year Ended June 30, 2022

Beginning balance	$	182,786
Proceeds received:		
Low Carbon Transit Operations Program proceeds received		-
Interest allocated to unspent proceeds		1,600
Expenditures incurred:		
Subsidized monthly passes		(48,825)
Operational free fares		(8,616)
Unexpended proceeds	$	126,945

THE PUN GROUP
ACCOUNTANTS & ADVISORS

4660 La Jolla Village Drive, Suite 100
San Diego, California 92122

www.pungroup.cpa

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*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transit Services Fund (the "Fund") of the County of Nevada (the "County"), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated May 10, 2023. The financial statements present only the financial position of the Fund, and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2022, 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County's internal control over financial reporting (internal control) as a basis for designing 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control as it relates to the 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified one deficiency in internal control that we consider to be a material weakness (Finding 2022-001).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* (Finding 2022-001).

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, 2022. 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 one instance of noncompliance with the applicable statutes, rules, and regulations of the Act, and the allocation instructions and resolutions of the Nevada County Transportation Commission (Finding 2022-001). In our opinion, the funds allocated to and received by the Fund for the year ended June 30, 2022, 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.

Also, as part of our audit we performed tests of compliance to determine whether certain funding was received and expended in accordance with the applicable regulations set forth within section 182.6 of the *California Streets and Highways Code* ("S&HC"). In September 1992, Senate Bill ("SB") 1435, amended Section 182.6 of the S&HC to redefine the Optional Federal Exchange program under the Intermodal Surface Transportation Efficiency Act ("ISTEA"). The Regional Surface Transportation Program ("RSTP") is accounted for in compliance with *California Streets and Highways Code* Section 182.6 and the annual Federal Apportionment Exchange Agreement between NCTC and the State of California and is fairly presented in accordance with generally accepted accounting principles. Section 182.6 of the S&HC defines the process through which the department (CalTrans) apportions RSTP funds to metropolitan planning organizations, transportation planning agencies, and county transportation commissions. For the year ended June 30, 2022, the RSTP funds received and expended were verified in the course of our audit are included in the Schedule of Regional Surface Transportation Program Proceeds within the Supplementary Information.

Also, as part of our audit we performed tests of compliance to determine whether certain funding was received and expended in accordance with the applicable regulations set forth within Section 66000 of the *California Code of Regulations.* The Regional Transportation Mitigation Fee ("RTMF") Program, adopted in 2016, established a mitigation fee schedule in western Nevada County to finance needed improvements to the regional network of streets and roads to mitigate the impact of increased traffic that will result from new development in western Nevada County. The fee program has been adopted by Grass Valley, Nevada City, and Nevada County and is administered by the Nevada County Transportation Commission ("NCTC") through agreements with those agencies. The RTMF Program is accounted for in compliance with California Government Code Chapter 5, Fees for Development Projects, Section 66000 et. seq. and applicable agreements, resolutions, and ordinances, and is fairly presented in accordance with generally accepted accounting principles. For the year ended June 30, 2022, the RTMF funds received and expended were verified in the course of our audit are included in the Schedule of Regional Transportation Mitigation Fee Proceeds within the Supplementary Information.

Also, as part of our audit we performed tests of compliance to determine whether certain State bonds funds were received and expended in accordance with the applicable bond act and State accounting requirements. In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic reduction, Air Quality and Port Security Bond Act of 2006. Of the $19.925 billion of state general obligation bonds authorized, $4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account ("PTMISEA").

These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement. For the year ended June 30, 2022, the PTMISEA funds received and expended were verified in the course of our audit are included in the Schedule of PTMISEA Proposition 1B Proceeds within the Supplementary Information.

Also, as part of our audit we performed tests of compliance to determine whether Low Carbon Transit Operations Program ("LCTOP") funding was received and expended in accordance with the applicable regulations set forth in the *Transit, Affordable Housing, and Sustainable Communities Program* established by the California State Legislature in 2014 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility. Approved projects in LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. For the year ended June 30, 2022, the LCTOP funds received and expended were verified in the course of our audit are included in the Schedule of LCTOP Proceeds within the Supplementary Information.

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 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 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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

San Diego, California
May 10, 2023

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SCHEDULE OF FINDINGS AND RESPONSES

Section I -- Current Year Findings and Responses

2022-001 Internal Control Over Financial Reporting/TDA Compliance

Criteria:

Effective internal control over financial reporting provides reasonable assurance for the completeness and accuracy of accounting records and proper year-end closing.

California Code of Regulations Title 21, Section 6634(a) *Eligibility for Funds* states that "no operator or transit service claimant shall be eligible to receive moneys during the fiscal year from the local transportation fund and the state transit assistance fund for operating costs in an amount that exceeds its actual operating cost (including payments for disposition of claims arising out of the operator's liability) in the fiscal year less the sum of…the amount of federal operating assistance received during the fiscal year…"

Condition:
We noted the Fund recorded $826,475 of Federal Section 5311 CARES Act revenues in fiscal year 2022 instead of fiscal year 2021.

Cause:
The Fund did not have a sufficient enough review process in place to record $826,475 of Federal Section 5311 CARES Act funds received in fiscal year 2022 that should have been accrued back to fiscal year 2021. The reimbursement request for the funding was submitted by the Fund in January of 2022, well in advance of the 2021 financial statement issuance, and a client journal entry for the accrual should have been posted and provided to the auditors.

Effect:
A prior period adjustment was needed to accrue $826,475 of federal revenue and accounts receivable back to June 30, 2021. Doing so resulted in the Fund's TDA maximum eligibility calculation at June 30, 2021 to change from $3,500,515 to $2,674,040. The change in the Fund's maximum eligibility calculation caused unearned Local Transportation fund revenue to change from $31,642 to $858,117 and Local Transportation fund revenue recognized in fiscal year 2021 to change from $3,290,482 to $2,464,007. The total effect on net position as of June 30, 2021 was $0, but the Fund misreported amounts for accounts receivable, unearned revenue, Local Transportation fund revenue, FTA Section 5311 revenue, and TDA maximum eligibility as of and for the year ended June 30, 2021. A summary of the restatements is as follows:

	Originally Reported	Adjustment	As Restated	Net Position Effect
Assets:				
Due from other agencies	$ 7,342	$ 826,475	$ 833,817	$ 826,475
Liabilities:				
Unearned revenue	31,642	826,475	858,117	(826,475)
Nonoperating revenues (expenses):				
Local Transportation funds	3,290,482	(826,475)	2,464,007	(826,475)
FTA Section 5311	28,684	826,475	855,159	826,475
Net effect on beginning net position:				$ -
TDA maximum eligibility	$ 3,500,515	$ (826,475)	$ 2,674,040	

Section I -- Current Year Findings and Responses (Continued)

2022-001 Internal Control Over Financial Reporting/TDA Compliance (Continued)

Recommendation:
The County should enhance their review processes over year end closing procedures to include necessary material accruals up to the report issuance date to ensure the accurate and complete year-end closing of the general ledger and subsequent financial reporting. The County should also be especially mindful of accruals that could have a material effect on their TDA maximum eligibility calculation, which effects the calculation of earned versus unearned Local Transportation fund revenues as of June 30.

Management's Response and Corrective Action Plan:
Management concurs with finding 2022-001 that there was one instance of noncompliance with the applicable statutes, rules, and regulations of the Transportation Development Act, and the allocation instructions and resolutions of the Nevada County Transportation Commission. This instance of noncompliance resulted in $826,475 of Federal Section 5311 CARES Act revenues being recorded in fiscal year 2022 instead of fiscal year 2021, requiring a prior period adjustment. Management will make certain that this finding will be corrected during fiscal year 2023 per our corrective action plan below.

Management will ensure that there is a sufficient review process in place for fiscal year 2023. Year-end closing procedures and internal controls will be analyzed and improved for proper and timely accruals. Review processes will be addressed with fiscal staff to identify accruals that may have a material effect on TDA maximum eligibility calculation. The Local Transportation calculation will be conducted timely and earned versus unearned revenue will be recorded correctly as of June 30, 2023.

Section II – Prior Year Findings and Responses

No findings noted for the year ended June 30, 2021.

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