

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

**Nevada City, California**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS

**June 30, 2020 and 2019**



# County of Nevada Transit Services Fund

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June 30, 2020 and 2019

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## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the Transit Services Fund of the County of Nevada (the County), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

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

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

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

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

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

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transit Services Fund of the County of Nevada, as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Emphasis of Matter*

As discussed in Note 1, the financial statements present only the Transit Services Fund and do not purport to, and do not, present fairly the financial position of the County of Nevada, as of June 30, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### *Other Information*

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

The Statement of Revenues, Expenses, and Changes in Net Position - by Operation is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenses, and Changes in Net Position - By Operation is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## INDEPENDENT AUDITORS' REPORT

(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, on our consideration of the County's internal control over financial reporting as it relates to the Transit Services Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the effectiveness of 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.

*AGT CPAs & Advisors*

April 30, 2021  
AGT CPAs & Advisors  
Redding, California

## **FINANCIAL SECTION**

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

June 30	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 612,135	\$ 488,612
Accounts receivable	210,513	71,471
Due from other agencies	975,257	641,624
<b>Total Current Assets</b>	<b>1,797,905</b>	<b>1,201,707</b>
<b>Noncurrent Assets</b>		
Restricted cash - insurance reserve	83,736	82,213
Depreciable capital assets - net	1,757,042	2,221,263
<b>Total Noncurrent Assets</b>	<b>1,840,778</b>	<b>2,303,476</b>
<b>Total Assets</b>	<b>3,638,683</b>	<b>3,505,183</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows from pensions	324,223	312,133
Deferred outflows from other postemployment benefits	51,820	48,314
<b>Total Deferred Outflows of Resources</b>	<b>376,043</b>	<b>360,447</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 4,014,726</b>	<b>\$ 3,865,630</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 109,010	\$ 98,010
Accrued salaries and benefits	63,520	49,098
Due to other agencies	62,080	117,214
Compensated absences - current	16	240
Unearned revenue	638,057	203,234
<b>Total Current Liabilities</b>	<b>872,683</b>	<b>467,796</b>
<b>Noncurrent Liabilities</b>		
Compensated absences - net	69,982	37,604
Net pension liability	2,373,353	2,170,107
Net other postemployment benefits liability	299,574	370,302
<b>Total Noncurrent Liabilities</b>	<b>2,742,909</b>	<b>2,578,013</b>
<b>Total Liabilities</b>	<b>3,615,592</b>	<b>3,045,809</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows from pensions	25,075	24,555
Deferred inflows from other postemployment benefits	57,268	8,158
<b>Total Deferred Inflows of Resources</b>	<b>82,343</b>	<b>32,713</b>
<b>Net Position</b>		
Net investment in capital assets	1,757,042	2,221,263
Restricted for insurance claims	83,736	82,213
Restricted for capital projects	678,352	1,232,587
Unrestricted	(2,202,339)	(2,748,955)
<b>Total Net Position</b>	<b>316,791</b>	<b>787,108</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>	<b>\$ 4,014,726</b>	<b>\$ 3,865,630</b>

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

## County of Nevada Transit Services Fund

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

Years Ended June 30	2020	2019
<b>Operating Revenues</b>		
Passenger fares	\$ 212,070	\$ 298,761
Contributions from other agencies	71,549	66,885
Other operating revenues	900	3,431
<b>Total Operating Revenues</b>	<b>284,519</b>	<b>369,077</b>
<b>Operating Expenses</b>		
Salaries and benefits	1,770,637	1,530,966
Professional services	1,617,216	1,658,802
Maintenance, supplies, and utilities	569,898	518,804
Insurance and claims payments	97,596	91,166
Administration and overhead	216,124	165,631
Rent	27,680	35,015
Depreciation	434,681	545,098
<b>Total Operating Expenses</b>	<b>4,733,832</b>	<b>4,545,482</b>
<b>Operating (Loss)</b>	<b>(4,449,313)</b>	<b>(4,176,405)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Local Transportation funds	3,926,184	2,336,075
State Transit Assistance	-	726,990
FTA section 5311	497,313	470,602
LCTOP Funds	80,000	40,000
Net interest income (expense)	26,639	45,546
Gain (loss) on disposal of capital assets	(31,160)	9,443
Other revenues	1,668	4,748
Other expenses	(521,648)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>3,978,996</b>	<b>3,633,404</b>
<b>Income (Loss) Before Contributions</b>	<b>(470,317)</b>	<b>(543,001)</b>
<b>Contributions</b>		
LCTOP funds capital contributions	-	118,384
<b>Total Contributions</b>	<b>-</b>	<b>118,384</b>
<b>Change in Net Position</b>	<b>(470,317)</b>	<b>(424,617)</b>
<b>Total Net Position - Beginning of Year</b>	<b>787,108</b>	<b>1,211,725</b>
<b>Total Net Position - End of Year</b>	<b>\$ 316,791</b>	<b>\$ 787,108</b>

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

# County of Nevada Transit Services Fund

## STATEMENTS OF CASH FLOWS

Years Ended June 30	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 145,477	\$ 299,297
Payments to employees	(1,557,509)	(1,386,140)
Payments to suppliers	(2,517,514)	(2,474,167)
<b>Net Cash (Used) by Operating Activities</b>	<b>(3,929,546)</b>	<b>(3,561,010)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local Transportation Funds allocations	4,233,126	1,765,699
State Transit Assistance allocations	127,881	726,990
Federal operating assistance allocations	-	1,349,434
Other grant proceeds and expenditures	(569,818)	942
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>3,791,189</b>	<b>3,843,065</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital grants received	238,384	105,645
Purchases of capital assets	(35,720)	(779,672)
Proceeds from sale of capital assets	34,100	17,700
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<b>236,764</b>	<b>(656,327)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earnings on investments	26,639	45,546
<b>Net Cash Provided by Investing Activities</b>	<b>26,639</b>	<b>45,546</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>125,046</b>	<b>(328,726)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>570,825</b>	<b>899,551</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 695,871</b>	<b>\$ 570,825</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 612,135	\$ 488,612
Restricted cash - insurance reserve	83,736	82,213
<b>Total Cash and Cash Equivalents</b>	<b>\$ 695,871</b>	<b>\$ 570,825</b>

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

# County of Nevada Transit Services Fund

## STATEMENTS OF CASH FLOWS

(Continued)

Years Ended June 30	2020	2019
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (4,449,313)	\$ (4,176,405)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	434,681	545,098
Changes in assets and liabilities:		
Accounts receivable	(139,042)	(69,780)
Deferred outflows from pensions	(12,090)	122,447
Deferred outflows from other postemployment benefits	(3,506)	3,510
Accounts payable	11,000	(4,749)
Accrued salaries and benefits	14,422	1,732
Compensated absences	32,154	(8,075)
Net pension liability	203,246	31,559
Net other postemployment benefits liability	(70,728)	(11,123)
Deferred inflows from pensions	520	4,037
Deferred inflows from other postemployment benefits	49,110	739
<b>Net Cash (Used) by Operating Activities</b>	<b>\$ (3,929,546)</b>	<b>\$ (3,561,010)</b>

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

# County of Nevada Transit Services Fund

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements are intended to reflect the financial position, results of operations, cash flows, and compliance of the Transit Services Fund with the laws, rules, and regulations of the Transportation Development Act (the TDA). They do not present the financial position of the County as of June 30, 2020 and 2019, and the changes in its financial position and cash flows, thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

**Cash and Cash Equivalents** The Transit Services Fund follows the cash and investment policies of the County. The Transit Services Fund is unable to determine the composition of its cash and cash equivalents. Detailed disclosures, including investment policies and associated risk policies, regarding the County's cash and cash equivalents can be found in the County's June 30, 2020 and 2019, comprehensive annual financial report. For purposes of the statements of cash flows, the County considers all cash in the Transit Services Fund to be cash and cash equivalents.

## County of Nevada Transit Services Fund

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

**Deferred Outflows/Inflows of Resources** In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) which will only be recognized as an outflow of resources (expense/expenditures) in the future. 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.

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

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

# County of Nevada Transit Services Fund

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

*Restricted Net Position:* This category represents the net position that is not accessible for general use because its use is subject to restrictions enforceable by third parties.

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

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

**Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## 2. CAPITAL ASSETS

A summary of changes in capital assets are as follows:

	Balance				Balance	
	July 1, 2019	Additions	Deletions	Transfer	June 30, 2020	
<b>Depreciable Capital Assets</b>						
Building and structures	\$ 1,654,573	\$ -	\$ -	\$ -	\$ 1,654,573	
Vehicles and equipment	2,565,666	35,720	(175,982)	-	2,425,404	
<b>Total Depreciable Capital Assets</b>	<b>4,220,239</b>	<b>35,720</b>	<b>(175,982)</b>	<b>-</b>	<b>4,079,977</b>	
<b>Accumulated Depreciation</b>						
Building and structures	(378,295)	(59,922)	-	-	(438,217)	
Vehicles and equipment	(1,620,681)	(374,759)	110,722	-	(1,884,718)	
<b>Total Accumulated Depreciation</b>	<b>(1,998,976)</b>	<b>(434,681)</b>	<b>110,722</b>	<b>-</b>	<b>(2,322,935)</b>	
<b>Net Depreciable Capital Assets</b>	<b>\$ 2,221,263</b>	<b>\$ (398,961)</b>	<b>\$ (65,260)</b>	<b>\$ -</b>	<b>\$ 1,757,042</b>	

# County of Nevada Transit Services Fund

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

	Balance July 1, 2018	Additions	Deletions	Transfer	Balance June 30, 2019
<b>Depreciable Capital Assets</b>					
Building and structures	\$ 1,654,573	\$ -	\$ -	\$ -	\$ 1,654,573
Vehicles and equipment	2,079,481	779,672	(293,487)	-	2,565,666
<b>Total Depreciable Capital Assets</b>	3,734,054	779,672	(293,487)	-	4,220,239
<b>Accumulated Depreciation</b>					
Building and structures	(318,373)	(59,922)	-	-	(378,295)
Vehicles and equipment	(1,420,735)	(485,176)	285,230	-	(1,620,681)
<b>Total Accumulated Depreciation</b>	(1,739,108)	(545,098)	285,230	-	(1,998,976)
<b>Net Depreciable Capital Assets</b>	\$ 1,994,946	\$ 234,574	\$ (8,257)	\$ -	\$ 2,221,263

Depreciation expense for the years ended June 30, 2020 and 2019, was \$434,681 and \$545,098.

### 3. COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS

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

The Transit Services Fund is subject to the provision of Section 6633.2 of Title 21, Division 3, Chapter 2, Article 4 of the *California Code of Regulations* requiring the calculation and adherence of fare and local support ratios for TDA transit funding. Accordingly, the Transit Services Fund must maintain a ratio equaling or exceeding 10%. The Transit Services Fund's fare ratio of operating revenues to operating expenses, as calculated below, indicates the Transit Services Fund was not in compliance with the provisions of the TDA for the fiscal year ended June 30, 2020 but was in compliance for the fiscal year ended June 30, 2019. The fare ratio calculations are as follows:

June 30	2020	2019
Passenger fares	\$ 283,619	\$ 365,646
LCTOP fare supplement	80,000	43,011
Advertising income	900	3,431
<b>Applicable Operating Revenues</b>	<b>\$ 364,519</b>	<b>\$ 412,088</b>
Operating expenses	\$ 4,733,832	\$ 4,545,482
Less: Depreciation	(434,681)	(545,098)
Less: Vehicle lease expense	-	(144,000)
<b>Applicable Operating Expenses</b>	<b>\$ 4,299,151</b>	<b>\$ 3,856,384</b>
<b>Actual Fare Ratio</b>	<b>8.48%</b>	<b>10.69%</b>

On June 29, 2020 California passed Assembly Bill No. 90 – Transportation which prohibits the imposition of penalties on an operator that does not maintain the required ratio of fare revenues to operating cost during the 2019-20 or 2020-21 fiscal years. Therefore the noncompliance has not been included as a finding for the 2019-20 fiscal year.

# County of Nevada Transit Services Fund

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 4. UNEARNED REVENUE

The Commission allocates monies to the Transit Services Fund to support transit operations. 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, 2020 and 2019, the Transit Services Fund had allocations that had been received but not earned as follows:

	<b>Total</b>
<b>Unearned Revenue - July 1, 2018</b>	\$ 773,610
Allocations	1,765,699
Maximum eligibility:	
Operating	(2,336,075)
<b>Unearned Revenue - June 30, 2019</b>	203,234
Allocations:	
Community transit services	141,742
Local transportation funds	4,091,384
State transit assistance	127,881
Maximum eligibility:	
Operating	(3,926,184)
<b>Unearned Revenue - June 30, 2020</b>	\$ 638,057

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:

June 30	2020	2019
Operating expenses	\$ 4,733,832	\$ 4,545,482
Adjustments:		
Depreciation	(434,681)	(545,098)
Fare Box revenues and contributions from other agencies	(284,519)	(369,077)
Other operating grants	(92,818)	(1,273,680)
Other revenues	-	(4,748)
Net interest income	4,404	(7,252)
Other adjustments	(34)	(9,552)
<b>Maximum Eligibility</b>	<b>\$ 3,926,184</b>	<b>\$ 2,336,075</b>

## County of Nevada Transit Services Fund

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

#### 5. EMPLOYEE RETIREMENT PLAN

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

#### 6. RISK MANAGEMENT

The Transit Services Fund is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Transit Services Fund participates in the County's self-insurance program and also maintains commercial insurance policies through third parties. Cash in the amount of \$83,736 and \$82,213 at June 30, 2020 and 2019, respectively, was restricted for insurance purposes.

#### 7. COMPENSATED ABSENCES

The following is a summary of the compensated absences liability:

	Balance			Balance			Amounts
	July 1, 2019	Additions	Deletions	June 30, 2020		Due Within	
						One Year	
Compensated absences	\$ 37,844	\$ 88,055	\$ (55,901)	\$ 69,998	\$	16	

	Balance			Balance			Amounts
	July 1, 2018	Additions	Deletions	June 30, 2019		Due Within	
						One Year	
Compensated absences	\$ 45,919	\$ 83,352	\$ (91,427)	\$ 37,844	\$	240	

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

The Transit Services Fund's employees are employees of the County and receive all the benefits of being County employees. The County offers post-employment health benefits to eligible employees. Information regarding the County's OPEB plan is available in the County's comprehensive annual financial report. As a fund of the County, the Transit Service Fund makes contributions towards the OPEB Plan and reports a portion of the Net OPEB obligation, deferred outflows and deferred inflows.

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

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

**SUPPLEMENTARY INFORMATION SECTION**

## County of Nevada Transit Services Fund

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

Year Ended June 30, 2020	Gold Country Stage	Para Transit	Totals
<b>Operating Revenues</b>			
Passenger fares	\$ 150,757	\$ 61,313	\$ 212,070
Contributions from other agencies	71,549	-	71,549
Other operating revenues	900	-	900
<b>Total Operating Revenues</b>	<b>223,206</b>	<b>61,313</b>	<b>284,519</b>
<b>Operating Expenses</b>			
Salaries and benefits	1,770,637	-	1,770,637
Professional services	471,546	1,145,670	1,617,216
Maintenance, supplies, and utilities	569,898	-	569,898
Insurance and claims payments	97,596	-	97,596
Administration and overhead	216,124	-	216,124
Rent	27,680	-	27,680
Depreciation	434,681	-	434,681
<b>Total Operating Expenses</b>	<b>3,588,162</b>	<b>1,145,670</b>	<b>4,733,832</b>
<b>Operating (Loss)</b>	<b>(3,364,956)</b>	<b>(1,084,357)</b>	<b>(4,449,313)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Local Transportation funds	2,841,827	1,084,357	3,926,184
FTA section 5311	497,313	-	497,313
LCTOP funds	80,000	-	80,000
Net interest income (expense)	26,639	-	26,639
Gain (loss) on sale of capital assets	(31,160)	-	(31,160)
Other revenues	1,668	-	1,668
Other expenses	(521,648)	-	(521,648)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,894,639</b>	<b>1,084,357</b>	<b>3,978,996</b>
<b>Change in Net Position</b>	<b>\$ (470,317)</b>	<b>\$ -</b>	<b>\$ (470,317)</b>

## **COMPLIANCE SECTION**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transit Services Fund of the County of Nevada (the County) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Transit Services Fund's basic financial statements, and have issued our report thereon dated April 30, 2021. The financial statements present only the Transit Services Fund, and do not purport to, and do not present fairly the financial position of the County as of June 30, 2020, and the changes in its financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as 2020-001 that we consider to be a significant deficiency.

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

(Continued)

***Compliance and Other Matters***

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

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Nevada County Transportation Commission, for the year ended June 30, 2020. In connection with our audit, we performed to the extent applicable, the compliance audit tasks set forth in Section 6667 of the *California Code of Regulations*. The results of performing the tasks specified in Section 6667 disclosed no instances of noncompliance with the applicable statutes, rules, and regulations of the Act, and the allocation instructions and resolutions of the Nevada County Transportation Commission. In our opinion, the funds allocated to and received by the Transit Services Fund for the year ended June 30, 2020, pursuant to the Transportation Development Act, were accounted for and expended in conformance with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Nevada County Transportation Commission.

**Purpose of this Report**

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

*AGT CPAs & Advisors*

April 30, 2021  
AGT CPAs & Advisors  
Redding, California



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

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

**Compliance**

We have audited the expenditure of Nevada County's (the County) Regional Surface Transportation Program (RSTP) funds for the year ended June 30, 2020, which were allocated to the County by the Nevada County Transportation Commission (the Commission).

***Management's Responsibility***

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

***Auditors' Responsibility***

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

During the fiscal year ended June 30, 2020, the County received RSTP funds of \$1,928,735 from the Commission for the purpose of street and road improvements. As of June 30, 2020, RSTP funds received and expended were as follows:

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<b>Proceeds Received - Year Ended June 30, 2020</b>	
RSTP	\$ 1,928,735
<hr/>	
Expenditures incurred:	
Road Maintenance Projects	1,189,449
Combie Road Widening Project	583,174
Donner Pass Road Project	3,628
Drainage and Shoulder Improvements	152,484
<hr/>	
<b>Total Expenditures Incurred</b>	<b>1,928,735</b>
<hr/>	
<b>Unexpended Proceeds - June 30, 2020</b>	<b>\$ -</b>

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

(Continued)

**Opinion**

In our opinion, the County expended the funds in accordance with the agreement set forth between the Commission and the County, in all material respects, for the year ended June 30, 2020.

**Purpose of this Report**

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

*AGT CPAs & Advisors*

April 30, 2021  
AGT CPAs & Advisors  
Redding, California



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

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

**Compliance**

We have audited the expenditure of Nevada County's (the County) Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) funds for the year ended June 30, 2020, which were allocated to the County by the State of California.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

During the fiscal year ended June 30, 2020, the County expended PTMISEA funds in the amount of \$568,934 for the purpose of constructing a new operating facility, bus stop improvements, and other capital projects. As of June 30, 2020, PTMISEA funds received and expended were as follows:

<b>Beginning Balance</b>	\$	938,646
Proceeds received:		
PTMISEA		-
Interest allocated to unspent proceeds		16,694
Expenditures incurred:		
Capital expenditures for operating facility construction		(521,649)
Capital expenditures for bus stop improvements		(11,563)
Capital expenditures for other capital projects		(35,721)
<b>Unexpended Proceeds</b>	\$	386,407

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

(Continued)

***Opinion***

In our opinion, the County expended the PTMISEA funds in accordance with the agreement set forth by the State of California, in all material respects, for the year ended June 30, 2020.

**Purpose of this Report**

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

*AGT CPAs & Advisors*

April 30, 2021  
AGT CPAs & Advisors  
Redding, California

## **SCHEDULE OF FINDINGS SECTION**

**CURRENT YEAR FINDINGS AND RESPONSES**

**Significant Deficiency**

**2020-001**

**Condition**

During our audit of the current year, we identified audit adjustments that were material to the financial statements, and which were required in order for the financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles.

**Criteria**

All adjustments necessary for financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles should be identified and posted by the County.

**Effect**

Financial statements which are not in conformity with generally accepted accounting principles could have been prepared and distributed.

***Recommendation***

We recommend that management take steps to ensure that all adjustments necessary to prepare financial statements in conformity with generally accepted accounting principles be identified and posted prior to the start of the audit.

***Response***

The adjustment was related to expenses being misapplied to Transit's various grant funds for the calculation of unearned Local Transportation Fund revenues. The County is in the process of implementing a grant reporting software system which will improve the accuracy of grant expense information for fiscal year end reporting.

**PRIOR YEAR FINDINGS AND RESPONSES**

None