

**COUNTY OF SIERRA**

**TRANSIT FUND**

**AUDIT REPORT  
JUNE 30, 2012**

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**COUNTY OF SIERRA**  
Transit Fund

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## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
County of Sierra  
Downieville, California

We have audited the accompanying financial statements pertaining to the County of Sierra Transit Fund (Fund) as of June 30, 2012, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Fund's 2011 financial statements and, in our report dated February 6, 2012, we expressed an unqualified opinion on the financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Fund as of June 30, 2012, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2013, 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. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Supervisors  
County of Sierra  
Downieville, California

Our audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Commission. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California  
April 4, 2013

# COUNTY OF SIERRA

## Transit Fund Statement of Net Assets June 30, 2012

(With Comparative Information as of June 30, 2011)

	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash	\$ 2,292	\$ 495
Federal grants receivable	40,000	75,000
PTMISEA receivable	--	5,582
Capital assets, net	<u>89,390</u>	<u>117,571</u>
 Total Assets	 <u><u>\$ 131,682</u></u>	 <u><u>\$ 198,648</u></u>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities:		
Due to Local Transportation fund	--	78,053
Deferred revenues	<u>39,268</u>	<u>--</u>
 Total Current Liabilities	 <u>39,268</u>	 <u>78,053</u>
Net Assets:		
Invested in capital assets, net of related debt	89,390	117,571
Unrestricted	<u>3,024</u>	<u>3,024</u>
 Total Net Assets	 <u>92,414</u>	 <u>120,595</u>
 Total Liabilities and Net Assets	 <u><u>\$ 131,682</u></u>	 <u><u>\$ 198,648</u></u>

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

# COUNTY OF SIERRA

## Transit Fund Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2012

(With Comparative Information For the Year Ended June 30, 2011)

	2012	2011
<b><u>Operating Revenues:</u></b>		
Fare revenues	\$ 13,903	\$ 13,558
<b><u>Operating Expenses:</u></b>		
Purchased transportation	133,784	133,439
Administration	6,041	2,172
Depreciation expense	28,181	17,288
Total Operating Expenses	168,006	152,899
Operating Loss	(154,103)	(139,341)
<b><u>Non-Operating Revenues (Expenses):</u></b>		
Transit security grant	--	795
Local transportation funds	25,840	29,970
State transit assistance funds	20,058	56,491
Federal grants	80,000	40,000
Return of funding	--	(6,579)
Interest revenue	24	--
Total Non-Operating Revenues (Expenses)	125,922	120,677
Net Income (Loss) Before Capital Contributions	(28,181)	(18,664)
Capital Contributions:		
Federal grants	--	75,000
PTMISEA revenues	--	25,688
<b>Change in Net Assets</b>	(28,181)	82,024
<b>Net Assets, Beginning of the Year</b>	120,595	38,571
<b>Net Assets, End of the Year</b>	\$ 92,414	\$ 120,595

The accompanying notes are an integral part these financial statements.

# COUNTY OF SIERRA

Transit Fund  
 Statements of Cash Flows  
 For the Year Ended June 30, 2012  
 (With Comparative Information For the Year Ended June 30, 2011)

	2012	2011
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers and users	\$ 13,903	\$ 13,558
Payments to suppliers	(139,825)	(135,611)
	(125,922)	(122,053)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(125,922)</b>	<b>(122,053)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest Received	24	--
	24	--
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>24</b>	<b>--</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Local Transportation Fund Allocations	65,108	23,391
State Transportation Assistance Fund Allocations	20,058	56,491
Federal operating grant	40,000	40,000
Interfund loans - proceeds and collections	(78,053)	78,053
Other grant receipts	--	2,850
	47,113	200,785
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>47,113</b>	<b>200,785</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Payments for acquisition of capital assets	--	(101,004)
Capital grants	80,582	14,849
	80,582	(86,155)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>80,582</b>	<b>(86,155)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,797</b>	<b>(7,423)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>495</b>	<b>7,918</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,292</b>	<b>\$ 495</b>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (154,103)	\$ (139,341)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	28,181	17,288
	(125,922)	(122,053)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (125,922)</b>	<b>\$ (122,053)</b>

The accompanying notes are an integral part of these financial statements

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## COUNTY OF SIERRA

Transit Fund  
Notes to Financial Statements  
June 30, 2012

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

The financial statements of the Sierra County Transit Fund (Fund) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Fund applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

#### **A. The Reporting Entity**

The Sierra County Transit Fund receives monies from the Sierra County Transportation Commission to operate and provide public transit services to Sierra County.

The financial statements are intended to present the financial position and changes in financial position of only that portion of the funds of the County of Sierra that is attributable to the transactions of Transportation Development Act Funds allocated for transit purposes.

#### **B. Basis of Presentation**

##### Government-Wide Financial Statements

Governmental Accounting Standards Statement No. 34 (GASB 34) implemented an additional set of statements called the government-wide financial statements and consisting of the Statement of Net Assets and the Statement of Activities. It also implemented a section entitled "Management's Discussion and Analysis" (MD&A). Since these provisions of GASB 34 apply to legally created state and local governmental entities and not to reports on individual funds such as this one, the MD&A, government-wide Statement of Net Assets and Statement of Activities has not been presented and included in these financial statements.

##### Fund Financial Statements

The Fund's resources are allocated to and accounted for in these financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Fund gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. On an accrual basis, revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**COUNTY OF SIERRA**

Transit Fund  
Notes to Financial Statements  
June 30, 2012

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

**C. Basis of Accounting** (continued)

Fund Financial Statements (continued)

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Fund's principal ongoing operations. The principal operating revenues of the Fund are charges to passengers for public transit services. Operating expenses for the Fund include the cost of transit services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after restricted resources are depleted.

**D. Cash in County Treasury**

Cash is held by the Sierra County Treasurer in an investment pool. Information regarding categorization of investments and risk can be found in the County's financial statements. The financial statements for the County of Sierra may be obtained by contacting the Auditor-Controller's office in Downieville, CA. On a quarterly basis, the Treasurer allocates investment earnings to participants based upon their average daily balances. The Treasurer's investments and policies are overseen by the Sierra County Board of Supervisors.

Governmental Accounting Standards Board Statement No. 40 requires additional disclosures about a government's deposits and investments risks that include credit risk, custodial risk, concentration risk and interest rate risk. The Fund adheres to the County's deposit or investment policy that addresses specific types of risk.

Required risk disclosures for the Fund's investment in the Sierra County Investment Pool at June 30, 2012, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	252 days average maturity

**E. Cash Equivalents**

For the purposes of the Statement of Cash Flows, all cash and investments with original maturities of three months or less and the funds invested in the County's Investment Pool are considered to be cash equivalents.

**F. Receivables**

Receivables consist of grants from other agencies. Management believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts is required.



**COUNTY OF SIERRA**

Transit Fund  
Notes to Financial Statements  
June 30, 2012

**NOTE 4: FARE REVENUE RATIO**

The Sierra County Transportation Commission requires that fare revenue to operating cost ratio of at least 10% be maintained in order to receive the same, or increased, level of Local Transportation Funds to support the operation. The fare revenue ratio for the fiscal years ended June 30, 2012 and 2011 was calculated as follows:

	<u>2012</u>	<u>2011</u>
Passenger fare revenues	<u>\$ 13,903</u>	<u>\$ 13,558</u>
Operating expenses	\$ 168,006	\$ 152,899
Statutory Adjustments:		
Depreciation	<u>(28,181)</u>	<u>(17,288)</u>
Total operating costs	<u>\$ 139,825</u>	<u>\$ 135,611</u>
Fare revenue ratio	<u>10%</u>	<u>10%</u>

**NOTE 5: DEFERRED REVENUES**

A schedule of changes in deferred revenue for the year ended June 30, 2012 is as follows:

	<u>LTF</u>	<u>STA</u>	<u>Total</u>
	<u>Operating</u>	<u>Operating</u>	
Balance, July 1, 2011	\$ --	\$ --	\$ --
Allocations	65,108	20,058	85,166
Maximum eligibility	<u>(25,840)</u>	<u>(20,058)</u>	<u>(45,898)</u>
Balance, June 30, 2012	<u>\$ 39,268</u>	<u>\$ --</u>	<u>\$ 39,268</u>

Local Transportation Fund Maximum Eligibility

Allocations received from the Sierra County Local Transportation Commission are recognized as revenues based on a formula provided in California Public Utilities Code of Regulations Section 6634 which, in general, provides that no transit operator or claimant shall be eligible to receive funds that exceed its operating costs less certain adjustments. Allocations received in excess of this are subject to repayment to the Local Transportation Fund and are deferred at June 30.

**COUNTY OF SIERRA**

Transit Fund  
Notes to Financial Statements  
June 30, 2012

**NOTE 5: DEFERRED REVENUES (CONTINUED)**

At June 30, 2012 and 2011, the Fund had deferred LTF allocations for operating purposes determined as follows:

	<u>2012</u>	<u>2011</u>
LTF Allocations	\$ 65,108	\$ 29,970
Returned allocations	--	(6,579)
LTF allocations available for operating	<u>65,108</u>	<u>23,391</u>
Maximum amount allowed:		
Operating expenses	147,948	96,408
Funds used for capital purchases	--	316
Adjustments:		
Depreciation	(28,181)	(17,288)
Farebox revenues	(13,903)	(13,558)
FTA operating assistance	(80,000)	(40,000)
Other revenues	(24)	--
Transit security grant	<u>--</u>	<u>(795)</u>
Maximum amount allowed	<u>25,840</u>	<u>25,083</u>
Deferred (Available) LTF Allocation at end of year	<u>\$ 39,268</u>	<u>\$ (1,692)</u>

State Transit Assistance

State Transit Assistance (STA) allocations were used to fund operating activities as allowed by ABX89. Allocations in excess of qualifying expenses are deferred to future periods. The maximum STA revenues available for the fiscal year ended June 30, 2012 and 2011, was determined as follows:

	<u>2012</u>
Deferred STA allocations at beginning of year	\$ --
STA allocations	<u>20,058</u>
STA allocations available for capital	20,058
Maximum amount allowed:	
Operating expenses	<u>20,058</u>
Maximum amount allowed	<u>20,058</u>
Deferred STA allocations at end of year	<u>\$ --</u>

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## **OTHER REPORTS**

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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**

Board of Supervisors  
County of Sierra  
Downieville, California

We have audited the financial statements of the County of Sierra Transit Fund (Fund) as of and for the year ended June 30, 2012, and have issued our report thereon dated April 4, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures 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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Sierra County Transportation Commission, management, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Roseville, California  
April 4, 2013

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS  
AND RESOLUTIONS OF THE LOCAL TRANSPORTATION COMMISSION**

Board of Supervisors  
County of Sierra  
Downieville, California

We have audited the financial statements of the County of Sierra Transit Fund (Fund) as of and for the year ended June 30, 2012 and have issued our report thereon dated April 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by the Sierra County Transportation Commission were made in accordance with the allocation instructions and resolutions of the Commission and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Section 6667 that are applicable to the Fund. In connection with our audit, nothing came to our attention that caused us to believe the Fund failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Local Transportation Commission. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Also as part of our audit, we performed tests of compliance to determine whether certain state bond funds were received and expended in accordance with the applicable bond act and state accounting requirements.

This report is intended solely for the information and use of the County of Sierra, the Sierra County Transportation Commission, management, the California Department of Transportation, and the State Controller's Office and should not be used by anyone other than these specified parties.

Roseville, California  
April 4, 2013