

**MARIPOSA COUNTY
TRANSIT FUND,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2018**

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MARIPOSA COUNTY TRANSIT FUND
Annual Financial Report
For the Year Ended June 30, 2018

Table of Contents

	Page
FINANCIAL SECTION	
Independent Auditor's Report.	1-3
Management's Discussion and Analysis (Unaudited).	4-6
Basic Financial Statements:	
Fund Financial Statements:	
Proprietary Funds:	
Statement of Net Position.	7
Statement of Revenues, Expenses and Changes in Net Position.	8
Statement of Cash Flows.	9
Notes to Basic Financial Statements.	10-20
OTHER REPORT	
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.	21-22

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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

To the 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, 2018, 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.

To the Mariposa County Transportation Commission
County of Mariposa
Mariposa, California

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, 2018, 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 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, 2018, 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.

Change in Accounting Principle

As discussed in Note 10 to the financial statements, in 2017-18, the District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. 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 year 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, 2017, from which such partial information was derived.

To the Mariposa County Transportation Commission
County of Mariposa
Mariposa, California

We have previously audited the Transit Fund's June 30, 2017 financial statements and our report, dated December 27, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Transit Fund's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
December 28, 2018

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

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**County of Mariposa
Transit Fund
Fiscal Year 2017-18
Management Discussion and Analysis**

This management discussion and analysis 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, 2018. The Transit District provides curb to curb 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 and veterans traveling to appointments in Mariposa, Fresno, Merced, and Oakhurst.

FINANCIAL HIGHLIGHTS

At 2017/18 fiscal year-end the liabilities of the Transit District exceeded assets and deferred outflows of resources by \$396,470. Cash in the Transit fund increased \$91,673 as compared to the previous fiscal year-end. This was mostly due to the receipt of two years of FTA Section 5311 revenue, after not receiving any FTA Section 5311 revenue in FY 2016/17. Total Net Position is (\$396,470), of this amount, (\$455,223) is unrestricted. The Transit District experienced a decrease in net position of \$25,683 during fiscal year 2017/18. This decrease is primarily attributable to an increase in salaries and benefits, with pension expense and other post-employment benefits (OPEB) totaling \$42,903 in FY 2017/18 as compared to \$6,024 in FY 2016/17. Also contributing to the dramatic change in ending net position for FY 2017/18 is a (\$275,700) adjustment to beginning net position, made necessary by GASB 75, which changed the method by which the County must record the OPEB liability. Since the County implements a "pay-as-you-go" plan for its OPEB benefits, the full amount of Transit's portion of the OPEB liability is now recorded as unfunded on the statement of net position.

The Transit District normally operates at a loss prior to the non-operating revenues it receives from LTC, STAP, and FTA Section 5311 funding. The total deferred outflows and inflows of resources are a result of reporting requirements established by GASB 68, which requires governments providing defined benefit pension plans to recognize the corresponding long-term pension obligations. Current liabilities increased \$49,284 primarily due to a \$45,697 increase in unearned revenue. Unearned revenue is recorded in the Transit fund as a result of previously mentioned non-operating transfers that are received from LTC and STAP funds. Revenue is recognized as operating expenses occur in the Transit fund.

Statement of Net Position

	Transit	
	2018	2017
Assets:		
Current Assets	\$ 97,042	\$ 4,923
Capital Assets	58,753	85,803
Total Assets	155,795	90,726
Deferred Outflows of Resources:		
Pension Adjustments	73,770	62,086
Total Deferred Outflows of Resources	73,770	62,086
Liabilities:		
Current Liabilities	71,568	22,284
Non-Current Liabilities	554,467	221,530
Total Liabilities	626,035	243,814
Deferred Inflows of Resources:		
Pension Adjustments	-	4,085
Total Deferred Inflows of Resources	-	4,085
Net Position:		
Investment in capital assets	58,753	85,803
Unrestricted	(455,223)	(180,890)
Total Net Position	\$ (396,470)	\$ (95,087)

Statement of Revenues, Expenses and Changes in Net Position

	2018	2017
Operating Revenues	\$ 39,142	\$ 37,423
Operating Expenses	388,653	322,283
Operating Income (Loss)	(349,511)	(284,860)
Non-Operating Revenues	323,828	272,362
Change in Net Position	(25,683)	(12,498)
Total Net Position - Beginning	(95,087)	(82,589)
GASB 75 Adjustment	(275,700)	-
Total Net Position - Beginning	(370,787)	(82,589)
Total Net Position - Ending	\$ (396,470)	\$ (95,087)

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.

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 FY 2017/18 the Mariposa County Transit District, after accounting for \$27,050 in depreciation showed a decrease in Net Capital Assets Being Depreciated.

Capital assets as of June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Capital Assets, Being Depreciated:				
Equipment	\$ 444,281	\$ -	\$ -	\$ 444,281
Structures and Improvements	10,280	-	-	10,280
Total Capital Assets, Being Depreciated	454,561	-	-	454,561
Less Accumulated Depreciation for:				
Equipment	(366,192)	(26,879)	-	(393,071)
Structures and Improvements	(2,566)	(171)	-	(2,737)
Total Accumulated Depreciation	(368,758)	(27,050)	-	(395,808)
Total Capital Assets Being Depreciated, Net	<u>\$ 85,803</u>	<u>\$ (27,050)</u>	<u>\$ -</u>	<u>\$ 58,753</u>

The Mariposa County Transit District has three types of long-term liabilities: Compensated Absences, Other Post-Employment Benefits (OPEB) and Pension Liability. Following is a summary of changes in the long-term liabilities.

	Balance June 30, 2017	Additions/ Adjustments	Retirements	Balance June 30, 2018	Amounts Due Within One Year
Compensated Absences	\$ 10,597	\$ 9,326	\$ (7,573)	\$ 12,350	\$ 7,828
Net Pension Liability	189,079	32,433	-	221,512	-
Net OPEB Obligation	303,562	24,871	-	328,433	-
Total Long-Term Liabilities	<u>\$ 503,238</u>	<u>\$ 66,630</u>	<u>\$ (7,573)</u>	<u>\$ 562,295</u>	<u>\$ 7,828</u>

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. There are no new equipment purchases budgeted in fiscal year 2018/19 and operating expenses are expected to remain relatively stable.

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 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, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
ASSETS		
Current Assets:		
Cash and investments	\$ 96,475	\$ 4,802
Receivables:		
Accounts	5	-
Prepaid costs	562	121
	97,042	4,923
Total Current Assets		
Noncurrent Assets:		
Capital assets:		
Depreciable, net	58,753	85,803
	58,753	85,803
Total Noncurrent Assets		
	155,795	90,726
Total Assets		
	155,795	90,726
DEFERRED OUTFLOWS OF RESOURCES		
Pension adjustments	73,770	62,086
	73,770	62,086
Total Deferred Outflows of Resources		
	73,770	62,086
LIABILITIES		
Current Liabilities:		
Accounts payable	3,024	1,311
Salaries and benefits payable	336	282
Compensated absences payable	7,828	6,008
Unearned revenues	60,380	14,683
	71,568	22,284
Total Current Liabilities		
Noncurrent Liabilities:		
Compensated absences payable	4,522	4,589
Net pension liability	221,512	189,079
Net OPEB liability	328,433	27,862
	554,467	221,530
Total Noncurrent Liabilities		
	626,035	243,814
Total Liabilities		
	626,035	243,814
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	-	4,085
	-	4,085
Total Deferred Inflows of Resources		
	-	4,085
NET POSITION		
Investment in capital assets	58,753	85,803
Unrestricted	(455,223)	(180,890)
	(396,470)	(95,087)
Total Net Position		
	\$ (396,470)	\$ (95,087)

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, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
OPERATING REVENUES		
Passenger fares	\$ 39,142	\$ 37,423
Total Operating Revenues	39,142	37,423
OPERATING EXPENSES		
Salaries and benefits	279,465	223,067
Services and supplies	82,138	62,417
Depreciation	27,050	36,799
Total Operating Expenses	388,653	322,283
Operating Income (Loss)	(349,511)	(284,860)
NON-OPERATING REVENUES		
Local transportation funds	41,661	41,101
State transit assistance funds	62,254	230,938
FTA Section 5311	195,958	-
County of Mariposa funds	21,385	-
Interest income	(619)	323
Other revenues	3,189	-
Total Non-Operating Revenues	323,828	272,362
Change in Net Position	(25,683)	(12,498)
Total Net Position - Beginning	(95,087)	(82,589)
Cumulative effect of a change in accounting principle	(275,700)	-
Total Net Position - Beginning, Restated	(370,787)	(82,589)
Total Net Position - Ending	\$ (396,470)	\$ (95,087)

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, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 39,137	\$ 38,953
Payments to suppliers	(80,866)	(63,080)
Payments to employees	(236,123)	(215,887)
	(277,852)	(240,014)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Local transportation funds	41,661	41,101
State transit assistance funds	107,950	72,616
FTA Section 5311	195,958	-
County of Mariposa funds	21,385	-
Other revenues	3,189	-
	370,143	113,717
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(24,294)
	-	(24,294)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	(618)	323
	(618)	323
Net Increase (Decrease) in Cash and Cash Equivalents	91,673	(150,268)
Balances - Beginning	4,802	155,070
Balances - Ending	\$ 96,475	\$ 4,802
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (349,511)	\$ (284,860)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	27,050	36,799
Decrease (increase) in:		
Accounts receivable	(5)	1,530
Prepaid costs	(441)	-
Pension adjustments - deferred outflows	(11,684)	(42,633)
Increase (decrease) in:		
Accounts payable	1,713	(663)
Salaries and benefits payable	54	(717)
Compensated absences payable	1,753	1,873
Net pension liability	32,433	49,613
Net OPEB liability	24,871	8,048
Pension adjustments - deferred inflows	(4,085)	(9,004)
	(277,852)	(240,014)

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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Transit 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 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.

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.

MARIPOSA COUNTY TRANSIT FUND

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the Transit Fund considers all highly liquid investments, with original maturity of three months or less and amounts held in the County's investment pool to be cash and cash equivalents.

E. Investments

The Transit Fund pools all cash and investments with the County of Mariposa. 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 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. During the fiscal year ended June 30, 2018, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

F. Receivables

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

G. 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.

H. 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 acquisition 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

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

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.

I. 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.

J. 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.

K. Pensions

The Transit Fund is a fund of Mariposa County and a portion of the County's retirement plan costs have been allocated to the Transit Fund. For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of Mariposa's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Other Postemployment Benefits Other Than Pension (OPEB)

The Transit Fund is a fund of Mariposa County and a portion of the County's OPEB costs have been allocated to the Transit Fund. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, related to OPEB and OPEB expense information about the fiduciary net position of the County Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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. The Transit Fund has one item that qualifies for reporting in this category. This item relates to the outflows from changes in the net pension liability and is reportable on the Statement of Net Position.

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. The Transit Fund has one item that qualifies for reporting in this category. This item relates to the inflows from changes in the net pension liability and is reportable on the Statement of Net Position.

N. 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.

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

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

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Statement No. 81, Irrevocable Split-Interest Agreements. This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 85, Omnibus 2017. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

Statement No. 86, Certain Debt Extinguishment Issues. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt.

MARIPOSA COUNTY TRANSIT FUND

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Restatement of Net Position

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the Transit Fund reports these changes as restatements of beginning net position. During the current year a prior period adjustment was made to reflect the prior period costs related to implementing the net OPEB liability as required by GASB Statement No. 75.

The impact of the restatement on the net position on the Transit Fund financial statements as previously reported is presented below:

	<u>Governmental Activities</u>
Net Position, June 30, 2017, as previously reported	(\$ 95,087)
Adjustment associated with:	
Net OPEB Liability Adjustments	(275,700)
Total Adjustments	(275,700)
Net Position, July 1, 2017, as restated	<u>(\$ 370,787)</u>

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2018, the Transit Fund's cash and investments consisted of the following:

Investments:	
Mariposa County Treasurer's Pool	<u>\$ 96,475</u>
Total Cash and Investments	<u>\$ 96,475</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, 2018

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The Transit Fund does not have a formal investment policy. At June 30, 2018, 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
- Local Agency Investment Fund (LAIF)

Fair Value of Investments - The Transit Fund 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.

As of June 30, 2018, the Transit Fund held no individual investments. Accordingly, the measurement of fair value for the Transit Fund's proportionate share of investments in the County investment pool is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3. 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 10th Street, Mariposa, CA 95538.

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, 2018, the Transit Fund's investments were all pooled with the County Treasury which is not rated by a nationally recognized statistical rating organization.

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Custodial Credit Risk - 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. All investments of the Transit Fund were in the County investment pool which contains a diversification of investments.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital Assets, Being Depreciated:				
Equipment	\$ 444,281	\$ -	\$ -	\$ 444,281
Structures and Improvements	<u>10,280</u>	<u>-</u>	<u>-</u>	<u>10,280</u>
Total Capital Assets, Being Depreciated	<u>454,561</u>	<u>-</u>	<u>-</u>	<u>454,561</u>
Less Accumulated Depreciation For:				
Equipment	(366,192)	(26,879)	-	(393,071)
Structures and Improvements	<u>(2,566)</u>	<u>(171)</u>	<u>-</u>	<u>(2,737)</u>
Total Accumulated Depreciation	<u>(368,758)</u>	<u>(27,050)</u>	<u>-</u>	<u>(395,808)</u>
Total Capital Assets, Net	<u>\$ 85,803</u>	<u>(\$ 27,050)</u>	<u>\$ -</u>	<u>\$ 58,753</u>

Depreciation

Depreciation expense was charged as follows:

Transit	<u>\$ 27,050</u>
Total Depreciation Expense	<u>\$ 27,050</u>

MARIPOSA COUNTY TRANSIT FUND

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

NOTE 5: UNEARNED REVENUES

The Mariposa County Transportation Commission allocates State Transit Assistance (STA) funds and Local Transportation Fund (LTF) funds to the Transit Fund to fund its operation. The Transportation Development Act (TDA) requires that any funds not used must be returned to their source. STA and LTF allocations are considered earned when they are properly spent for operations by the Transit Fund. Allocations received but not earned are recorded as unearned revenue. The following table summarizes the changes in the unearned revenue - TDA for the fiscal year ended June 30, 2018:

	<u>Unearned Revenue - TDA</u>
Unearned Revenue - TDA, Beginning of Year	\$ 14,683
LTF Revenues Received	41,661
STA Revenues Received	107,951
TDA Revenues Recognized	(<u>103,915</u>)
Unearned Revenue - TDA, End of Year	<u>\$ 60,380</u>

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts Due Within</u>
<u>Type of Indebtedness</u>	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>	<u>One Year</u>
Compensated Absences	\$ 10,597	\$ 9,326	(\$ 7,573)	\$ 12,350	\$ 7,828
Total Long-Term Liabilities	<u>\$ 10,597</u>	<u>\$ 9,326</u>	<u>(\$ 7,573)</u>	<u>\$ 12,350</u>	<u>\$ 7,828</u>

NOTE 7: NET POSITION

The proprietary fund 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”.

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 7: 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 are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 8: 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 employees are covered under the retirement plan of the County of Mariposa.

The County of Mariposa contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

Net Pension Liability at June 30, 2016	\$ 189,079
Changes for the year:	
Service cost	24,264
Interest on total pension liability	61,141
Differences between expected and actual experience	916
Change in assumptions	48,640
Contributions - employer	(29,491)
Contributions - employee	(9,934)
Net investment income	(63,944)
Administrative expense	841
Net Changes	<u>32,433</u>
Net Pension Liability at June 30, 2017	<u><u>\$ 221,512</u></u>

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

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 8: EMPLOYEE BENEFITS (CONTINUED)

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:

Net OPEB Liability at June 30, 2016, Restated for GASB 75 Implementation	\$	303,562
Changes for the year:		
Service Cost		23,439
Interest on total OPEB liability		11,272
Benefit payments, including refunds of employee contributions	(8,077)
Implicit rate subsidy fulfilled	(<u>1,763)</u>
Net Changes		<u>24,871</u>
Net OPEB Liability at June 30, 2017	\$	<u><u>328,433</u></u>

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

NOTE 9: 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 10: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to June 30, 2018 through December 28, 2018 the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 10: OTHER INFORMATION (CONTINUED)

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, 2018, the fare revenue ratio was 10.82 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2018, is as follows:

	June 30, 2018
Fare Revenue	<u>\$ 39,142</u>
Total Operating Expenses	\$ 388,653
Allowable TDA Adjustments:	
Depreciation	(<u>27,050</u>)
Net Operating Expenses	<u>\$ 361,603</u>
Fare Revenue Ratio	<u>10.82%</u>

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OTHER REPORT

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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**

To the 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, 2018, 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 December 28, 2018.

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.

To the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

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
December 28, 2018