

**NEVADA COUNTY SERVICE
AUTHORITY,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2020**

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NEVADA COUNTY SERVICE AUTHORITY
Annual Financial Report
For the Year Ended June 30, 2020

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INTRODUCTORY SECTION

- **List of Officials**

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NEVADA COUNTY SERVICE AUTHORITY

List of Officials

For the Year Ended June 30, 2020

Board of Directors

Jeff Merriman

County of Nevada

Alex Gammelgard

City of Grass Valley

Chad Ellis

City of Nevada City

Deverie Acuff

Town of Truckee

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nevada County Service Authority
Nevada City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Nevada County Service Authority, California (Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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 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 of 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.

To the Board of Directors
Nevada County Service Authority
Nevada City, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Authority as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As more fully described in Note 7A to the financial statements, citizens and the economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the Authority's operations because the diseases severity and duration are uncertain, we expect the 2020 financial results too will be significantly impacted and the implications beyond 2020, while unclear, could also be adversely impacted. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors
Nevada County Service Authority
Nevada City, California

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
November 17, 2020

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**Management's Discussion and Analysis
(Unaudited)**

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MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“MD&A”) of the Nevada County Service Authority’s (the “Authority”) financial performance provides an introduction to the financial statements for the year ended June 30, 2020. The information contained in this MD&A should be considered in conjunction with the information contained in the Authority’s financial statements.

Overview of the Financial Statements

Following this discussion and analysis are the basic financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements. The basic financial statements are designed to provide readers with a broad overview of the Authority’s financial status.

The Government-Wide Statements consist of the Statement of Net Position and the Statement of Activities. These statements are presented on the accrual basis of accounting in which changes are recognized as soon as the underlying event or transaction has occurred, regardless of the timing of the related cash flow.

The Statement of Net Position presents information on all of the Authority’s assets and liabilities. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority’s financial position.

The Statement of Activities presents information showing how the Authority’s net position changed during the most recent fiscal year.

Fund Financial Statements are prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Authority is structured with one governmental fund with revenues recognized in the accounting period in which they become available and measurable and expenditures recognized in the accounting period in which the fund liability is incurred, if measurable.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Analysis of the Authority as a Whole – Government Wide Financial Statements

**Authority's Net
Position June 30,
2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>Change</u>
Assets				
Total Current Assets	\$ 93,916	\$ 74,376	26.3%	\$ 19,540
Total Assets	<u>93,916</u>	<u>74,376</u>	<u>26.3%</u>	<u>19,540</u>
Liabilities				
Current Liabilities	<u>5,521</u>	<u>5,938</u>	<u>-7.0%</u>	<u>(417)</u>
Total Liabilities	<u>5,521</u>	<u>5,938</u>	<u>-7.0%</u>	<u>(417)</u>
Net Position				
Restricted for abandoned vehicle abatement	<u>88,395</u>	<u>68,438</u>	<u>29.2%</u>	<u>19,957</u>
Total Net Position	<u>\$ 88,395</u>	<u>\$ 68,438</u>	<u>29.2%</u>	<u>\$ 19,957</u>

At June 30, 2020, the Authority's total assets equaled \$93,916, an increase from the prior year of \$19,540. The Authority's net position at June 30, 2020 increased from the prior year 29.2 percent to \$88,395. The increase was because revenues were reinstated after being suspended in January 2017 due to high fund balances in the program.

**Changes in Net Position
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>Change</u>
Revenues				
Program Revenues	\$ 54,692	\$ 722	7475.1%	\$ 53,970
General Revenues	<u>1,211</u>	<u>1,998</u>	<u>-39.4%</u>	<u>(787)</u>
Total Revenues	<u>55,903</u>	<u>2,720</u>	<u>1955.3%</u>	<u>53,183</u>
Expenses				
Public Protection	<u>35,946</u>	<u>62,803</u>	<u>-42.8%</u>	<u>(26,857)</u>
Total Expenses	<u>35,946</u>	<u>62,803</u>	<u>-42.8%</u>	<u>(26,857)</u>
Change in Net Position	<u>19,957</u>	<u>(60,083)</u>	<u>-133.2%</u>	<u>80,040</u>
Net Position - Beginning	<u>68,438</u>	<u>128,521</u>	<u>-46.7%</u>	<u>(60,083)</u>
Net Position - Ending	<u>\$ 88,395</u>	<u>\$ 68,438</u>	<u>29.2%</u>	<u>\$ 19,957</u>

Revenues - The Authority's revenues for Fiscal Year 2019-20 consisted of program revenues in the amount of \$54,692. Program revenues increased by 7,475.1 percent from the prior year's total of \$722. This was due to revenues for this program being reinstated. Other sources of revenue were interest and investments earnings of \$1,211.

Expenses - Expenses for the Authority totaled \$35,946. This was a 42.8 percent decrease from the Fiscal Year 2018-19 total of \$62,803. The decrease in expenses was due to a decrease in reimbursement claims from the members.

Budget versus Actual

Budget did not change from Original budget to Final budget. Actual revenues were \$55,903 or 132.9 percent more than planned. Expenses were \$11,946 higher than anticipated due to the increased program income available for expenditures. The net result was an increase to fund balance of \$19,957 to \$88,395 compared to the anticipated \$68,438.

Analysis of the Fund Financial Statements

The Authority uses fund accounting to assure and demonstrate compliance with the finance-related legal requirements. The fund provides information on the inflows and outflows of resources related to the disposition of abandoned vehicles.

Capital Asset and Debt Administration

Capital Assets & Infrastructure - The Authority is strictly used to account for abandoned vehicle revenues and disbursements and does not have any capital assets or infrastructure to report.

Long-term Debt – The Authority does not have any long-term debt obligations.

Request for Information

This financial report is designed to provide a general overview of the Nevada County Service Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Nevada County Auditor-Controller, Marcia L. Salter, 950 Maidu Avenue, Nevada City CA 95959.

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Basic Financial Statements

- **Government-Wide Financial Statements**

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NEVADA COUNTY SERVICE AUTHORITY
Statement of Net Position
June 30, 2020

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 66,698
Receivables:	
Intergovernmental	<u>27,218</u>
Total Assets	<u>93,916</u>
LIABILITIES	
Accounts payable	<u>5,521</u>
Total Liabilities	<u>5,521</u>
NET POSITION	
Restricted for abandoned vehicle abatement	<u>88,395</u>
Total Net Position	<u><u>\$ 88,395</u></u>

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

NEVADA COUNTY SERVICE AUTHORITY
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs:</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:				
Public protection	\$ 35,946	\$ -	\$ 54,692	\$ -
Total Governmental Activities	35,946	-	54,692	-
Total	\$ 35,946	\$ -	\$ 54,692	\$ -
General revenues:				
Interest and investment earnings				1,211
Total General Revenues				1,211
Change in Net Position				19,957
Net Position - Beginning				68,438
Net Position - Ending				\$ 88,395

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

Basic Financial Statements

- **Fund Financial Statements**

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NEVADA COUNTY SERVICE AUTHORITY
Balance Sheet
Governmental Fund
June 30, 2020

	General Fund
ASSETS	
Cash and investments	\$ 66,698
Receivables:	
Intergovernmental	27,218
Total Assets	\$ 93,916
LIABILITIES	
Accounts payable	\$ 5,521
Total Liabilities	5,521
FUND BALANCE	
Restricted	88,395
Total Fund Balance	88,395
Total Liabilities and Fund Balance	\$ 93,916

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

NEVADA COUNTY SERVICE AUTHORITY
Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activities
June 30, 2020

Total Fund Balance - Total Governmental Fund	\$ 88,395
No adjustments were needed to reconcile the governmental fund balance sheet to the government-wide statement of net position.	<u>-</u>
Net Position of Governmental Activities	<u><u>\$ 88,395</u></u>

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

NEVADA COUNTY SERVICE AUTHORITY
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

	General Fund
REVENUES	
Use of money and property	\$ 1,211
Intergovernmental	54,692
Total Revenues	55,903
EXPENDITURES	
Current:	
Public protection	35,946
Total Expenditures	35,946
Net Change in Fund Balance	19,957
Fund Balance - Beginning	68,438
Fund Balance - Ending	\$ 88,395

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

NEVADA COUNTY SERVICE AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of the Governmental Fund to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2020

Net Change in Fund Balance - Total Governmental Fund	\$ 19,957
No adjustments were necessary to reconcile the net change in fund balance to the change in net position of governmental activities.	<u>-</u>
Change in Net Position of Governmental Activities	<u><u>\$ 19,957</u></u>

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

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NEVADA COUNTY SERVICE AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Abandoned Vehicle Abatement Program (Program) is a statewide program administered by the California Highway Patrol (CHP). Section 9250.7 of the Vehicle Code establishes the funding source for the abatement of abandoned vehicles by a county-based Service Authority (Authority), pursuant to the provisions of Section 22710 of the Vehicle Code. The Vehicle Code imposes a service fee of one dollar (\$1) on vehicles registered to an owner with an address in the county that established the Authority. This fee is paid to the Department of Motor Vehicles (DMV) at the time of registration or renewal of registration. The DMV, after deducting its administrative costs, at least quarterly transmits the net amount collected to the State Controller's Office (SCO) for deposit in the Abandoned Vehicle Trust Fund. All money in the fund is continuously appropriated to the SCO for allocation to an Authority that has an approved Program pursuant to Section 22710 of the Vehicle Code, and for payment of the administrative costs of the SCO.

The purpose of the Authority is the abatement of the costs incurred by its members for the removal and disposal of abandoned, wrecked, dismantled or inoperative vehicles.

The Authority distributes Program funds to participating entities in accordance with Section 22710 of the Vehicle Code and the Service Authority Joint Powers Agreement. The Authority allocates monies received to participating entities, 50 percent based on population and geographic area and 50 percent based on number of vehicles abated by the entity in the prior year.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Component Units

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the Authority.

Related Organizations

The County of Nevada appoints one member to the Board of Directors and performs certain accounting and administrative functions for the Authority. However, the County is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

NEVADA COUNTY SERVICE AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all of the activities of the Authority. These statements include the financial activities of the overall Authority. These statements report the governmental activities of the Authority, which are normally supported by intergovernmental revenues. The Authority had no business-type activities at June 30, 2020.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements of the Authority are organized into one fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The fund of the Authority is organized into the governmental category. The emphasis is placed on major funds within the governmental category.

The Authority reports the following major governmental fund:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the Authority.

C. Basis of Accounting and Measurement Focus

The government-wide 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 Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Under the accrual basis, revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest and certain state and federal grants are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the governmental fund. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

NEVADA COUNTY SERVICE AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

E. Investments

The Authority pools all cash and investments with the County of Nevada. The Nevada County Treasury is an external investment pool for the Authority and the Authority is considered an involuntary participant. The Authority's share in this 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 participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants.

F. Receivables

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

G. Inventory

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets are to be recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed property, plant, and equipment are to be valued at their acquisition value on the date of donation. Major outlays for capital assets and improvements are to be capitalized as projects are constructed.

I. Compensated Absences, Other Postemployment Benefits and Pension Benefits

The Authority does not currently have employees. Therefore, there is no liability for compensated absences, other postemployment benefits or pension benefits.

J. 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/expenditure) until then. At June 30, 2020, the Authority did not have any deferred outflows of resources.

NEVADA COUNTY SERVICE AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources (Continued)

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, 2020, the Authority did not have any deferred inflows of resources.

K. 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.

L. Implementation of Governmental Accounting Standards Board (GASB) Statements

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

Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement extends the effective dates of certain accounting and financial reporting provisions in the Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2020. The requirements of this Statement apply to the financial statements of all state and local governments. The GASB Statements effected by this statement include Statement No. 84 - Fiduciary Activities, Statement No. 87 – Leases, Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period, Statement No. 90 - Majority Equity Interests, Statement No. 91 – Conduit Debt Obligations, Statement No. 92 – Omnibus 2020, and Statement No. 93 – Replacement of Interbank Offered Rates.

M. Future Accounting Pronouncements

The following GASB Statements will be implemented in future financial statements:

Statement No. 84 “Fiduciary Activities”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 87 “Leases”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
Statement No. 89 “Accounting for Interest Cost Incurred Before the End of a Construction Period.”	The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)
Statement No. 90 “Majority Equity Interests”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 91 “Conduit Debt Obligations”	The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)

NEVADA COUNTY SERVICE AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Future Accounting Pronouncements (Continued)

Statement No. 92 “Omnibus 2020”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
Statement No. 93 “Replacement of Interbank Offered Rates”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 96 “Subscription-Based Information Technology Arrangements”	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2020, the Authority’s cash and investments consisted of the following:

Cash and Investments:	
Nevada County Treasurer’s Pool	\$ <u>66,698</u>
Total Cash and Investments	\$ <u>66,698</u>

B. Investments

The Authority does not have a formal investment policy. At June 30, 2020, all investments of the Authority were in the County of Nevada investment pool. Under the provisions of the County’s investment policy and the California Government Code, the County may invest or deposit in the following:

- U.S. Treasury and Agency Obligations
- California State Registered Warrants, Treasury Notes and Bonds
- Local Agency Obligations
- Banker’s Acceptances
- Money Market Funds
- Commercial Paper
- Medium Term Corporate Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Certificate of Deposit
- Pass-Through Security
- Local Agency Investment Fund (LAIF)
- California Asset management Program (CAMP)
- Supranational

NEVADA COUNTY SERVICE AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Fair Value of Investments - The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The Authority's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the Authority's investment in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2020, the Authority had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
Nevada County Treasurer's Pool	<u>66,698</u>			
Total Investments	<u>\$ 66,698</u>			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2020, the Authority's investments were all held with the County of Nevada Treasury which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

NEVADA COUNTY SERVICE AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. As of June 30, 2020 all investments of the Authority are in the Nevada County investment pool which contains a diversification of investments.

C. Investments in External Pool

The Nevada County Pooled Investment Fund is a pooled investment fund program governed by the County which 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. Investments in the Nevada County Pooled Investment Fund are highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. 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 Nevada's financial statements may be obtained by contacting the County of Nevada Auditor-Controller's office at 950 Maidu Ave., Nevada City, CA 95959.

NOTE 3: NET POSITION

The government-wide financial statements utilize a net position presentation. 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.

NEVADA COUNTY SERVICE AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 4: FUND BALANCE

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2020, fund balance for governmental fund is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the Authority’s highest level of decision-making authority. The Board of Directors is the highest level of decision making authority for the Authority that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the Authority’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the Authority’s General fund that includes all amounts not contained in the other classifications.

	General Fund
Restricted for:	
Abandoned vehicle abatement	\$ 88,395
Total	\$ 88,395

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The Board of Directors has not adopted a formal fund balance policy which would establish procedures for reporting fund balance classifications and establish a hierarchy for fund balance expenditures. The Authority follows the policy of the County of Nevada for fund balance reporting.

NEVADA COUNTY SERVICE AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 5: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to individuals, and natural disasters. The Authority maintains insurance coverage against these potential losses.

NOTE 6: RELATED PARTY TRANSACTIONS

The Authority has related party transactions with the County of Nevada. The Authority administration and staff are County of Nevada employees. The Authority pays the County of Nevada Auditor's office 2.5 percent of funds received for accounting services and the Nevada County Code Compliance Department 4.5 percent of funds received for administrative services.

NOTE 7: OTHER INFORMATION

A. Subsequent Events

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Authority could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The Authority has not included any contingencies in the financial statements specific to this issue.

Management has evaluated events subsequent to June 30, 2020 through November 17, 2020, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information
(Unaudited)**

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NEVADA COUNTY SERVICE AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES				
Use of money and property	\$ -	\$ -	\$ 1,211	\$ 1,211
Intergovernmental	24,000	24,000	54,692	30,692
Total Revenues	<u>24,000</u>	<u>24,000</u>	<u>55,903</u>	<u>31,903</u>
EXPENDITURES				
Current:				
Public protection	24,000	24,000	35,946	(11,946)
Total Expenditures	<u>24,000</u>	<u>24,000</u>	<u>35,946</u>	<u>(11,946)</u>
Net Change in Fund Balances	-	-	19,957	19,957
Fund Balances - Beginning	<u>68,438</u>	<u>68,438</u>	<u>68,438</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 68,438</u>	<u>\$ 68,438</u>	<u>\$ 88,395</u>	<u>\$ 19,957</u>

NEVADA COUNTY SERVICE AUTHORITY
Required Supplementary Information
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2020

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The Authority presents a comparison of annual budget to actual results for the General fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The following procedures are performed by the Authority in establishing the budgetary data reflected in the financial statements:

- (1) The Director submits to the Board of Directors a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures, including the amount available for abatement to the member entities, and the means of financing them.
- (2) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted.
- (4) Any revisions that alter the total expenditures must be approved by the Board of Directors

The Authority does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

NOTE 2: EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended June 30, 2020, the Authority incurred expenditures in excess of appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	Excess of Expenditures Over <u>Appropriations</u>
General fund	\$ 24,000	\$ 35,946	\$ 11,946

OTHER REPORT AND SCHEDULES

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Schedule of Prior Year Findings and Recommendations**
- **Management's Corrective Action Plan**

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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**

To the Board of Directors
Nevada County Service Authority
Nevada City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Nevada County Service Authority (Authority), California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency. (2020-001)

To the Board of Directors
Nevada County Service Authority
Nevada City, California

Compliance and Other Matters

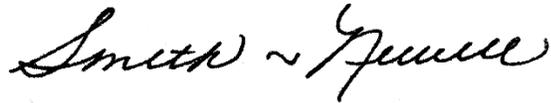
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying management's corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
November 17, 2020

NEVADA COUNTY SERVICE AUTHORITY
Schedule of Findings and Recommendations
For the Year Ended June 30, 2020

2020-001 Budget (Significant Deficiency)

Criteria

California Government Code Section 29120 requires that appropriate operating budgets be adopted and amended as needed and that expenditures not exceed the approved budget.

Condition

For the year ended June 30, 2020, we noted that the Authority incurred expenditures in excess of appropriations of \$11,946 in the General fund.

Cause

The Authority did not amend its budget to account for changes in estimates of expenditures during the fiscal year.

Effect

Expenditures exceeded appropriations by \$11,946 in the General fund.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is a repeat of prior year finding 2019-001.

Recommendation

We recommend that the Authority control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the Authority take appropriate action to amend the budget.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

NEVADA COUNTY SERVICE AUTHORITY
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2020

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
2019-001	<p>Budget</p> <p>Recommendation</p> <p>We recommend that the Authority control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the Authority take appropriate action to amend the budget.</p> <p>Status</p> <p>Not Implemented</p>

NEVADA COUNTY SERVICE AUTHORITY
Management's Corrective Action Plan
For the Year Ended June 30, 2020

Finding 2020-001 Budget (Significant Deficiency)

We recommend that the Authority control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the Authority take appropriate action to amend the budget.

Management's Response: Management concurs with the finding.

Responsible Individual: Administrative Analyst, Vera De Ferrari,
CDA Accounting Technician, Mindy Trygg

Corrective Action Plan: Management will ensure this finding will be corrected during FY 20-21. Audit results, along with a clear budget and year to date financial statements will be brought to the AVA Board at the next quarterly meeting. The AVA fiscal analyst will review financial statements quarterly to ensure expenditures are within approved budget. If any adjustments are required to the original approved annual budget due to changes in program revenues or other significant circumstances, a budget amendment will be prepared and brought forward at a quarterly meeting for approval by the AVA Service Authority.

Anticipated Completion Date: January 12, 2021

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