

COUNTY OF SIERRA
TRANSIT FUND
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF SIERRA
Transit Fund

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
<u>Financial Statements</u>	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position.....	4
Statement of Cash Flows	5
Notes to Financial Statements	7-11
<u>Other Reports</u>	
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 <i>Government Auditing Standards</i>	13-14
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.....	15

THIS PAGE INTENTIONALLY LEFT BLANK



INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of Sierra
Downieville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Sierra Transit Fund (Fund), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the Fund's 2012 financial statements, and in our report dated April 4, 2013, we expressed an unqualified opinion on those financial statements.

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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the County of Sierra Transit Fund, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors
County of Sierra

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Local Transportation Fund of the County of Sierra and do not purport and do not, present fairly the financial position of the County of Sierra, as of June 30, 2013, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2014 on our consideration of the County of Sierra 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 County of Sierra Transit Fund's internal control over financial reporting and compliance.



Roseville, California
January 7, 2014

COUNTY OF SIERRA

Transit Fund
Statement of Net Position
June 30, 2013
(With Comparative Information as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets:		
Cash	\$ --	\$ 2,292
Federal grants receivable	40,000	40,000
Capital assets, net	<u>61,209</u>	<u>89,390</u>
 Total Assets	 <u>\$ 101,209</u>	 <u>\$ 131,682</u>
 Liabilities and Net Position		
Current Liabilities:		
Unearned revenues	\$ 40,000	\$ 39,268
Due to Local Transportation fund	<u>6,843</u>	<u>--</u>
 Total Current Liabilities	 <u>46,843</u>	 <u>39,268</u>
Net Position:		
Net investment in capital assets	61,209	89,390
Unrestricted	<u>(6,843)</u>	<u>3,024</u>
 Total Net Position	 <u>54,366</u>	 <u>92,414</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 Position
For the Year Ended June 30, 2013
(With Comparative Information For the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Fare revenues	\$ 15,038	\$ 13,903
Operating Expenses:		
Purchased transportation	144,199	133,784
Administration	6,909	6,041
Depreciation expense	<u>28,181</u>	<u>28,181</u>
Total Operating Expenses	<u>179,289</u>	<u>168,006</u>
Operating Loss	<u>(164,251)</u>	<u>(154,103)</u>
Non-Operating Revenues (Expenses):		
Local transportation funds	19,161	25,840
State transit assistance funds	26,944	20,058
Federal grants	80,000	80,000
Interest revenue	<u>98</u>	<u>24</u>
Total Non-Operating Revenues (Expenses)	<u>126,203</u>	<u>125,922</u>
Change in Net Position	(38,048)	(28,181)
Net Position, Beginning of the Year	<u>92,414</u>	<u>120,595</u>
Net Position, End of the Year	<u>\$ 54,366</u>	<u>\$ 92,414</u>

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, 2013
 (With Comparative Information For the Year Ended June 30, 2012)

	2013	2012
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 15,770	\$ 13,903
Payments to suppliers	(151,108)	(139,825)
Net Cash Provided (Used) by Operating Activities	(135,338)	(125,922)
Cash Flows from Investing Activities:		
Interest Received	98	24
Net Cash Provided (Used) by Investing Activities	98	24
Cash Flows from Non-Capital Financing Activities:		
Local Transportation Fund Allocations	59,161	65,108
State Transportation Assistance Fund Allocations	26,944	20,058
Federal operating grant	40,000	40,000
Interfund loans - proceeds and collections	6,843	(78,053)
Net Cash Provided by Non-Capital Financing Activities	132,948	47,113
Cash Flows from Capital and Related Financing Activities:		
Capital grants	--	80,582
Net Cash Provided by Capital and Related Financing Activities	--	80,582
Net Increase (Decrease) in Cash and Cash Equivalents	(2,292)	1,797
Cash and Cash Equivalents at Beginning of Year	2,292	495
Cash and Cash Equivalents at End of Year	\$ --	\$ 2,292
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (164,251)	\$ (154,103)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in deferred revenue	732	--
Depreciation expense	28,181	28,181
Net Cash Provided (Used) by Operating Activities	\$ (135,338)	\$ (125,922)

The accompanying notes are an integral part of these financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF SIERRA

Transit Fund
Notes to Financial Statements
June 30, 2013

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

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, 2013

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, 2013, 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, 2013

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, 2013 and 2012 was calculated as follows:

	<u>2013</u>	<u>2012</u>
Passenger fare revenues	<u>\$ 15,038</u>	<u>\$ 13,903</u>
Operating expenses	\$ 179,289	\$ 168,006
Statutory Adjustments:		
Depreciation	<u>(28,181)</u>	<u>(28,181)</u>
Total operating costs	<u>\$ 151,108</u>	<u>\$ 139,825</u>
 Fare revenue ratio	 <u>10%</u>	 <u>10%</u>

NOTE 5: UNEARNED REVENUES

A schedule of changes in unearned revenue for the year ended June 30, 2013 is as follows:

	<u>LTF</u>	<u>STA</u>	
	<u>Operating</u>	<u>Operating</u>	<u>Total</u>
Balance, July 1, 2012	\$ 39,268	\$ --	\$ 39,268
Allocations	59,161	26,944	86,105
Maximum eligibility	<u>(58,429)</u>	<u>(26,944)</u>	<u>(85,373)</u>
 Balance, June 30, 2013	 <u>\$ 40,000</u>	 <u>\$ --</u>	 <u>\$ 40,000</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 unearned at June 30.

COUNTY OF SIERRA

Transit Fund
Notes to Financial Statements
June 30, 2013

NOTE 5: UNEARNED REVENUES (CONTINUED)

At June 30, 2013 and 2012, the Fund had unearned LTF allocations for operating purposes determined as follows:

	<u>2013</u>	<u>2012</u>
Beginning balance, unearned revenue	\$ 39,268	\$ --
LTF allocations available for operating	<u>59,161</u>	<u>65,108</u>
	98,429	65,108
 Maximum amount allowed:		
Operating expenses	181,866	147,948
 Adjustments:		
Depreciation	(28,181)	(28,181)
Farebox revenues	(15,038)	(13,903)
FTA operating assistance	(80,000)	(80,000)
Other revenues	<u>(218)</u>	<u>(24)</u>
 Maximum amount allowed	<u>58,429</u>	<u>25,840</u>
 Unearned (Available) LTF Allocation at end of year	<u>\$ 40,000</u>	<u>\$ 39,268</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 unearned to future periods. The maximum STA revenues available for the fiscal year ended June 30, 2013 and 2012, was determined as follows:

	<u>2013</u>	<u>2012</u>
Unearned STA allocations at beginning of year	\$ --	\$ --
STA allocations	<u>26,944</u>	<u>20,058</u>
STA allocations available for capital	26,944	20,058
 Maximum amount allowed:		
Operating expenses	<u>26,944</u>	<u>20,058</u>
 Maximum amount allowed	<u>26,944</u>	<u>20,058</u>
 Unearned STA allocations at end of year	<u>\$ --</u>	<u>\$ --</u>

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER REPORTS

THIS PAGE INTENTIONALLY LEFT BLANK



**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, 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 County of Sierra Transit Fund (Fund), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 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*.

Board of Supervisors
County of Sierra

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.

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

Roseville, California
January 7, 2014



**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, 2013 and have issued our report thereon dated January 7, 2014. 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.

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
January 7, 2014