COUNTY OF CALAVERAS
TRANSIT FUND

Audited Financial Statements
and Compliance Report

June 30, 2016 and 2015

COUNTY OF CALAVERAS
TRANSIT FUND

Audited Financial Statements
and Compliance Report

June 30, 2016

Audited Financial Statements

Basic Financial Statements

Compliance Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Calaveras
San Andreas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Calaveras Transit Fund (the Fund), which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

To the Board of Supervisors
County of Calaveras

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of Calaveras Transit Fund as of June 30, 2016 and 2015, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note A, the financial statements present only the County of Calaveras Transit Fund and do not purport to, and do not, present fairly the financial position of the County of Calaveras as of June 30, 2016 and 2015, the changes in financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by TDA and Other State Program Guidelines

In accordance with the Transportation Development Act (TDA) and Other State Program guidelines, we have also issued our report dated March 22, 2017 on our consideration of the County's compliance with the TDA and other state program guidelines. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. That report is an integral part of an audit performed in accordance with the Transportation Development Act and Other State Program guidelines in considering the County's compliance.

Richardson & Company, LLP

March 22, 2017

COUNTY OF CALAVERAS
TRANSIT FUND

BALANCE SHEETS

As of June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Due from other agencies	$ 137,003	$ 191,578
Accounts receivable	2,700	2,953
Prepaid expenses	1,090	
TOTAL CURRENT ASSETS	140,793	194,531
NONCURRENT ASSETS		
Capital assets:		
Not being depreciated	70,965	19,519
Being depreciated, net	1,173,036	865,195
Total Capital Assets, Net	1,244,001	884,714
TOTAL ASSETS	1,384,794	1,079,245
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	15,978	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,400,772	$ 1,079,245
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 65,332	$ 70,295
Accrued salaries and benefits	6,008	
Due to other funds	177,993	23,017
Unearned revenue	47,059	14,549
Current portion of compensated absences	3,541	
TOTAL CURRENT LIABILITIES	299,933	107,861
NONCURRENT LIABILITIES		
Noncurrent portion of compensated absences	9,383	
Other post-employment benefits liability	722	
Net pension liability	148,468	
TOTAL NONCURRENT LIABILITIES	158,573	
TOTAL LIABILITIES	458,506	107,861
DEFERRED INFLOWS OF RESOURCES		
Pension plan	11,396	
NET POSITION		
Investment in capital assets	1,244,001	884,714
Restricted for transit operations		86,670
Deficit	(313,131)	
TOTAL NET POSITION	930,870	971,384
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 1,400,772	$ 1,079,245

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

COUNTY OF CALAVERAS
TRANSIT FUND

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Passenger fares	$ 79,693	$ 94,570
Special transit fares	8,383	
TOTAL OPERATING REVENUES	88,076	94,570
OPERATING EXPENSES		
Salaries and benefits	276,164	
Service and supplies	359,053	352,687
Purchased transportation	687,929	677,095
Depreciation	117,175	56,946
TOTAL OPERATING EXPENSES	1,440,321	1,086,728
NET LOSS FROM OPERATIONS	(1,352,245)	(992,158)
NONOPERATING REVENUES (EXPENSES)		
Local Transportation Fund	284,688	151,931
State Transit Assistance Fund	225,810	217,247
Federal grants	274,225	384,861
State revenues	76,297	
Other revenues	10,864	12,256
Interest (expense) income	(2,800)	296
TOTAL NONOPERATING REVENUES	869,084	766,591
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(483,161)	(225,567)
CAPITAL CONTRIBUTIONS		
PTMISEA	376,247	384,089
Federal grants	66,400	
Local Transportation Fund		29,981
NET CAPITAL CONTRIBUTIONS	442,647	414,070
CHANGE IN NET POSITION	(40,514)	188,503
Net position, beginning of year	971,384	782,881
NET POSITION, END OF YEAR	$ 930,870	$ 971,384

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

COUNTY OF CALAVERAS
TRANSIT FUND

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 120,839	$ 108,398
Cash payments to suppliers	(1,053,035)	(1,019,243)
Cash payments to employees	(112,624)	
NET CASH USED BY OPERATING ACTIVITIES	(1,044,820)	(910,845)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from other County funds	154,976	23,017
Operating grants and subsidies	926,459	640,180
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,081,435	663,197
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions received	442,647	414,070
Acquisitions of capital assets	(476,462)	(442,647)
NET CASH (USED FOR) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(33,815)	(28,577)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	(2,800)	296
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	(2,800)	296
NET (DECREASE) IN CASH AND CASH AND CASH EQUIVALENTS		(275,929)
Cash and cash equivalents, beginning of year	-	275,929
CASH AND CASH EQUIVALENTS, END OF YEAR	$ -	$ -
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES		
Net loss from operations	$ (1,352,245)	$ (992,158)
Adjustments to reconcile net loss from operations to net cash used by operating activities:		
Depreciation expense	117,175	56,946
Changes in operating assets and liabilities:		
Increase/(decrease) in accounts receivable	253	(721)
(Decrease)/increase in prepaid expenses	(1,090)	
(Decrease)/increase in accounts payable	(4,963)	10,539
Increase/(decrease) in accrued salaries and benefits	6,008	
Increase/(decrease) in unearned revenue	32,510	14,549
Increase/(decrease) in compensated absences	12,924	
Increase/(decrease) in OPEB obligation	722	
Increase/(decrease) in pension liability and related deferred inflows and outflows of resources	143,886	
NET CASH USED BY OPERATING ACTIVITIES	$ (1,044,820)	$ (910,845)

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of the Entity: The Fund is the transit operator for the County of Calaveras (the County). The County is responsible for the public transportation system and receives funding from the Calaveras Council of Governments. The Fund operates five transit routes along Highways 26, 49 and 4 and several local roads using a transit contractor, Paratransit Services. The County of Calaveras provides oversight of the Fund's activities. The County is governed by a Board of Supervisors comprised of five members.

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 counties for public transportation expenditures. The TDA requires that each county have a Transportation Planning Agency. The Calaveras Council of Governments, which is a separate legal entity that issues separate financial statements, fulfills this requirement. The principal source of TDA funding is derived from ¼ of one percent of the State Retail Sales Tax. The ¼ cent is returned by the State Board of Equalization to each county according to the amount of tax collected in the county. The revenue is recorded in the Calaveras Council of Governments Local Transportation Fund (LTF). The Fund receives LTF revenue under Article 8, Section 99400(c) of the TDA for contracted transit services and 99400(d) for administration of those services. Additionally, the State Transit Assistance Fund (STAF) was created under Chapter 161 of the Statutes of 1979 (SB620), and revised by Chapter 322 of the Statutes of 1982 (AB 2551), and Chapter 105 of the Statutes of 1989 (SB 300). STAF provides a second source of TDA funding for transportation planning and mass transportation purposes. Funds for the program are derived from a statewide sales tax on gasoline and diesel fuel. These funds may not be allocated to fund administration or streets and roads projects. The County receives STAF from the Calaveras Council of Governments State Transit Assistance Fund under Article 4, Section 6731(b) of the TDA for contracted transit services and related administration.

The County of Calaveras is a member of the County Supervisors Association of California Excess Insurance Authority (CSAC-EIA), a public entity risk pool currently operating as a common risk management and insurance program for counties. Should actual losses among pool participants be greater than anticipated, the County of Calaveras will be assessed its prorate share of the deficiency. Conversely, if the actual pool losses are less than anticipated, the County of Calaveras will be refunded its prorated share of the excess. There have been no reductions in insurance coverage and settled claims have not exceeded commercial coverage in any of the past three fiscal years. Information about CSAC-EIA can be found in the County's Comprehensive Annual Financial Report.

During the year ended June 30, 2016, the County assigned a Transit Manager to the Fund, resulting in salaries and related benefits being reported at June 30, 2016. The County had no employees assigned to the Fund at June 30, 2015 and reported no compensated absences, pension liabilities or other postemployment benefits liability were reported by the Fund as of that date.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation: The County's resources are allocated to and accounted for in these financial statements as an enterprise fund type of the proprietary fund group. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Unrestricted net position for the enterprise fund represents the net position available for future operations.

Reporting Entity: The financial statements are intended to present the financial position, results of operations and cash flows of only those transactions reported in the Fund. The Fund is included in the financial statements of the County.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Fund are included on the balance sheet. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The Fund uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Non-exchange revenues are recognized when all eligibility requirements have been met. Cost reimbursement grant revenues are recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received before eligibility requirements are met they are recorded as unearned revenues until they are earned.

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 the Fund are charges to passengers for public transit services. Operating expenses include the cost of transit services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets: Capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Capital assets are defined as assets with an initial cost of more than $10,000 for equipment, $25,000 for structures and improvements and $50,000 for infrastructure and an estimated useful life of more than one year. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Provision is made for depreciation by the straight-line method over the estimated useful lives of these assets which range from twenty to thirty years for land improvements and

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

five to ten years for transit vehicles. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Short-term Interfund Receivables/Payables: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables/payables are classified as "due from other funds" and "due to other funds" on the balance sheet. The "due to other funds" at June 30, 2016 and 2015 represents a cash subsidy to the Fund from the County's General Fund.

Unearned Revenues: Unearned revenues arise when resources are received by the County before it has legal claim to them, such as when cost reimbursement grant and other intergovernmental revenues are received prior to the incurrence of qualifying expenses. Unearned revenues at June 30, 2016 and 2015 consisted of Low Carbon Transit Operations Program (LCTOP) revenue received from the state to provide transit vouchers to low income passengers during the years ended June 30, 2017 and 2016, respectively.

Net Position: Net position is categorized as the net investment capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The County had restricted net position at June 30, 2015 from unspent TDA revenues claimed for transit operations.

Unrestricted – This category represents net position of the County not restricted for any project or other purpose.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND CASH EQUIVALENTS

Investment policy: The County's investment policy may be found in the notes to the County's basic financial statements.

Investment in the County of Calaveras Investment Pool: The Funds' cash is held in the County Treasury. The County maintains an investment pool that allocates interest to the various funds based upon the average daily cash balances at quarter end. Investments held in the County's investment pool are available on demand to the Fund and are stated at fair value.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

sensitivity of its fair value to changes in market interest rates. As of June 30, 2016 and 2015, the weighted average maturity of the investments contained in the County's investment pool was approximately 1.08 and 1.18 years, respectively.

Credit risk: Generally, credit risk is the risk that an insurer 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 pool does not have a rating provided by nationally recognized statistical rating organization.

Custodial credit risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County's investment pool).

NOTE C – CAPITAL ASSETS

Capital assets consisted of the following at June 30:

	Balance at June 30, 2015	Additions	Transfers	Balance at June 30, 2016
Capital assets, not being depreciated:				
Construction in progress	$ 19,519	$ 51,446		$ 70,965
Capital assets, being depreciated:				
Bus shelter land improvements	312,521			312,521
Bus shelters	245,498			245,498
Transit vehicles	1,215,457	425,016	$ (144,414)	1,496,059
Total capital assets being depreciated	1,773,476	425,016	(144,414)	2,054,078
Less accumulated depreciation for:				
Bus shelter land improvements	(80,686)	(14,843)		(95,529)
Bus shelters	(1,554)	(6,137)		(7,691)
Transit vehicles	(826,041)	(96,195)	144,414	(777,822)
Total accumulated depreciation	(908,281)	(117,175)	144,414	(881,042)
Total capital assets being depreciated, net	865,195	307,841		1,173,036
Capital assets, net	$ 884,714	$ 359,287	$ -	$ 1,244,001

NOTE C – CAPITAL ASSETS (Continued)

	Balance at June 30, 2014	Additions	Transfers	Balance at June 30, 2015
Capital assets, not being depreciated:				
Construction in progress	$ 122,097	$ 142,920	$ (245,498)	$ 19,519
Capital assets, being depreciated:				
Bus shelter land improvements	312,521			312,521
Bus shelters			245,498	245,498
Transit vehicles	915,730	299,727		1,215,457
Total capital assets being depreciated	1,228,251	299,727	245,498	1,773,476
Less accumulated depreciation for:				
Bus shelter land improvements	(65,844)	(14,842)		(80,686)
Bus shelters		(1,554)		(1,554)
Transit vehicles	(785,491)	(40,550)		(826,041)
Total accumulated depreciation	(851,335)	(56,946)		(908,281)
Total capital assets being depreciated, net	376,916	242,781	245,498	865,195
Capital assets, net	$ 499,013	$ 385,701	$ -	$ 884,714

NOTE D – COMPENSATED ABSENCES

Changes in compensated absences were as follows for the years ended June 30:

	Balance at June 30, 2015	Additions	Retirements	Balance at June 30, 2016	Due Within One Year
Compensated absences	$ -	$ 16,723	$ (3,740)	$ 12,983	$ 3,541
	$ -	$ 16,723	$ (3,740)	$ 12,983	$ 3,541

NOTE E – LTF AND STAF ELIGIBILITY

Local Transportation Fund and State Transit Assistance Fund Maximum Eligibility

The Local Transportation Fund (LTF) provides support to the transit system to fund its operation. The Transportation Development Act (TDA) requires that funds received in excess of actual operating costs as defined by section 6634 of the California Code of Regulations must be either returned to their source or deducted from the amount the claimant is eligible to receive during the following fiscal year. The maximum amount allowed is based on operating costs after certain adjustments. State Transit Assistance Fund (STAF) allocations were used to fund operating expenses. LTF and STAF amounts received in

NOTE E – LTF AND STAF ELIGIBILITY (Continued)

excess of the amounts that the County was eligible to receive during the years ended June 30 was determined as follows:

	LTF			
	Operating	Capital	STAF	Total
Total allocated during the year ended June 30, 2016	$ 284,688		$ 225,810	$ 510,498
Maximum amount allowed:	284,688		225,810	510,498
Operating Expenses	1,214,511		225,810	1,440,321
Adjustments:				
Depreciation	(117,175)			(117,175)
Fares	(79,693)			(79,693)
Federal transit administration grants	(274,225)			(274,225)
Maximum amount allowed	743,418		225,810	969,228
Capital Expenses				
Excess LTF/STAF allocations at June 30, 2016	$ -	$ -	$ -	$ -

	LTF			
	Operating	Capital	STAF	Total
Total allocated during the year ended June 30, 2015	$ 151,931	$ 29,981	$ 160,035	$ 341,947
Maximum amount allowed:	151,931		160,035	341,947
Operating Expenses	926,693		160,035	1,086,728
Adjustments:				
Depreciation	(56,946)			(56,946)
Fares	(94,570)			(94,570)
Federal transit administration grants	(384,861)			(384,861)
Maximum amount allowed	390,316	$ 29,981	160,035	550,351
Excess LTF/STAF allocations at June 30, 2015	$ -	$ -	$ -	$ -

NOTE F – OTHER STATE PROGRAMS

PTMISEA

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the $19.925 billion of state general obligation bonds authorized, $4 billion was set aside by the State as instructed by statute as the Other State Programs. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation, or replacement.

NOTE F – OTHER STATE PROGRAMS (Continued)

During the years ended June 30, 2016 and 2015, the County applied for and received $447,081and $384,089, respectively from the Other State Programs account for bus engine replacements, bus shelters, bus stop improvements and a vehicle maintenance lift. As of June 30, funds received and expended were verified in the course of the audit as follows:

	2016	2015
PTMISEA received	$ 447,081	$ 384,089
Expenses incurred:		
New buses and support vehicles	(341,530)	(299,727)
Service equipment	(54,493)	
Bus shelters	(51,058)	(84,362)
Unexpended proceeds	$ -	$ -

LCTOP: The Low Carbon Transit Operations Program (LCTOP) was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants. Projects approved for LCTOP will support bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. Included in the 2016 expenses incurred, were $8,383 in costs used to provide reduced fares for qualified transit customers under the program. The remaining $3,412 was used to support existing bus services.

As of June 30, LCTOP funds received and expended were verified in the course of the audit as follows:

	2016	2015
Beginning balance	$ 14,549	
LCTOP received	44,235	$ 14,459
Interest earnings	70	
Expenses incurred:		
Calaveras Transit Green Ticket Program	(11,795)	
Unexpended proceeds	$ 47,059	$ 14,459

NOTE G – FARE REVENUE RATIO

The County is required to maintain a fare revenue to operating expense ratio of 10.00% in accordance with Section 99268.2 of the TDA. The fare revenue to operating expenses ratio for the County is calculated as follows for the years ended June 30:

	2016	2015
Fare revenues	$ 79,693	$ 94,570
Special transit fares - LCTOP fare subsidy	8,383	
Local support - advertising	9,770	8,900
Fares and advertising from extension of services	(1,870)	(9,423)
Total fares	95,976	94,047
Operating expenses	1,440,321	1,086,728
Less allowable exclusions:		
Depreciation and amortization	(117,175)	(56,946)
Cost of extension of services	(43,708)	(93,641)
Net operating expenses	$ 1,279,438	$ 936,141
Actual fare revenue ratio	7.50%	10.05%
Required fare revenue ratio	10.00%	10.00%

The County was not in compliance with the 10.00% minimum required fare revenue ratio for the year ended June 30, 2016, but was in compliance with the fare revenue ratio for the year ended June 30, 2015. Included in the 2016 operating expenses above is pension expense of $143,886 related to the County recording a pension liability for the Transit Manager, who was assigned to the Transit Fund during the year. Approximately $133,000 of this amount was due to moving the prior year pension liability to the Fund that was previously reported as part of the governmental activities pension liability in the County's Comprehensive Annual Financial Report (CAFR). If this one-time expense to move the prior year pension liability was not considered in the calculation of the fare revenue ratio above, the fare revenue ratio would have been 8.37% and still not in compliance with the 10% minimum required ratio.

Additionally, Under Section 6633.9 of the California Code of Regulations, the first year the County fails to meet the required fare revenue ratio, which is the noncompliance year, there is no change in eligibility. In the subsequent fiscal year, or determination year, there is no change in eligibility; however, the difference between the required and actual fare revenue to operating cost ratio as reported in the claimant's fiscal audit must be determined. In the third year or penalty year, the transit operator's eligibility to receive monies from the local transportation and state transit assistance funds shall be reduced, for one year only, by the amount of the difference between the required fare revenues and the actual fare revenues in the determination year.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires certain information to be disclosed for OPEB plans. The actuarial valuation for the County's OPEB plan does not separately disclose information that is required to be reported under GASB 45 for the Transit Fund. This information is available in the County's CAFR for the County's OPEB plan as a whole. The OPEB liability reported in the Transit Fund represents a proportional share of the OPEB liability for the County as a whole. The percentage of the County's OPEB liability that is recorded in the Transit Fund is based on a percentage of full time equivalents for Transit Fund employees compared to all County employees. As of and for the year ended June 30, 2016, the OPEB liability was $722 and the OPEB expense was $722. OPEB expense was reported as part of operations expenses for bus services. The Fund had no OPEB liability as of June 30, 2015 as there were no employees assigned to the Fund during 2015.

NOTE I – PENSION LIABILITY

GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, which require certain information to be disclosed for pension plans. The County has one agent multiple-employer defined benefit pension plan, including both the Safety Plan (Police and Fire) and a Miscellaneous Plan for all other County employees. Information is available about the County's pension plans in the County's CAFR. The Transit Fund employee is included in this Plan. However, the actuarial valuation for the County's Miscellaneous Plan received from CalPERS does not separately disclose information that is required to be reported under GASB 68 and 71 for the Transit Fund. The pension liability reported in the Transit Fund represents a proportional share of the pension liability of the County's Plan as a whole based on full time equivalents of the Transit Fund compared to all of the County Plan participants. As of and for the year ended June 30, 2016, the deferred outflows of resources, net pension liability, deferred inflows of resources and pension expense related to the Transit Fund were $15,978, $148,468, $11,396 and $143,886, respectively. Pension expense was reported as part of operations expenses for bus services. The $143,886 of pension expense included approximately $133,000 to move the prior year pension liability to the Transit Fund that was previously reported in the County's governmental activities pension liability. The Fund had no pension liability as of June 30, 2015 as there were no employees assigned to the Fund during 2015.

NOTE J – CONCENTRATIONS

The County receives a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund created by the Transportation Development Act and federal grants from the Federal Transit Administration. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Transit Fund's activities.

NOTE K – CONTINGENCIES

The County receives funding for specific purposes that are subject to review and audit by the granting agencies of the funding source. Such audits could result in the funding agency requesting a reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such audits.

COMPLIANCE REPORT

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE TRANSPORTATION DEVELOPMENT ACT AND
OTHER STATE PROGRAM GUIDELINES

To the Board of Supervisors
County of Calaveras
San Andreas, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the County of Calaveras (the County) Transit Fund (the Fund), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 22, 2017.

Compliance and Other Matters (including Other State Programs)

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests to determine that Transportation Development Act (TDA) Funds allocated to and received by the County were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of bond funds, as presented in Note F of the financial statements, in accordance with other state program guidelines. 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 instances of noncompliance or other matters that are required to be reported under the TDA or other state program guidelines and which are described in the accompanying schedule of findings and responses as findings 2016-001 and 2016-002.

The County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with the TDA and the other state program guidelines in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

March 22, 2017

COUNTY OF CALAVERAS
TRANSIT FUND

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2016

CURRENT YEAR FINDINGS

COMPLIANCE

FINDING 2016-001

Criteria: Section 99234 of the Transportation Development Act requires transit operators to account for its activities in accordance with the California State Controller's Office Uniform System of Accounts for Transit Operators, which requires operators to report its activities in accordance with Generally Accepted Accounting Principles (GAAP) for governmental entities.

Condition: A number of audit adjustments were posted during the 2016 audit. Entries posted include entries needed to reclassify negative cash as due to other funds, true-up capital assets, accrue intergovernmental revenues and receivables, reclassify LCTOP fare subsidies as special transit fares, record the pension liability and related deferred inflows and outflow of resources, true-up unearned revenue and record the investment in capital assets.

Cause: Closing procedures did not identify all entries needed to report the Fund's activity in accordance with GAAP.

Effect: A number of adjustments were required to report the Fund's activities in accordance with Generally Accepted Accounting Principles, which slowed the completion of and increased the cost of the audit. This is a continuation of Finding 2015-001

Recommendation: We recommend the County enhance closing procedures to review funds received and expenditures made for all revenue sources to ensure revenue is accrued and properly classified by source and as operating, nonoperating or capital contribution revenue. TDA revenues are shared revenues that are earned once apportioned to the County by the Calaveras Council of Governments since all eligibility requirements have been met once that apportionment has been approved. Additionally, the closing process should include a review of net position to ensure net position rolls forward from the prior year financial statements.

Management's Response: Management will refer to the appropriate authoritative guidance in order to properly report revenue in accordance with GAAP. Additionally, they will review all prior year audit adjustments to ensure all audit adjustments are posted. By working with accounting personnel who are familiar with these specialized reporting requirements, the County will develop an understanding in properly determining the amount of grant revenues that are receivables and/or unearned revenue at the close of the fiscal year.

FINDING 2016-002

Criteria: Under Section 6633 of the California Code of Regulations and Section 99268 of the Public Utilities Code, the County is required to maintain a minimum fare revenue to operating expense ratio of 10% for its combined general and elderly and handicapped services.

Condition: The County did not meet the minimum required fare revenue to operating expense ratio for the fiscal year ended June 30, 2016 as reported in Note G to the financial statements.

FINDING 2016-002 (Continued)

Cause: According the Transit Performance Report, ridership declined 29.3% and operating costs per passenger increased 41.47% compared to the year ended June 30, 2015. The reduction in fares was offset by $8,383 of LCTOP revenue from low income passenger fare subsidies for services to the County Fair.

Effect: The Fund is in danger of losing TDA funding for the shortfall in revenue.

Management's Response: The County recognizes that not meeting the required farebox recovery ratio (FRR) can result in penalties for funding eligibility. Fiscal year 2015/16 is the first year that the County experienced a FRR of less than 10 percent, making this the first noncompliance year. The County understands that penalties may be assessed to Calaveras Transit for fiscal year 2016/17 and subsequent years until the farebox recovery ratio goal is met.

The 2016 Short Range Transit Plan contained recommendations to improve the efficiency of Calaveras Transit. Many of the recommendations will be embodied in a new system of routes and schedules effective April 2017. The new system replaces regular daily service on the lowest performing routes with on-demand service requiring advance reservations. The new system will also enable more meaningful connections to make transit more useful for more people. The changes are anticipated to increase the ridership which will improve the farebox recovery ratio. Net operating costs are already trending downward.

PRIOR YEAR FINDINGS

COMPLIANCE

FINDING 2015-001

Condition: A number of audit adjustments were posted during the 2015 audit because the County did not properly classify revenues and net position did not roll forward because a current year receivable was posted directly to net position.

Cause: Closing procedures did not identify all entries needed to report the Fund's activity in accordance with GAAP.

Current Status: The issue was not resolved during the year. Finding 2016-001 is a continuation of this finding.