

MARIPOSA COUNTY TRANSIT FUND, CALIFORNIA



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

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MARIPOSA COUNTY TRANSIT FUND
Annual Financial Report
For the Year Ended June 30, 2020

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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, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2020, and the respective 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, 2020, 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.

As more fully described in Note 10A to the financial statements, citizens and the economies of the United States and other countries have been significantly impacted by the coronavirus (COVID) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect County's operations because the disease severity and duration are uncertain, we expect the 2020 financial results too will be significantly impacted and the implications beyond 2020, while unclear, could also be adversely impacted. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, 2019, 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, 2019 financial statements and our report, dated December 31, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

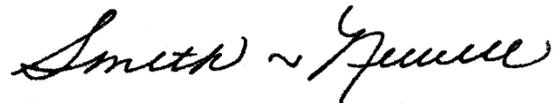
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2020, 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 the Transit Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Transit Fund's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
December 28, 2020

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

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**County of Mariposa
Transit Fund
Fiscal Year 2019-20
Management's Discussion and Analysis**

This management's 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, 2020. 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 2019/20 fiscal year-end the assets and deferred outflows of the Transit District exceeded liabilities and deferred inflows by \$3,884. Cash in the Transit fund increased \$84,187 as compared to the previous fiscal year-end; mainly due to a reduction in salaries/benefits paid to employees in the amount of \$16,940 as well as an increase in cash transferred from the Local Transportation Commission and State Transit Assistance in the amount of \$59,570. Total Net Position is \$3,884, and of this amount, (\$19,655) is unrestricted. The Transit District experienced an increase in net position of \$427,403 during fiscal year 2019/20 due to an increase in recognized non-operating revenue in the amount of \$176,598 as well as a prior period adjustment reducing unearned revenue in the amount of \$171,784. Both were the result of a change in how the County calculates earned revenue for the Transit Fund. The County has adjusted the calculation of earned revenue based on prior year changes in the net pension liability and other postemployment benefit (OPEB) liability being considered as eligible personnel expenses in considering non-operating revenue transfers as earned. This change also contributed to the decrease in operating loss in the amount of \$106,070 as compared to the prior fiscal year, which also contributed significantly to the increase in 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 as well as interest revenue. The total deferred outflows and inflows of resources are a result of reporting requirements established by GASB 68 and GASB 75, which require governments providing defined benefit pension plans and OPEB to recognize the corresponding long-term obligations. Current liabilities decreased \$177,433, primarily due to the change in unearned revenue previously mentioned. 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. Of note in the schedule of long-term liabilities is the fact that the net OPEB decreased by \$221,161. This is primarily due to lower full-time Transit salaries paid in FY 19/20, which is the basis that the County uses for allocating the net OPEB liability.

**County of Mariposa
Transit Fund
Fiscal Year 2019-20
Management's Discussion and Analysis**

Statement of Net Position

	Transit	
	2020	2019
Assets:		
Current Assets	\$ 207,337	\$ 122,052
Capital Assets	23,539	31,704
Total Assets	230,876	153,756
Deferred Outflows of Resources:		
Pension Adjustments	31,645	46,221
OPEB Adjustments	696	13,241
Total Deferred Outflows of Resources	32,341	59,462
Liabilities:		
Current Liabilities	7,431	184,864
Non-Current Liabilities	246,864	448,724
Total Liabilities	254,295	633,588
Deferred Inflows of Resources:		
Pension Adjustments	3,567	3,149
OPEB Adjustments	1,471	-
Total Deferred Inflows of Resources	5,038	3,149
Net Position:		
Investment in capital assets	23,539	31,704
Unrestricted	(19,655)	(455,223)
Total Net Position	\$ 3,884	\$ (423,519)

Statement of Revenues, Expenses and Changes in Net Position

	2020	2019
Operating Revenues	\$ 59,563	\$ 72,956
Operating Expenses	106,918	226,381
Operating Income (Loss)	(47,355)	(153,425)
Non-Operating Revenues	302,974	126,376
Change in Net Position	255,619	(27,049)
Total Net Position - Beginning	(423,519)	(396,470)
Prior Period Adjustment	171,784	-
Total Net Position - Beginning	(251,735)	(396,470)
Total Net Position - Ending	\$ 3,884	\$ (423,519)

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.

**County of Mariposa
Transit Fund
Fiscal Year 2019-20
Management's Discussion and Analysis**

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 2019-20 the Mariposa County Transit District, after accounting for \$8,165 in depreciation, showed a decrease in Net Capital Assets Being Depreciated.

Capital assets as of June 30, 2020 are as follows:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
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	(419,944)	(7,994)	-	(427,938)
Structures and Improvements	(2,913)	(171)	-	(3,084)
Total Accumulated Depreciation	(422,857)	(8,165)	-	(431,022)
Total Capital Assets Being Depreciated, Net	<u>\$ 31,704</u>	<u>\$ (8,165)</u>	<u>\$ -</u>	<u>\$ 23,539</u>

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

	Balance June 30, 2019	Additions/ Adjustments	Retirements	Balance June 30, 2020	Amounts Due Within One Year
Compensated Absences	\$ 8,622	\$ 2,765	\$ (1,705)	\$ 9,682	\$ 1,705
Net Pension Liability	221,897	66,601	(54,939)	233,559	-
Net OPEB Liability	226,489	1,129	(222,290)	5,328	-
Total Long-Term Liabilities	<u>\$ 457,008</u>	<u>\$ 70,495</u>	<u>\$ (278,934)</u>	<u>\$ 248,569</u>	<u>\$ 1,705</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 is \$111,471 budgeted in the capital asset category of the Transit budget for the purchase of vans to serve the senior citizen population of Mariposa County. Operating expenses are expected to increase in FY 20/21 due to an increase in the personnel budget of approximately \$102,387.

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, 2020
(With Summarized Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
ASSETS		
Current Assets:		
Cash and investments	\$ 102,519	\$ 18,332
Receivables:		
Accounts	-	2,318
Intergovernmental	104,553	100,716
Prepaid costs	265	686
Total Current Assets	207,337	122,052
Noncurrent Assets:		
Capital assets:		
Depreciable, net	23,539	31,704
Total Noncurrent Assets	23,539	31,704
Total Assets	230,876	153,756
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension adjustments	31,645	46,221
Deferred OPEB adjustments	696	13,241
Total Deferred Outflows of Resources	32,341	59,462
LIABILITIES		
Current Liabilities:		
Accounts payable	4,275	3,669
Salaries and benefits payable	1,451	1,127
Unearned revenues	-	171,784
Compensated absences payable	1,705	8,284
Total Current Liabilities	7,431	184,864
Noncurrent Liabilities:		
Compensated absences payable	7,977	338
Net pension liability	233,559	221,897
Net OPEB liability	5,328	226,489
Total Noncurrent Liabilities	246,864	448,724
Total Liabilities	254,295	633,588
DEFERRED INFLOWS OF RESOURCES		
Deferred pension adjustments	3,567	3,149
Deferred OPEB adjustments	1,471	-
Total Deferred Inflows of Resources	5,038	3,149
NET POSITION		
Investment in capital assets	23,539	31,704
Unrestricted	(19,655)	(455,223)
Total Net Position	\$ 3,884	\$ (423,519)

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, 2020
(With Summarized Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
OPERATING REVENUES		
Passenger fares	\$ 59,563	\$ 72,956
Total Operating Revenues	59,563	72,956
OPERATING EXPENSES		
Salaries and benefits	20,328	133,656
Services and supplies	78,425	65,676
Depreciation	8,165	27,049
Total Operating Expenses	106,918	226,381
Operating Income (Loss)	(47,355)	(153,425)
NON-OPERATING REVENUES		
Local transportation funds	15,000	9,455
State transit assistance funds	181,586	16,157
FTA Section 5311	104,553	100,716
Interest income	272	48
Other revenues	1,563	-
Total Non-Operating Revenues	302,974	126,376
Change in Net Position	255,619	(27,049)
Total Net Position - Beginning	(423,519)	(396,470)
Prior period adjustment	171,784	-
Total Net Position - Beginning, Restated	(251,735)	(396,470)
Total Net Position - Ending	\$ 3,884	\$ (423,519)

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, 2020
(With Summarized Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 61,881	\$ 70,643
Payments to suppliers	(77,398)	(65,155)
Payments to employees	(199,433)	(220,695)
	(214,950)	(215,207)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local transportation funds	15,000	9,455
State transit assistance funds	181,586	127,561
FTA Section 5311	100,716	-
Other revenues	1,563	-
	298,865	137,016
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	272	48
	272	48
Net Cash Provided (Used) by Investing Activities		
	84,187	(78,143)
Net Increase (Decrease) in Cash and Cash Equivalents		
	18,332	96,475
Balances - Beginning		
	\$ 102,519	\$ 18,332
Balances - Ending		
	\$ 102,519	\$ 18,332
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (47,355)	\$ (153,425)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,165	27,049
Decrease (increase) in:		
Accounts receivable	2,318	(2,313)
Prepaid costs	421	(124)
Pension adjustments - deferred outflows	14,576	27,549
OPEB adjustments - deferred outflows	12,545	(13,241)
Increase (decrease) in:		
Accounts payable	606	645
Salaries and benefits payable	324	791
Compensated absences payable	1,060	(3,728)
Net pension liability	11,662	385
Net OPEB liability	(221,161)	(101,944)
Pension adjustments - deferred inflows	418	3,149
OPEB adjustments - deferred inflows	1,471	-
	(214,950)	(215,207)
Net Cash Provided (Used) by Operating Activities		
	\$ (214,950)	\$ (215,207)

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, 2020

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 non-operating 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 non-operating revenues and expenses.

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020, 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 and intergovernmental revenues. 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 to 25 years
Structures and Improvements	3 to 60 years

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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 liabilities 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 pension, 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 (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/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, 2020

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 two items that qualify for reporting in this category. These items relate to the outflows from changes in the net pension liability and net OPEB liability and are 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 (GASB) Statements

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

Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement extends the effective dates of certain accounting and financial reporting provisions in the Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of this Statement apply to the financial statements of all state and local governments. The GASB Statements effected by this statement include Statement No. 84 - Fiduciary Activities, Statement No. 87 – Leases, Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period, Statement No. 90 - Majority Equity Interests, Statement No. 91 – Conduit Debt Obligations, Statement No. 92 – Omnibus 2020, and Statement No. 93 – Replacement of Interbank Offered Rates.

P. Future Accounting Pronouncements

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

Statement No. 84 “Fiduciary Activities”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 87 “Leases”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Future Accounting Pronouncements (Continued)

Statement No. 89 “Accounting for Interest Cost Incurred Before the End of a Construction Period”	The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)
Statement No. 90 “Majority Equity Interests”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 91 “Conduit Debt Obligations”	The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)
Statement No. 92 “Omnibus 2020”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
Statement No. 93 “Replacement of Interbank Offered Rates”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 96 “Subscription-Based Information Technology	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

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 recorded to reflect an overstatement of unearned revenues.

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

Net Position, June 30, 2019, as previously reported	(\$ 423,519)
Adjustment associated with:	
Unearned revenue	171,784
Total Adjustments	171,784
Net Position, July 1, 2019 as restated	(\$ 251,735)

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2020, the Transit Fund's cash and investments consisted of the following:

Cash and Investments:

Mariposa County Treasurer's pool	\$ 102,519
Total Cash and Investments	\$ <u>102,519</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.

C. Investments

The Transit Fund does not have a formal investment policy. At June 30, 2020, 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, 2020, 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.

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

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

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the 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 Mariposa County investment pool which contains a diversification of investments.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>
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	(419,944)	(7,994)	-	(427,938)
Structures and improvements	<u>(2,913)</u>	<u>(171)</u>	<u>-</u>	<u>(3,084)</u>
Total Accumulated Depreciation	<u>(422,857)</u>	<u>(8,165)</u>	<u>-</u>	<u>(431,022)</u>
Total Capital Assets, Net	<u>\$ 31,704</u>	<u>(\$ 8,165)</u>	<u>\$ -</u>	<u>\$ 23,539</u>

Total depreciation expense of \$8,165 was charged to operations for the year ended June 30, 2020.

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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 operations. 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, 2020:

	<u>Unearned Revenue – TDA</u>
Unearned Revenue – TDA, Beginning of Year, as adjusted	\$ -
LTF Revenues Received	15,000
STA Revenues Received	181,586
TDA Revenues Recognized	(196,586)
Unearned Revenue – TDA, End of Year	<u>\$ -</u>

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 8,622	\$ 2,765	(\$ 1,705)	\$ 9,682	\$ 1,705
Total	<u>\$ 8,622</u>	<u>\$ 2,765</u>	<u>(\$ 1,705)</u>	<u>\$ 9,682</u>	<u>\$ 1,705</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”.

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.

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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 Fiscal Year Ending June 30, 2019	\$ 221,897
Changes for the year:	
Service costs	15,847
Interest on total pension liability	41,702
Differences between expected and actual experience	8,758
Contributions – employer	(20,578)
Contributions – employee	(7,172)
Net investment income	(27,189)
Administrative expense	<u>294</u>
Net Changes	<u>11,662</u>
Net Pension Liability at Fiscal Year Ending June 30, 2020	<u>\$ 233,559</u>

Required disclosure information regarding the 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 single-employer defined-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.

MARIPOSA COUNTY TRANSIT FUND
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 8: EMPLOYEE BENEFITS (CONTINUED)

B. Other Postemployment Benefits (OPEB) (Continued)

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

Net OPEB Liability at Fiscal Year Ending June 30, 2019	\$ 226,489
Changes for the year:	
Service costs	423
Interest on total OPEB liability	225
Differences between expected and actual experience	(1,736)
Change in assumptions	481
Benefit payments, including refunds of employee contributions	(174)
Implicit rate subsidy fulfilled	(3)
Change in allocation	<u>(220,377)</u>
Net Changes	<u>(221,161)</u>
Net OPEB Liability at Fiscal Year Ending June 30, 2020	<u>\$ 5,328</u>

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

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

Management has evaluated events subsequent to June 30, 2020 through December 28, 2020 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, 2020

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, 2020, the fare revenue ratio was 60.32 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2020, is as follows:

	<u>June 30, 2020</u>
Fare Revenue	<u>\$ 59,563</u>
Total Operating Expenses	\$ 106,918
Allowable TDA Adjustments:	
Depreciation	(<u>8,165</u>)
Net Operating Expenses	<u>\$ 98,753</u>
Fare Revenue Ratio	<u>60.32%</u>

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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, 2020, 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, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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

Internal Control Over Financial Reporting

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations, that we consider to be a material weakness.

(2020-001)

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 Responses to Findings

The Transit Fund's response to the finding identified in our audit is described in the accompanying management's corrective action plan. 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
December 28, 2020

MARIPOSA COUNTY TRANSIT FUND
Schedule of Findings and Recommendations
For the Year Ended June 30, 2020

2020-001 Prior Period Adjustment (Material Weakness)

Criteria

Good internal control over financial reporting requires that all assets and liabilities of the Transit Fund be reviewed for accuracy and reported in the financial statements.

Condition

During our audit we noted the Transit Fund made a material prior period adjustment to correct a prior year overstatement of unearned revenues.

Cause

During the year, the Transit Fund noted that the prior year unearned revenue calculation was incorrect and needed to be adjusted.

Effect of Condition

Beginning net position was misstated and required adjustment.

Question Cost

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

Context

Not applicable.

Repeat Finding

Not a repeat finding.

Recommendation

We recommend that all assets and liabilities of the Transit Fund be reviewed for accuracy and reported on the financial statements.

Views of Responsible Officials and Planned Corrective Action

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

MARIPOSA COUNTY TRANSIT FUND
Management's Corrective Action Plan
For the Year Ended June 30, 2020

2020-001 Prior Period Adjustment (Material Weakness)

We recommend that all assets and liabilities of the Transit Fund be reviewed for accuracy and reported on the financial statements.

Managements Response: Management concurs with the finding.

Responsible Individual: Luis Mercado, Auditor

Corrective Action Plan: The Auditor's office will conduct a thorough review of all assets and liabilities of the Transit Fund prior to completion of the financial statements. The review will include a calculation of unearned revenue for the Transit fund that incorporates all expense activity, including all pension and other postemployment benefit (OPEB) related expenses.

Anticipated Completion Date: End of fiscal year 2020/21.