

**MARIPOSA COUNTY  
TRANSIT FUND,  
CALIFORNIA**



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

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

**Table of Contents**

	Page
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report. . . . .	1-3
Management’s Discussion and Analysis (Required Supplementary Information - Unaudited). . . . .	4-5
Basic Financial Statements:	
Fund Financial Statements:	
Proprietary Funds:	
Statement of Net Position. . . . .	6
Statement of Revenues, Expenses, and Changes in Net Position. . . . .	7
Statement of Cash Flows. . . . .	8
Notes to Basic Financial Statements. . . . .	9-16
<b>OTHER REPORT AND SCHEDULES</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards and the Rules and Regulations Of the Transportation Development Act. . . . .	17-18
Schedule of Findings and Recommendations. . . . .	19
Schedule of Prior Year Findings and Recommendations. . . . .	20

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## **FINANCIAL SECTION**

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

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**INDEPENDENT AUDITOR'S REPORT**

Mariposa County Transportation Commission  
County of Mariposa  
Mariposa, California

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Emphasis of Matter**

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

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

### *Report on Summarized Comparative Information*

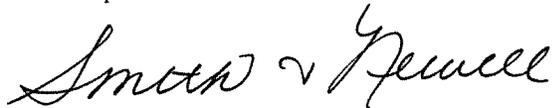
The financial statements include summarized prior years comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should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

We have previously audited the Transit Fund's June 30, 2013 financial statements and our report, dated October 18, 2013, expressed an unmodified opinion on the financial statements of the proprietary fund. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mariposa County Transportation Commission  
County of Mariposa  
Mariposa, California

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2014 on our consideration of the Transit Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Transit Fund's internal control over financial reporting and compliance.



Smith & Newell CPAs  
Yuba City, California  
November 13, 2014

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

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**County of Mariposa  
Transit Fund  
Fiscal Year 2013-14  
Management Discussion and Analysis**

This management discussion and analysis report of the Mariposa County Transit District presents a narrative and overview of the Transit District's financial performance during the fiscal year ended June 30, 2014. The Transit District provides door-to-door transportation services to residents through a Dial-A-Ride reservation system. The buses are equipped to be accessible to those who are handicapped. Medical transportation is available to seniors, veterans traveling to a Veteran Medical Facility, and Adult Day Care transportation is available.

**FINANCIAL HIGHLIGHTS**

The assets of the Transit District exceeded liabilities by \$275,079. Of this amount, \$97,414 is unrestricted. The Transit District experienced a decrease in net position of \$45,213 compared to the previous fiscal year. This change is attributable to a decrease in the capital assets due to depreciation. The Transit District normally operates at a loss prior to the non-operating revenues it receives from Local Transportation, State Transit Assistance, and FTA Section 5311 funding.

Statement of Net Position

	2014	2013
Current Assets	\$ 123,246	\$ 118,122
Non-Current Assets	177,665	228,997
<b>Total Assets</b>	<b>300,911</b>	<b>347,119</b>
Current Liabilities	6,149	2,816
Non-Current Liabilities	19,683	24,011
<b>Total Liabilities</b>	<b>25,832</b>	<b>26,827</b>
Net Position:		
Invested in capital assets	177,665	228,997
Unrestricted	97,414	91,295
<b>Total Net Position</b>	<b>\$ 275,079</b>	<b>\$ 320,292</b>

Statement of Revenues, Expenses, and Changes in Net Position

	2014	2013
Operating Revenues	\$ 32,579	\$ 37,683
Operating Expenses	272,885	254,534
Operating Income (Loss)	(240,306)	(216,851)
Non-Operating Revenues	195,093	159,460
Change in Net Position	(45,213)	(57,391)
Total Net Position - Beginning	320,292	377,683
Total Net Position - Ending	<b>\$ 275,079</b>	<b>\$ 320,292</b>

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The District is operated under one enterprise fund.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows. These are followed by notes to the financial statements.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

In FY2013-14 the Mariposa County Transit District, after accounting for \$51,332 in depreciation, showed a decrease in Net Capital Assets Being Depreciated.

Capital assets as of June 30, 2014 are as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital Assets, Being Depreciated				
Equipment	\$ 411,407			\$ 411,407
Structures and Improvements	10,280			10,280
<b>Total Capital Assets, Being Depreciated</b>	<b>421,687</b>	<b>-</b>	<b>-</b>	<b>421,687</b>
Less Accumulated Depreciation for:				
Equipment	(190,808)	(51,161)		(241,969)
Structures and Improvements	(1,882)	(171)		(2,053)
<b>Total Accumulated Depreciation</b>	<b>(192,690)</b>	<b>(51,332)</b>	<b>-</b>	<b>(244,022)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 228,997</b>	<b>\$ (51,332)</b>	<b>\$ -</b>	<b>\$ 177,665</b>

The Mariposa County Transit District has two types of long-term liabilities, namely compensated absences and the other post-employment benefits (OPEB) liability for medical benefits for retirees. Following is a summary of changes in the long-term liabilities.

	Balance June 30, 2013	Additions Adjustments	Retirements	Balance June 30, 2014	Amounts Due Within One Year
Compensated Absences	\$ 2,559	\$ 2,846	\$ (3,216)	\$ 2,189	\$ 1,865
Net OPEB Obligation	22,219	13,113	(15,973)	19,359	-
<b>Total Long-Term Liabilities</b>	<b>24,778</b>	<b>15,959</b>	<b>(19,189)</b>	<b>21,548</b>	<b>1,865</b>

### ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The Transit department will continue to claim a significant amount of Local Transportation monies in Mariposa County to fund operations. Transit also receives operating subsidies under Section 5311 of the Federal Transportation Act. At this time, the program funding appears reasonably stable for the 2014/15 budget year.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview to the taxpayers of the finances of the Mariposa County Transit District. Questions regarding any information provided in this report or requests for additional information should be addressed to the Mariposa County Department of Public Works at 4639 Ben Hur Road, Mariposa, California 95338 or the County Auditor's Office at [wdavis@mariposacounty.org](mailto:wdavis@mariposacounty.org) or P.O. Box 729, Mariposa, California 95338.

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## **Basic Financial Statements**

- **Fund Financial Statements**

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

	<b>Totals</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Current Assets		
Cash and investments	\$ 123,128	\$ 116,150
Receivables:		
Accounts	-	1,972
Prepaid costs	118	-
<b>Total Current Assets</b>	<b>123,246</b>	<b>118,122</b>
Noncurrent Assets		
Capital assets		
Depreciable, net	177,665	228,997
<b>Total Noncurrent Assets</b>	<b>177,665</b>	<b>228,997</b>
<b>Total Assets</b>	<b>300,911</b>	<b>347,119</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	4,284	2,049
Compensated absences payable	1,865	767
<b>Total Current Liabilities</b>	<b>6,149</b>	<b>2,816</b>
Noncurrent Liabilities		
Compensated absences payable	324	1,792
Net OPEB obligation	19,359	22,219
<b>Total Noncurrent Liabilities</b>	<b>19,683</b>	<b>24,011</b>
<b>Total Liabilities</b>	<b>25,832</b>	<b>26,827</b>
<b>NET POSITION</b>		
Investment in capital assets	177,665	228,997
Unrestricted	97,414	91,295
<b>Total Net Position</b>	<b>\$ 275,079</b>	<b>\$ 320,292</b>

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

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

	<b>Totals</b>	
	<b>2014</b>	<b>2013</b>
<b>OPERATING REVENUES</b>		
Passenger fares	\$ 32,579	\$ 37,683
<b>Total Operating Revenues</b>	32,579	37,683
<b>OPERATING EXPENSES</b>		
Salaries and benefits	158,687	144,084
Services and supplies	62,866	59,118
Depreciation	51,332	51,332
<b>Total Operating Expenses</b>	272,885	254,534
<b>Operating Income (Loss)</b>	(240,306)	(216,851)
<b>NON-OPERATING REVENUES</b>		
Local transportation funds	-	10,646
State transit assistance funds	75,000	75,000
FTA Section 5311	119,929	70,386
Interest income	164	453
Other revenues	-	2,975
<b>Total Non-Operating Revenues</b>	195,093	159,460
<b>Change in Net Position</b>	(45,213)	(57,391)
<b>Total Net Position - Beginning</b>	320,292	377,683
<b>Total Net Position - Ending</b>	\$ 275,079	\$ 320,292

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

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

	<b>Totals</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 34,551	\$ 35,711
Payments to suppliers	(60,749)	(59,111)
Payments to employees	(161,917)	(147,074)
	(188,115)	(170,474)
<b>Net Cash Provided (Used) by Operating Activities</b>		
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Local transportation funds	-	10,646
State transit assistance funds	75,000	75,000
FTA Section 5311	119,929	70,386
Other revenues	-	2,975
	194,929	159,007
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	164	453
	164	453
<b>Net Cash Provided (Used) by Investing Activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	6,978	(11,014)
<b>Balances - Beginning</b>	116,150	127,164
<b>Balances - Ending</b>	\$ 123,128	\$ 116,150
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (240,306)	\$ (216,851)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	51,332	51,332
Decrease (increase) in:		
Accounts receivable	1,972	(1,972)
Prepaid costs	(118)	125
Increase (decrease) in:		
Accounts payable	2,235	(118)
Compensated absences payable	(370)	1,427
Net OPEB obligation	(2,860)	(4,417)
	\$ (188,115)	\$ (170,474)
<b>Net Cash Provided (Used) by Operating Activities</b>		

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

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## **Basic Financial Statements**

- **Notes to Basic Financial Statements**

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

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

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

**A. Reporting Entity**

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

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

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

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

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

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

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

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

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Mariposa's financial statements may be obtained by contacting the County of Mariposa Auditor-Controller's office at 4982 10<sup>th</sup> Street, Mariposa, CA 95338.

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

**MARIPOSA COUNTY TRANSIT FUND**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2014**

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

**E. Receivables**

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

**F. Prepaid Costs**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**G. Capital Assets**

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

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

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3-25 years
Structures & Improvements	3-60 years

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

**H. Unearned Revenue**

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

**I. Compensated Absences**

The Transit Fund is a fund of Mariposa County and as such their employees are covered under the compensated absences policy of the County of Mariposa. It is the County's policy to permit employees to accumulate a limited amount of earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, proprietary funds report the liability as it is incurred. The Transit Fund includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

**MARIPOSA COUNTY TRANSIT FUND**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2014**

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

**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) until then. At June 30, 2014, the Transit Fund did not have any deferred outflows of resources.

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

**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 Statements (GASB)**

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

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

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2014, the Transit Fund's cash and investments consisted of the following:

Investments:	
Mariposa County Treasurer's Pool	\$ <u>123,128</u>
Total Cash and Investments	\$ <u><u>123,128</u></u>

**B. Cash**

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Transit Fund will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Transit Fund complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds.

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

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments**

The Transit Fund does not have a formal investment policy. At June 30, 2014, all investments of the Transit Fund were in the County of Mariposa 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:

- United States Treasury Securities
- United States Government Agency Securities
- Municipal Securities of local and state entities within the State of California
- Bankers' Acceptances
- Certificates of Deposit
- Commercial Paper
- Medium-Term Notes
- Asset Backed Securities
- Repurchase/Reverse Repurchase Agreements

**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 limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations. The County limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to 5 years or less.

**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, 2014, the Transit Fund's investments were all pooled with the County Treasury which is not rated by a nationally recognized statistical rating organization.

**Custodial Credit Risk for Investments** - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the Transit Fund 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.

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of the Transit Fund'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, 2014, all investments of the Transit Fund were in the County investment pool which contains a diversification of investments.

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

**NOTE 3: CAPITAL ASSETS**

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital Assets, Being Depreciated:				
Equipment	\$ 411,407	\$ -	\$ -	\$ 411,407
Structures and Improvements	<u>10,280</u>	<u>-</u>	<u>-</u>	<u>10,280</u>
Total Capital Assets, Being Depreciated	<u>421,687</u>	<u>-</u>	<u>-</u>	<u>421,687</u>
Less Accumulated Depreciation for:				
Equipment	( 190,808)	( 51,161)	-	( 241,969)
Structures and Improvements	<u>( 1,882)</u>	<u>( 171)</u>	<u>-</u>	<u>( 2,053)</u>
Total Accumulated Depreciation	<u>( 192,690)</u>	<u>( 51,332)</u>	<u>-</u>	<u>( 244,022)</u>
Total Capital Assets, Net	<u>\$ 228,997</u>	<u>(\$ 51,332)</u>	<u>\$ -</u>	<u>\$ 177,665</u>

Depreciation expense was charged as follows:

Transit	\$ <u>51,332</u>
Total Depreciation Expense	<u>\$ 51,332</u>

**NOTE 4: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

<u>Type of Indebtedness</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 2,559	\$ 2,846	\$ 3,216	\$ 2,189	\$ 1,865
Net OPEB Obligation	<u>22,219</u>	<u>13,113</u>	<u>15,973</u>	<u>19,359</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 24,778</u>	<u>\$ 15,959</u>	<u>\$ 19,189</u>	<u>\$ 21,548</u>	<u>\$ 1,865</u>

**NOTE 5: NET POSITION**

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

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

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

**NOTE 5: NET POSITION (CONTINUED)**

**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 is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

**NOTE 6: EMPLOYEE BENEFITS**

**A. Employee's Retirement Plan**

The Transit Fund is a fund of the County of Mariposa and as such the Transit Fund's employee's are covered under the retirement plan of the County of Mariposa.

The County of Mariposa contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office - 400 Q Street, Lincoln Plaza East, Sacramento, CA 95811.

Required disclosure information regarding employee's retirement plan can be found in the County's audited financial statements.

**B. Other Postemployment Benefits (OPEB)**

The Transit Fund is a fund of the County of Mariposa and as such the Transit Fund's employees are covered under the postemployment benefit plan of the County of Mariposa.

The County of Mariposa provides integrated medical/prescription drug coverage through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA). Employees may choose from one of six medical plan options: Blue Shield HMO, Blue Shield Net Value, Kaiser, PERSChoice, PERSSelect, or PERSCare; a seventh option, PORAC, is also available to safety employees.

A portion of the County's postemployment benefit costs have been allocated to the Transit Fund as follows:

Annual Required Contribution	\$ 13,720
Interest on Prior Year OPEB Obligation	2,020
Amortization of Prior Year Net OPEB Obligation	( 2,627)
Annual OPEB Cost	13,113
Pay As You Go Contribution	( 15,973)
Increase in Net OPEB Obligation	( 2,860)
Net OPEB Obligation - Beginning of Year	<u>22,219</u>
Net OPEB Obligation - End of Year	<u>\$ 19,359</u>

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

**NOTE 6: EMPLOYEE BENEFITS (CONTINUED)**

**B. Other Postemployment Benefits (OPEB) (Continued)**

Required disclosure information regarding postemployment benefits can be found in the County's audited financial statements.

**NOTE 7: RISK MANAGEMENT**

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

**NOTE 8: OTHER INFORMATION**

**A. Subsequent Events**

Management has evaluated events subsequent to June 30, 2014 through November 13, 2014, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**B. Fare Revenue Ratio**

The County is required by the Transportation Development Act (TDA) to maintain a fare revenue ratio to operating expenses of 10 percent or more. During the year ended June 30, 2014, the fare revenue ratio was 14.70 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2014, is as follows:

	<u>June 30, 2014</u>
Fare Revenue	\$ <u>32,579</u>
Total Operating Expenses	\$ 272,885
Allowable TDA adjustments:	
Depreciation	( <u>51,332</u> )
Net Operating Expenses	\$ <u>221,553</u>
Fare Revenue Ratio	<u>14.70%</u>

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## **OTHER REPORT AND SCHEDULES**

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Schedule of Prior Year Findings and Recommendations**

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

Mariposa County Transportation Commission  
County of Mariposa  
Mariposa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the applicable fiscal audit requirements of the Transportation Development Act including Public Utilities Code Section 99245 and the California Code of Regulations Title 21, Section 6664, the financial statements of the proprietary fund of the Mariposa County Transit Fund of the County of Mariposa, California (Transit Fund), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Transit Fund's basic financial statements and have issued our report thereon dated November 13, 2014.

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

**Internal Control Over Financial Reporting**

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

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

Mariposa County Transportation Commission  
County of Mariposa  
Mariposa, California

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies (2014-001).

### **Compliance and Other Matters**

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

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

### **Transit Fund's Response to Finding**

The Transit Fund's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The Transit Fund'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 13, 2014

**MARIPOSA COUNTY TRANSIT FUND**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2014**

**2014-001 Unearned Revenue (Significant Deficiency)**

**Condition**

During our audit we noted that in prior years the Transit Fund received Local Transportation funds and FTA Section 5311 funds and recorded the revenues in the period the monies were received as opposed to when they were earned. This is a repeat of a prior year finding.

**Cause**

The Transit Fund did not analyze grant revenues to verify when the earnings process was complete.

**Criteria**

Unearned revenue is revenue received for which the earnings process is not complete.

**Effect of Condition**

The Commission recognized grant monies prior to completion of the earnings process.

**Recommendation**

We recommend that the Transit Fund review grant monies to determine if the earnings process is complete and record the monies as either current year revenues or unearned revenues based on whether the earnings process is complete.

**Corrective Action Plan**

This was a result of a revenue recognition error in a prior year. Funds transferred to the Transit Fund exceeded the expenditures and should have been transferred back to the Transportation Commission Fund. This transfer will be completed before the end of December 2014.

**MARIPOSA COUNTY TRANSIT FUND**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Year Ended June 30, 2014**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
<b>13-FS-01</b>	<p><b>Unearned Revenue</b></p> <p><b>Recommendation</b></p> <p>We recommend that the Transit Fund review grant monies to determine if the earnings process is complete and record the monies as either current year revenues or unearned revenues based on whether the earnings process is complete.</p> <p><b>Status</b></p> <p>In Progress</p>