

**SIERRA COUNTY  
TRANSIT FUND,  
CALIFORNIA**



**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2014**

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**SIERRA COUNTY TRANSIT FUND**  
**Annual Financial Report**  
**For the Year Ended June 30, 2014**

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## **FINANCIAL SECTION**

- **Independent Auditor's Report**
- **Basic Financial Statements**

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**INDEPENDENT AUDITOR'S REPORT**

Sierra County Transportation Commission  
County of Sierra  
Downieville, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the proprietary fund of the Sierra County Transit Fund of the County of Sierra, California (Transit Fund), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Transit Fund's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary fund of the Transit Fund as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1K to the financial statements, in 2014, the Transit Fund implemented Governmental Accounting Standards Board (GASB) Statement No. 70. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements present only the Sierra County Transit Fund and do not purport to, and do not, present fairly the financial position of the County of Sierra, California, as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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 operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Report on Summarized Comparative Information*

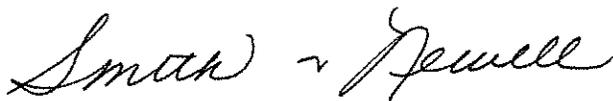
The financial statements include summarized prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Transit Fund's financial statements for the year ended June 30, 2013, from which such partial information was derived.

The Transit Fund's June 30, 2013 financial statements were audited by other auditors and their report, dated January 7, 2014, expressed an unmodified opinion on the financial statements of the proprietary fund. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sierra County Transportation Commission  
County of Sierra  
Downieville, California

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2015 on our consideration of the Transit 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 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 Transit Fund's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Smith & Newell".

Smith & Newell CPAs  
Yuba City, California  
February 2, 2015

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## **Basic Financial Statements**

- **Fund Financial Statements**

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**SIERRA COUNTY TRANSIT FUND**  
**Statement of Net Position**  
**June 30, 2014**  
(With Comparative Totals for June 30, 2013)

	<b>Totals</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Current Assets:		
Receivables:		
Intergovernmental	\$ -	\$ 40,000
<b>Total Current Assets</b>	-	40,000
Noncurrent Assets:		
Capital assets, net	34,892	61,209
<b>Total Noncurrent Assets</b>	34,892	61,209
<b>Total Assets</b>	34,892	101,209
<b>LIABILITIES</b>		
Current Liabilities:		
Unearned revenue	-	40,000
Due to Sierra County Transportation Commission	9,317	6,843
<b>Total Current Liabilities</b>	9,317	46,843
<b>Total Liabilities</b>	9,317	46,843
<b>NET POSITION</b>		
Investment in capital assets	34,892	61,209
Unrestricted	(9,317)	(6,843)
<b>Total Net Position</b>	\$ 25,575	\$ 54,366

The notes to the basic financial statements are an integral part of this statement.

**SIERRA COUNTY TRANSIT FUND**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Year Ended June 30, 2014**  
(With Comparative Totals for June 30, 2013)

	<b>Totals</b>	
	<b>2014</b>	<b>2013</b>
<b>OPERATING REVENUES</b>		
Passenger fares	\$ 17,985	\$ 15,038
<b>Total Operating Revenues</b>	17,985	15,038
<b>OPERATING EXPENSES</b>		
Purchased transportation	132,301	144,199
Administration	5,376	6,909
Depreciation	26,317	28,181
<b>Total Operating Expenses</b>	163,994	179,289
<b>Operating Income (Loss)</b>	(146,009)	(164,251)
<b>NON-OPERATING REVENUES</b>		
Local transportation funds	73,000	19,161
State transit assistance funds	4,316	26,944
Intergovernmental revenues	40,000	80,000
Interest income	(98)	98
<b>Total Non-Operating Revenues</b>	117,218	126,203
<b>Change in Net Position</b>	(28,791)	(38,048)
<b>Total Net Position - Beginning</b>	54,366	92,414
<b>Total Net Position - Ending</b>	\$ 25,575	\$ 54,366

The notes to the basic financial statements are an integral part of this statement.

**SIERRA COUNTY TRANSIT FUND**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**  
(With Comparative Totals for June 30, 2013)

	<b>Totals</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 17,985	\$ 15,770
Payments to suppliers	(137,677)	(151,108)
	(119,692)	(135,338)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Local transportation funds	73,000	59,161
State transit assistance funds	4,316	26,944
Intergovernmental revenues	40,000	40,000
Interfund loan proceeds	2,474	6,843
	119,790	132,948
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	(98)	98
	(98)	98
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	-	(2,292)
<b>Balances - Beginning</b>	-	2,292
<b>Balances - Ending</b>	\$ -	\$ -
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (146,009)	\$ (164,251)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	26,317	28,181
Increase (decrease) in:		
Unearned revenues	-	732
	(119,692)	(135,338)

The notes to the basic financial statements are an integral part of this statement.

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## **Basic Financial Statements**

- **Notes to Basic Financial Statements**

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**SIERRA COUNTY TRANSIT FUND**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Sierra County Transit Fund (Transit Fund) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Transit Fund's accounting policies are described below.

**A. Reporting Entity**

The Legislature of the State of California, enacted the Transportation Development Act (TDA) (SB325) represented by Chapter 1400, Statutes of 1971, effective July 1, 1972. The TDA provides for state funding to the counties for public transportation expenditures. The principal source of funding is derived from 1/4 cent of the state sales tax collected statewide. The 1/4 cent is returned by the State Board of Equalization to each county according to the amount of sales tax collected in the county.

The TDA requires that each county have a transportation planning agency. The Sierra County Transportation Commission (SCTC) fulfills this requirement and is reported on under a separate report.

The transfers from the SCTC to the Transit Fund are to meet the excess of expenses over revenues of the transit system, which are deemed unmet transit needs of the County.

The financial statements are intended to present the financial position and results of operations and cash flows of only the transactions attributable to the Sierra County Transit Fund. They are not intended to present the financial position, results of operations or cash flows of the County of Sierra taken as a whole.

The Transit Fund is presented as an enterprise fund within the County of Sierra financial statements.

**B. Basis of Presentation**

Fund financial statements of the Transit Fund are organized into one fund, which is considered to be a separate accounting entity. The Transit Fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses. The fund is organized into the proprietary category and is treated as a major fund.

**C. Basis of Accounting and Measurement Focus**

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Transit Fund gives (or receives) value without directly receiving (or giving) equal value in exchange include, local transportation revenue and state transit assistance revenues. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**SIERRA COUNTY TRANSIT FUND**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting and Measurement Focus (Continued)**

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

**D. Cash, Cash Equivalents and Investments**

The Transit Fund pools all cash and investments with the County of Sierra. The Treasurer invests on behalf of most funds of the County and external participants in accordance with the California State Government Code and the County's investment policy. The Transit Fund's share in the pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participants deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the Transit Fund's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of the investments.

The County monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Sierra's financial statements may be obtained by contacting the County of Sierra Auditor-Controller's office at 211 Nevada Street, Downieville, CA 95936.

For purposes of the accompanying statement of cash flows, the enterprise fund considers all highly liquid investments with a maturity of three months or less when purchased, and its equity in the County of Sierra investment pool, to be cash equivalents.

**E. Receivables**

Receivables consist mainly of intergovernmental revenues. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

**SIERRA COUNTY TRANSIT FUND**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Capital Assets**

Capital assets are defined by the Transit Fund as assets with a cost of more than \$5,000 and an estimated useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their estimated fair market value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets estimated useful lives. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Transit vehicles and equipment	4-7 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

**G. Unearned Revenue**

Under the accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue.

**H. Compensated Absences and Postemployment Benefits**

The Transit Fund does not have employees and consequently does not provide compensated absences or postemployment benefits.

**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. At June 30, 2014, the Transit Fund did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2014, the Transit Fund did not have any deferred inflows of resources.

**SIERRA COUNTY TRANSIT FUND**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**K. Implementation of Governmental Accounting Standards Board Statements (GASB)**

The following Governmental Accounting Standards Board (GASB) Statement has been implemented, if applicable to the Sierra County Transit Fund, in the current financial statements.

**Statement No. 70**, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

**NOTE 2: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Capital Assets, Being Depreciated:				
Transit vehicles and equipment	\$ 143,905	-	-	\$ 143,905
Total Capital Assets, Being Depreciated	<u>143,905</u>	<u>-</u>	<u>-</u>	<u>143,905</u>
Less Accumulated Depreciation for:				
Transit vehicles and equipment	( 82,696)	( 26,317)	-	( 109,013)
Total Accumulated Depreciation	<u>( 82,696)</u>	<u>( 26,317)</u>	<u>-</u>	<u>( 109,013)</u>
Total Capital Assets, Net	<u>\$ 61,209</u>	<u>(\$ 26,317)</u>	<u>\$ -</u>	<u>\$ 34,892</u>

Depreciation expense of \$26,317 was charged to operations.

**NOTE 3: PURCHASED TRANSPORTATION**

The County of Sierra contracts with two non-profit corporations for transit services. The contracts are renewed on an annual basis. Although payments are based on estimated expenses, any excess funds are returned in the following fiscal year. Fare revenues, which consist mostly of donations, are retained by the transit contractor. Area Agency on Aging funds are used as local match when donations do not meet the required 10 percent fare revenue ratios.

**SIERRA COUNTY TRANSIT FUND**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 4: NET POSITION**

Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**Net Position Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

**NOTE 5: RISK MANAGEMENT**

The Transit Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Transit Fund is covered under the County of Sierra’s risk management programs.

**NOTE 6: OTHER INFORMATION**

**A. Subsequent Events**

Management has evaluated events subsequent to June 30, 2014 through February 2, 2015, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**SIERRA COUNTY TRANSIT FUND**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 6: OTHER INFORMATION (CONTINUED)**

**B. Fare Revenue Ratio**

The County is required by the Transportation Development Act (TDA) to maintain a fare revenue ratio to operating expenses of 10 percent or more. During the year ended June 30, 2014, the fare revenue ratio was 13.06 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2014, is as follows:

	June 30, 2014
Fare Revenue	\$ <u>17,985</u>
Total Operating Expenses	\$ 163,994
Allowable TDA adjustments:	
Depreciation	( <u>26,317</u> )
Net Operating Expenses	\$ <u>137,677</u>
Fare Revenue Ratio	<u>13.06%</u>

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**OTHER REPORT**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND THE RULES AND REGULATIONS OF THE TRANSPORTATION DEVELOPMENT ACT**

Sierra County Transportation Commission  
County of Sierra  
Downieville, 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 and the applicable fiscal audit requirements of the Transportation Development Act including Public Utilities Code Section 99245 and the California Code of Regulations Title 21, Section 6664, the financial statements of the proprietary fund of the Sierra County Transit Fund of the County of Sierra, California (Transit Fund), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Transit Fund's basic financial statements and have issued our report thereon dated February 2, 2015.

As discussed in Note 1, the financial statements present only the County of Sierra Transit Fund and are not intended to present fairly the financial position of the County of Sierra, California and the changes in financial position and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Transit Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit Fund's internal control.

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

Sierra County Transportation Commission  
County of Sierra  
Downieville, California

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 did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Transit Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Additionally, we performed tests of the Transit Fund's compliance with the specific tasks identified in the California Code of Regulations Title 21, Section 6667 that are applicable to the Transit Fund. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell, CPAs  
Yuba City, California  
February 2, 2015