

**TUOLUMNE COUNTY  
TRANSPORTATION COUNCIL**

Independent Auditor's Reports, Management's  
Discussion and Analysis, Basic Financial  
Statements, Required Supplementary Information,  
and Other Supplementary Information

For the Year Ended June 30, 2018



Certified  
Public  
Accountants

**TUOLUMNE COUNTY  
TRANSPORTATION COUNCIL**  
For the Year Ended June 30, 2018

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## Independent Auditor's Report

To the Board of Directors of the Tuolumne  
County Transportation Council  
Sonora, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Tuolumne County Transportation Council (Council), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council'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.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Council, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the Planning and Administrative Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

### ***Change in Accounting Principles***

As discussed in Note A to the basic financial statements, effective July 1, 2017, the Council adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The schedule of allocation instructions and amounts allocated – Local Transportation Fund and State Transit Assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of allocation instructions and amounts allocated – Local Transportation Fund and State Transit Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of allocation instructions and amounts allocated – Local Transportation Fund and State Transit Assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards* and the California Transportation Development Act**

In accordance with *Government Auditing Standards* and the California Transportation Development Act, we have also issued our report dated January 31, 2020, on our consideration of the Council'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 Council'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* and the California Transportation Development Act in considering the Council's internal control over financial reporting and compliance.

  
Sacramento, California  
January 31, 2020

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018  
(Unaudited)

The discussion and analysis of the financial performance of the Tuolumne County Transportation Council (Council) provides an overview of the Council's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the Council's financial performance as a whole. Users of these financial statements should read this discussion and analysis in conjunction with the basic financial statements following this section to enhance their understanding of the Council's financial performance.

**Financial Highlights**

- The assets and deferred outflows of resources of the Council exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$4,575,334 (*net position*).
- The Council's total net position decreased by \$201,197.
- As of June 30, 2018, the Council's governmental funds reported combined ending fund balances of \$1,721,414.
- As of June 30, 2018, fund balance for the Planning and Administration Fund was \$504,649, or 77% of total Planning and Administration Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Council's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the Council's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event takes place regardless of when cash is received or paid. Thus, some revenues and expenses reported in this statement are for items that will only result in cash inflows and outflows in future years.

Both of the government-wide financial statements distinguish functions of the Council that are primarily financed with intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Council's governmental activities include the planning and administration of transportation activities and the allocation of Local Transportation Fund funds (LTF), State Highway Account (SHA) funds, including Regional Surface Transportation Program (RSTP) Exchange funds, and State Transit Assistance (STA) funds to local jurisdictions. The Council's business-type activities include Tuolumne County Transit. The government-wide financial statements are presented on pages 11-12.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018  
(Unaudited)

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Council's funds can be divided into two categories: governmental funds and a proprietary fund.

Governmental Funds – Governmental funds are used to account for activities that are similar in nature to the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be used in evaluating the Council's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will allow readers to get a better understanding of the long-term impact of the Council's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Council maintains four individual major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for each of the major funds.

The Council adopted an annual appropriated budget only for the Planning and Administration Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the adopted budget. The basic governmental fund financial statements are presented on pages 13-15 of this report.

Proprietary Fund – The Council maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Council uses an enterprise fund to account for the activities of the Tuolumne County Transit.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide information for the Tuolumne County Transit, which is considered to be a major fund of the Council. The enterprise fund financial statements can be found on pages 16-18 of this report.

**Notes to the Basic Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are presented on pages 19-35 of this report.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018  
(Unaudited)

**Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report also presents the schedule of the Council's proportionate share of the net pension liability on page 36, the schedule of the Council's pension contributions on page 37, and the schedule of the Council's proportionate share of the total other postemployment benefits liability on page 38 as required supplementary information and the schedule of allocation instructions and amounts allocated for Local Transportation Fund and State Transit Assistance funding on page 39.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Council, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,575,334 at the close of the current year.

**Council's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current assets	\$ 2,146,491	\$ 2,017,905	\$ 2,614,030	\$ 2,654,008	\$ 4,760,521	\$ 4,671,913
Capital assets, net	-	-	3,168,975	3,388,231	3,168,975	3,388,231
Total assets	<u>2,146,491</u>	<u>2,017,905</u>	<u>5,783,005</u>	<u>6,042,239</u>	<u>7,929,496</u>	<u>8,060,144</u>
<b>Deferred Outflows of Resources</b>						
Related to pension	181,416	217,427	102,858	82,852	284,274	300,279
Related to other postemployment benefits	1,996	-	1,128	-	3,124	-
Total deferred outflows of resources	<u>183,412</u>	<u>217,427</u>	<u>103,986</u>	<u>82,852</u>	<u>287,398</u>	<u>300,279</u>
<b>Liabilities</b>						
Long-term liabilities	85,759	73,139	48,830	42,858	134,589	115,997
Net pension liability	940,814	1,017,280	533,416	303,396	1,474,230	1,320,676
Total other postemployment benefits liability	96,162	-	54,352	-	150,514	-
Other liabilities	425,077	311,020	1,424,787	1,617,204	1,849,864	1,928,224
Total liabilities	<u>1,547,812</u>	<u>1,401,439</u>	<u>2,061,385</u>	<u>1,963,458</u>	<u>3,609,197</u>	<u>3,364,897</u>
<b>Deferred Inflows of Resources</b>						
Related to pension	10,629	33,073	6,026	27,961	16,655	61,034
Related to other postemployment benefits	10,036	-	5,672	-	15,708	-
Total deferred inflows of resources	<u>20,665</u>	<u>33,073</u>	<u>11,698</u>	<u>27,961</u>	<u>32,363</u>	<u>61,034</u>
<b>Net Position</b>						
Investment in capital assets	-	-	3,168,975	3,388,231	3,168,975	3,388,231
Restricted	1,680,863	1,485,916	-	-	1,680,863	1,485,916
Unrestricted	(919,437)	(685,096)	644,933	745,441	(274,504)	60,345
Total net position	<u>761,426</u>	<u>800,820</u>	<u>3,813,908</u>	<u>4,133,672</u>	<u>4,575,334</u>	<u>4,934,492</u>

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018  
(Unaudited)

The largest portion of the Council's net position, \$3,168,975, reflects its net investment in capital assets. The Council uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. An additional portion of the Council's net position, \$1,680,863, reflects its restricted net position. The major portion of restricted net position is for payments of LTF and SHA funds to local jurisdictions. The remaining balance of unrestricted net position totaling a deficit of \$274,504 is primarily due to the net pension liability and related deferred outflows and inflows of resources now being presented in the financial statements in accordance with GASB Statement Nos. 68 and 71.

At the end of the current year, the Council is able to report positive balances in two categories of its total net position, as well as in all categories for its business-type activities. However, its governmental activities has a deficit \$919,437 unrestricted net position. This is primarily due to the net pension liability, total other postemployment benefits liability, and related deferred outflows and inflows of resources now being presented in the financial statements in accordance with GASB Statement Nos. 68, 71, and 75.

The Council's governmental activities current assets reported an increase of \$128,586, which is mostly the result of a new 2018 State of Good Repair STA allocation of \$73,016 and an RSTP allocation that increased \$46,653 in 2018 from that allocated in 2017; both of which had not been paid to the Council at year end. In addition, the Council's governmental activities other liabilities increased \$114,057, mostly due to less than expected LTF allocation in 2018. As a result, the streets and roads allocations, which have the lowest priority, were paid out later this year than in the prior year, increasing the amounts due to the County of Tuolumne and the City of Sonora at year end by \$118,407.

The Council's business-type activities capital assets and investment in capital assets reported decreases of \$219,256 due to the purchase and construction of capital assets of \$205,320 offset by depreciation of \$424,576. In addition, the Council's business-type activities other liabilities decreased by \$192,417, mostly due to the completion of the Juvenile Detention Center in 2018, which resulted in there being no payable due to the contractor at June 30, 2018 compared to \$238,284 at June 30, 2017.

Total other postemployment benefits liability and its related deferred inflows of resources, net of its related deferred outflows of resources increased \$163,098 due to the implementation of GASB Statement No. 75. Net pension liability and its related deferred inflows of resources, net of its related deferred outflows of resources increased \$125,180 primarily due to CalPERS reducing the discount rate 50 basis points.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018  
(Unaudited)

Council's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Program Expenses</b>						
Planning and administration	\$ 608,792	\$ 753,740	\$ -	\$ -	\$ 608,792	\$ 753,740
Transportation allocations and projects	594,208	341,664	-	-	594,208	341,664
Transit	-	-	2,670,580	2,265,141	2,670,580	2,265,141
Total program expenses	<u>1,203,000</u>	<u>1,095,404</u>	<u>2,670,580</u>	<u>2,265,141</u>	<u>3,873,580</u>	<u>3,360,545</u>
<b>Program Revenues</b>						
Charges for services	-	-	222,203	203,087	222,203	203,087
Operating grants and contributions	794,024	911,271	310,242	494,188	1,104,266	1,405,459
Capital grants and contributions	-	-	-	1,931,025	-	1,931,025
Total program revenues	<u>794,024</u>	<u>911,271</u>	<u>532,445</u>	<u>2,628,300</u>	<u>1,326,469</u>	<u>3,539,571</u>
Net Program Revenue (Expense)	<u>(408,976)</u>	<u>(184,133)</u>	<u>(2,138,135)</u>	<u>363,159</u>	<u>(2,547,111)</u>	<u>179,026</u>
<b>General Revenues</b>						
State shared revenues - sales and use taxes	2,259,446	1,987,058	-	-	2,259,446	1,987,058
Investment earnings	14,474	12,454	10,782	32,007	25,256	44,461
Miscellaneous	25,000	-	36,212	25,715	61,212	25,715
Gain on sale of capital assets	-	-	-	5,040	-	5,040
<b>Transfers</b>	<u>(1,828,418)</u>	<u>(1,564,482)</u>	<u>1,828,418</u>	<u>1,564,482</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>470,502</u>	<u>435,030</u>	<u>1,875,412</u>	<u>1,627,244</u>	<u>2,345,914</u>	<u>2,062,274</u>
Change in net position	<u>61,526</u>	<u>250,897</u>	<u>(262,723)</u>	<u>1,990,403</u>	<u>(201,197)</u>	<u>2,241,300</u>
Net position - beginning, as reported	800,820	549,923	4,133,672	2,143,269	4,934,492	2,693,192
Restatement	(100,920)	-	(57,041)	-	(157,961)	-
Net position - beginning, as restated	<u>699,900</u>	<u>549,923</u>	<u>4,076,631</u>	<u>2,143,269</u>	<u>4,776,531</u>	<u>2,693,192</u>
Net position - ending	<u>\$ 761,426</u>	<u>\$ 800,820</u>	<u>\$ 3,813,908</u>	<u>\$ 4,133,672</u>	<u>\$ 4,575,334</u>	<u>\$ 4,934,492</u>

The Council's net position decreased by \$201,197 during the current year.

**Governmental activities** increased the Council's net position by \$61,526, which is a decrease of \$189,371 from the prior year's increase of \$250,897. This decrease was mainly the result of expenses for transportation allocation and projects increasing due more LTF and RSTP funds being available for allocation for projects.

**Business-type activities** decreased the Council's net position by \$262,723, which is a decrease of \$2,253,126 from the prior year's increase of \$1,990,403. This decrease was mainly due to the \$1,931,025 capital grants and contributions earned in the prior year (Federal Congestion Mitigation and Air Quality funding of \$630,105 mostly used to purchase buses and State Public Transportation Modernization, Improvement and Service Enhancement Account funding of \$1,300,920 used for the construction of the Transit Center at the County's new Law and Justice Facility) compared to zero in the current year.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018  
(Unaudited)

**Fund Financial Statement Analysis**

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds** – The focus of the Council's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the Council's net resources available for spending at the end of the year.

As of June 30, 2018, the Council's governmental funds reported combined ending fund balances of \$1,721,414. The Planning and Administration Fund accounted for \$504,649, of which \$464,098 was restricted funds transferred in from the Local Transportation Fund and State Highway Account funds. The State Highway Account fund balance of \$919,048 and the Local Transportation Fund fund balance of \$197,716 are both restricted by laws and regulations imposed by the State of California for transportation-related activities. Although not reflected on the financial statements, the Council has allocated or obligated \$598,040 as of June 30, 2018 for future transportation-related projects, which include Tuolumne park and ride (\$204,221), Jackson Street/Yankee Hill Road (\$147,250), Jacksonville Road Bridge rehabilitation (\$100,000), Mono Way Gateway monument/landscaping (\$45,842), City sidewalk project (\$20,000), Stewart Street public restroom (\$51,682), Jamestown sidewalk (\$4,045), and Dragoon Gulch connectivity (\$25,000).

The Planning and Administration Fund is the Council's chief operating fund. As mentioned above, the fund balance of the Planning and Administration Fund was \$504,649 at June 30, 2018. Of this amount, the Council has committed \$40,551 for employee leave, such as compensated absences. As a measure of the Planning and Administration Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 77% of total Planning and Administration Fund expenditures.

The fund balance of the Council's Planning and Administration Fund increased by \$31,359 during the year ended June 30, 2018, which is an increase of 7% from the prior year balance. This increase is primarily the result of the State Highway Account Fund transferring in \$217,976 during the current year.

The Local Transportation Fund has a total fund balance of \$197,716. The fund balance decreased by \$89,213 primarily due to the Council's LTF allocations to claimants of \$1,911,595 via expenditures and transfers out exceeding the State's allocation of LTF revenues to the Council of \$1,819,772.

The State Highway Account Fund has a total fund balance of \$919,048. The fund balance decreased \$27,618 primarily due to the Council's expenditures and transfers out \$469,078 exceeding the RSTP funding apportioned by the State for fiscal year 2017/2018 of \$433,775.

The State Transit Assistance Fund has a total fund balance of \$100,001 as the Council transferred out \$339,673 of the current STA allocation of \$439,674.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018  
(Unaudited)

**Proprietary Fund** – The Council's proprietary fund (Tuolumne County Transit) provides the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

The Tuolumne County Transit Fund net position was \$3,813,908, a decrease of \$262,723 from the prior year. Although not reflected on the financial statements, the Council has allocated or obligated \$1,127,140 as of June 30, 2018 for a future transit-related project for the Washington Street/Stockton Road corridor improvements for bus stops and approaches.

**Planning and Administration Fund Budgetary Highlights**

The Council's actual expenditures were less than the final budget for this year by \$645,602. This was due to salaries and benefits being less by \$291,633 mostly due to the reimbursement from the Transit Fund of approximately \$250,000 being budgeted as both a revenue and expense, essentially netting to zero, compared to the actual reimbursement of \$254,068, and services and supplies being \$353,969 less mostly due to unused contingency (\$272,735), unused transportation planning projects (\$30,276), and unused traffic circulation project (\$10,000). The majority of unused projects will be budgeted again in fiscal year 2018-19.

**Capital Assets**

The Council's investment in capital assets as of June 30, 2018 amounted to \$3,168,975 (net of accumulated depreciation). This was a decrease of \$219,256 from the prior year as a result of the purchase and construction of capital assets of \$205,320 offset by depreciation of \$424,576.

**Economic Factors and Next Year's Budgets and Rates**

The current Federal Transportation Bill, SAFETEA-LU (Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users) was renewed in 2009 and represented the largest surface transportation investment in our nation's history. This legislation maintained the overall structure of the previous transportation act, TEA-21 (Transportation Equity Act for the Twenty-First Century), with an increased emphasis on safety. The three main revenue sources utilized by the Council to accomplish the various work activities and projects included in their Overall Work Program (OWP) continue to be reliable. They are Rural Planning Assistance (RPA); Planning, Programming and Monitoring (PPM); and Regional Surface Transportation Program (RSTP) Exchange funds. RSTP funds show an increase from \$217,976 for the 2017-18 year to \$294,174 for the 2018-19 year.

**Requests for Information**

This financial report is designed to provide citizens, taxpayers, creditors and investors with a general overview of the Council's finances and to show the Council's accountability for the funds that it receives. If you have any questions about this report or need additional financial information, contact Ms. Deborah Bautista, Fiscal Officer, Tuolumne County Transportation Council, 2 South Green Street, Sonora, California, 95370 and (209) 533-5551.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**

Statement of Net Position

June 30, 2018

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 1,139,092	\$ 2,266,826	\$ 3,405,918
Internal balances	(40,618)	40,618	-
Due from other governments	1,048,017	306,586	1,354,603
Capital assets:			
Nondepreciable	-	250,414	250,414
Depreciable, net	-	2,918,561	2,918,561
Total assets	2,146,491	5,783,005	7,929,496
<b>Deferred Outflows of Resources</b>			
Related to pension	181,416	102,858	284,274
Related to other postemployment benefits	1,996	1,128	3,124
Total deferred outflows of resources	183,412	103,986	287,398
<b>Liabilities</b>			
Accounts payable and accrued liabilities	50,285	228,146	278,431
Due to County of Tuolumne	304,489	-	304,489
Due to City of Sonora	27,450	-	27,450
Unearned revenue	42,853	1,196,641	1,239,494
Long-term liabilities:			
Due within one year	35,000	19,000	54,000
Due in more than one year	50,759	29,830	80,589
Other long-term obligations:			
Total other postemployment benefits liability	96,162	54,352	150,514
Net pension liability	940,814	533,416	1,474,230
Total liabilities	1,547,812	2,061,385	3,609,197
<b>Deferred Inflows of Resources</b>			
Related to pension	10,629	6,026	16,655
Related to other postemployment benefits	10,036	5,672	15,708
Total deferred inflows of resources	20,665	11,698	32,363
<b>Net Position</b>			
Investment in capital assets	-	3,168,975	3,168,975
Restricted	1,680,863	-	1,680,863
Unrestricted	(919,437)	644,933	(274,504)
Total net position	\$ 761,426	\$ 3,813,908	\$ 4,575,334

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

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**

Statement of Activities

For the Year Ended June 30, 2018

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Program Expenses</b>			
Planning and administration	\$ 608,792	\$ -	\$ 608,792
Transportation allocations and projects	594,208	-	594,208
Transit	-	2,670,580	2,670,580
Total program expenses	1,203,000	2,670,580	3,873,580
 <b>Program Revenues</b>			
Charges for services	-	222,203	222,203
Operating grants and contributions	794,024	310,242	1,104,266
Total program revenues	794,024	532,445	1,326,469
 Net program expense	(408,976)	(2,138,135)	(2,547,111)
 <b>General Revenues</b>			
State shared revenue - sales and use taxes	2,259,446	-	2,259,446
Investment earnings	14,474	10,782	25,256
Miscellaneous	25,000	36,212	61,212
<b>Transfers</b>	(1,828,418)	1,828,418	-
 Total general revenues and transfers	470,502	1,875,412	2,345,914
 Changes in net position	61,526	(262,723)	(201,197)
 Net position - beginning of year, restated	699,900	4,076,631	4,776,531
 Net position - end of year	\$ 761,426	\$ 3,813,908	\$ 4,575,334

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

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**

Balance Sheet  
Governmental Funds  
June 30, 2018

	Planning and Administration	Local Transportation Fund	State Highway Account	State Transit Assistance	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 529,262	\$ 198,689	\$ 411,141	\$ -	\$ 1,139,092
Due from other funds	-	-	74,132	-	74,132
Due from other governments	142,657	330,966	433,775	140,619	1,048,017
Total assets	<u>\$ 671,919</u>	<u>\$ 529,655</u>	<u>\$ 919,048</u>	<u>\$ 140,619</u>	<u>\$ 2,261,241</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 50,285	\$ -	\$ -	\$ -	\$ 50,285
Due to other funds	74,132	-	-	40,618	114,750
Due to County of Tuolumne	-	304,489	-	-	304,489
Due to City of Sonora	-	27,450	-	-	27,450
Unearned revenue	42,853	-	-	-	42,853
Total liabilities	<u>167,270</u>	<u>331,939</u>	<u>-</u>	<u>40,618</u>	<u>539,827</u>
Fund Balances:					
Restricted	464,098	197,716	919,048	100,001	1,680,863
Committed	40,551	-	-	-	40,551
Total fund balances	<u>504,649</u>	<u>197,716</u>	<u>919,048</u>	<u>100,001</u>	<u>1,721,414</u>
Total liabilities and fund balances	<u>\$ 671,919</u>	<u>\$ 529,655</u>	<u>\$ 919,048</u>	<u>\$ 140,619</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Net pension liability and related deferred outflows and inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. (770,027)

Total other postemployment benefits liability and related deferred outflows and inflows or resources are not due and payable in the current period and, therefore, are not reported in the funds. (104,202)

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (85,759)

Net position of governmental activities (page 11) \$ 761,426

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

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	Planning and Administration	Local Transportation Fund	State Highway Account	State Transit Assistance	Total Governmental Funds
<b>Revenues</b>					
Sales and use taxes	\$ -	\$ 1,819,772	\$ -	\$ 439,674	\$ 2,259,446
Intergovernmental:					
Rural Planning Assistance (RPA)	257,760	-	-	-	257,760
Planning, Programming & Monitoring (PPM)	66,436	-	-	-	66,436
Zero emissions grant	13,668	-	-	-	13,668
Regional Surface Transportation Program (RSTP) Exchange	-	-	433,775	-	433,775
Federal - SR49 complete street grant	22,385	-	-	-	22,385
Investment earnings	4,179	2,610	7,685	-	14,474
Miscellaneous	25,000	-	-	-	25,000
Total revenues	<u>389,428</u>	<u>1,822,382</u>	<u>441,460</u>	<u>439,674</u>	<u>3,092,944</u>
<b>Expenditures</b>					
Allocations:					
County of Tuolumne:					
Streets and roads	-	315,656	-	-	315,656
Regional surface transportation exchange	-	-	211,102	-	211,102
City of Sonora:					
Streets and roads	-	27,450	-	-	27,450
Regional surface transportation exchange	-	-	40,000	-	40,000
Salaries and benefits	458,579	-	-	-	458,579
Services and supplies	197,210	-	-	-	197,210
Total expenditures	<u>655,789</u>	<u>343,106</u>	<u>251,102</u>	<u>-</u>	<u>1,249,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(266,361)</u>	<u>1,479,276</u>	<u>190,358</u>	<u>439,674</u>	<u>1,842,947</u>
<b>Other financing sources (uses)</b>					
Transfers in	297,720	-	-	-	297,720
Transfers out	-	(1,568,489)	(217,976)	(339,673)	(2,126,138)
Total other financing sources (uses)	<u>297,720</u>	<u>(1,568,489)</u>	<u>(217,976)</u>	<u>(339,673)</u>	<u>(1,828,418)</u>
Changes in fund balances	31,359	(89,213)	(27,618)	100,001	14,529
Fund balances, beginning of year	<u>473,290</u>	<u>286,929</u>	<u>946,666</u>	<u>-</u>	
Fund balances, end of year	<u>\$ 504,649</u>	<u>\$ 197,716</u>	<u>\$ 919,048</u>	<u>\$ 100,001</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Some expenses reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as an expenditures in governmental funds.

Net pension liability and related deferred outflows and inflows of resources	62,899
Total other postemployment benefits liability and related deferred outflows and inflows of resources	(3,282)
Compensated absences	<u>(12,620)</u>
Change in net position of governmental activities (page 12)	<u>\$ 61,526</u>

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

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**

Statement of Revenues, Expenditures, and Change in

Fund Balance - Budget and Actual -

Planning and Administration Special Revenue Fund

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues</b>				
Intergovernmental:				
Rural Planning Assistance (RPA)	\$ 294,000	\$ 294,000	\$ 257,760	\$ (36,240)
Planning, Programming & Monitoring (PPM)	109,289	109,289	66,436	(42,853)
Zero emissions grant	66,666	66,666	13,668	(52,998)
Federal - SR49 complete street grant	68,198	68,198	22,385	(45,813)
Investment earnings	2,500	2,500	4,179	1,679
Miscellaneous	-	-	25,000	25,000
Total revenues	<u>540,653</u>	<u>540,653</u>	<u>389,428</u>	<u>(151,225)</u>
<b>Expenditures</b>				
Salaries and benefits	502,560	750,212	458,579	291,633
Services and supplies	772,831	551,179	197,210	353,969
Total expenditures	<u>1,275,391</u>	<u>1,301,391</u>	<u>655,789</u>	<u>645,602</u>
Deficiency of revenues under expenditures	(734,738)	(760,738)	(266,361)	494,377
<b>Other financing sources (uses)</b>				
Transfers in	<u>432,743</u>	<u>432,743</u>	<u>297,720</u>	<u>(135,023)</u>
Change in fund balance	(301,995)	(327,995)	31,359	359,354
Fund balance, beginning of year	<u>422,950</u>	<u>473,290</u>	<u>473,290</u>	<u>-</u>
Fund balance, end of year	<u>\$ 120,955</u>	<u>\$ 145,295</u>	<u>\$ 504,649</u>	<u>\$ 359,354</u>

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

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**

Statement of Net Position  
Tuolumne County Transit Enterprise Fund  
June 30, 2018

**Assets**

Current assets:

Cash and investments	\$ 2,266,826
Due from other funds	40,618
Due from other governments	306,586
Total current assets	<u>2,614,030</u>

Capital assets:

Nondepreciable	250,414
Depreciable, net	2,918,561
Total capital assets	<u>3,168,975</u>
Total assets	<u>5,783,005</u>

**Deferred Outflows of Resources**

Related to pension	102,858
Related to other postemployment benefits	1,128
Total deferred outflows of resources	<u>103,986</u>

**Liabilities**

Current liabilities:

Accounts payable and accrued liabilities	228,146
Compensated absences	19,000
Unearned revenue	1,196,641
Total current liabilities	<u>1,443,787</u>

Noncurrent liabilities:

Compensated absences	29,830
Net pension liability	533,416
Total other postemployment benefits liability	54,352
Total noncurrent liabilities	<u>617,598</u>
Total liabilities	<u>2,061,385</u>

**Deferred Inflows of Resources**

Related to pension	6,026
Related to other postemployment benefits	5,672
Total deferred inflows of resources	<u>11,698</u>

**Net position**

Investment in capital assets	3,168,975
Unrestricted	644,933
Total net position	<u>\$ 3,813,908</u>

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

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Statement of Revenues, Expenses, and Change in Fund Net Position  
Tuolumne County Transit Enterprise Fund  
For the Year Ended June 30, 2018

<b>Operating Revenues</b>	
Fares	<u>\$ 222,203</u>
<b>Operating Expenses</b>	
Salaries and benefits	453,850
Professional and specialized services	1,554,908
Fuel	149,639
Depreciation	424,576
Rent and leases	82,523
Office expenses	5,084
Total operating expenses	<u>2,670,580</u>
Operating loss	<u>(2,448,377)</u>
<b>Nonoperating Revenues</b>	
Federal:	
Federal Transit Administration operating grant	305,527
Fire Management Assistance grant	794
Transit Services Marketing grant	(35,000)
State:	
California Office of Emergency Services grants	14,708
Low Carbon Transit grant	24,213
Investment earnings	10,782
Bus advertising	36,112
Other miscellaneous	100
Total nonoperating revenues	<u>357,236</u>
Loss before transfers	(2,091,141)
Transfers in	<u>1,828,418</u>
Change in net position	(262,723)
Net position - beginning of year, restated	<u>4,076,631</u>
Net position - end of year	<u><u>\$ 3,813,908</u></u>

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

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**

Statement of Cash Flows

Tuolumne County Transit Enterprise Fund

For the Year Ended June 30, 2018

**Cash flows from operating activities:**

Cash receipts from customers	\$ 222,203
Cash receipts from others	39,620
Cash payments to suppliers for goods or services	(2,023,087)
Cash payments to employees	(257,944)
Net cash used in operating activities	<u>(2,019,208)</u>

**Cash flows from noncapital financing activities:**

Transfers in from other funds	1,851,908
Federal Transit Administration operating grant	298,704
Low Carbon Transit grant	24,213
California Office of Emergency Services grants	37,736
Net cash provided by noncapital financing activities	<u>2,212,561</u>

**Cash flows from capital and related financing activities:**

Purchase of capital assets	(205,320)
Capital contributions - Federal CMAQ	5,355
Net cash used in capital and related financing activities	<u>(199,965)</u>

**Cash flows from investing activities:**

Investment earnings	<u>26,005</u>
Net increase in cash and cash equivalents	19,393
Cash and cash equivalents, beginning of year	<u>2,247,433</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,266,826</u></u>

**Reconciliation of operating loss to net cash used in operating activities:**

Operating loss	\$ (2,448,377)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	424,576
Bus advertising	36,112
Miscellaneous revenue	100
Change in assets, liabilities, and deferred outflows and inflows or resources:	
Accounts receivable	3,408
Accounts payable and accrued liabilities	(230,933)
Net pension liability and related deferred outflows and inflows of resources	188,079
Total other postemployment benefits liability and related deferred outflows and inflows of resources	1,855
Compensated absences	5,972
Net cash used in operating activities	<u><u>\$ (2,019,208)</u></u>

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

## TUOLUMNE COUNTY TRANSPORTATION COUNCIL

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *The Reporting Entity*

The Tuolumne County Transportation Council was first created, under the name of Tuolumne County and Cities Area Planning Council (TCCAPC), on December 18, 1967 through a Joint Powers Agreement (JPA) between the County of Tuolumne (County) and the City of Sonora (City). In 1972, the TCCAPC was designated as the Regional Transportation Planning Agency (RTPA) for the Tuolumne County region by the Secretary of the Business, Transportation and Housing Agency. On September 16, 2003, the JPA was revised to address the changes in responsibilities that had occurred since the 1967. The revised JPA also changed the name from the TCCAPC to the Tuolumne County Transportation Council (Council). The revised JPA did not make material changes to the management and operations of the RTPA's affairs.

As the RTPA, the Council is responsible for regional transportation planning for the Tuolumne County region. The Council is also responsible for the allocation and administration of the Local Transportation Funds (LTF), State Transit Assistance (STA), Regional Planning Assistance (RPA), Planning, Programming and Monitoring (PPM), Regional Surface Transportation Program (RSTP), and Transportation Enhancement (TE) funding programs.

The LTF was created under the California Transportation Development Act (TDA) to collect ¼ cent of the State's 7¼ percent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization to each county based on the amount of the tax collected within each county. STA is a second source of TDA funding for mass transportation purposes as specified by California legislation. TDA funds are apportioned, allocated and paid in accordance with the Council's allocation instructions.

The JPA was revised again, effective July 1, 2010, to address the Council's new responsibility of operating Tuolumne County Transit, which was previously operated by the County. Then, in August 2011, to more fully comply with the requirements of the TDA regarding designated operators of transit systems, a new joint powers agreement was executed between the County and the City to create the Tuolumne County Transit Agency (TCTA) to function separately from the Council and take over responsibility of the operations of Tuolumne County Transit. This agency fulfills the role of the transit system operator and is, thereby, eligible to receive transit funding. The TCTA is governed by the same Board members as the Council and staff functions are performed by the existing staff of the Council, therefore the TCTA is considered a component unit and its Transit operations are blended into the Council's financial statements. At the same time, the County and City amended the Council's JPA to remove the responsibility of Tuolumne County Transit from the Council.

Tuolumne County Transit consists of (1) general public service, which includes fixed route and flex route services and charter service, and (2) specialized service, which includes weekday and weekend Dial-a-Ride service and the Tuesday Groveland-to-Sonora demand response service.

The Council does not exercise control over any other governmental agency or authority. The Council is considered a primary government since it has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Government-wide and Fund Financial Statements***

The statement of net position and statement of activities include all of the financial activities of the Council. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to an extent, on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Council. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific program or function. Program revenues include charges to customers who use the services provided by a given program or function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the major Tuolumne County Transit Enterprise Fund. Major individual governmental funds are reported as separate columns in the governmental fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Council are described below.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Tuolumne County Transit Enterprise Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 365 days of the end of the current fiscal period. Revenues considered susceptible to accrual primarily include sales tax revenues, state funds, federal revenues and investment earnings. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for amounts due under compensated absences, which are accrued when amounts are due and payable.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)***

The Council reports the following major special revenue funds:

**Planning and Administration** – used to account for the Council’s transportation planning and administration activities funded from various federal, state and local sources.

**Local Transportation Fund** – created pursuant to the TDA to account for the proceeds received from the State Board of Equalization of the ¼ cent of the State’s 7¼ percent retail sales tax collected within the County.

**State Highway Account (SHA)** – used to account for RSTP and TE funds allocated by the State for eligible projects in accordance with the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

**State Transit Assistance** – created pursuant to the TDA to account for the allocations received from the State for transportation planning and mass transportation purposes. Funds are derived from the statewide sales tax on gasoline and diesel fuel.

The Council reports the following major enterprise fund:

**Tuolumne County Transit** – used to account for the transit system operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used, which are not eliminated in the process of consolidation.

Amounts reported as program revenues include 1) charges to customers for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The Tuolumne County Transit Enterprise Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with its principal ongoing operations. The principal operating revenues of the Tuolumne County Transit Enterprise Fund are charges to customers for services rendered. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***New Accounting Pronouncements***

During the year ended June 30, 2018, the Council implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this Statement were effective for financial statements beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) by establishing standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It identifies the method and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The total OPEB liability offset by the related deferred outflows of resources as of June 30, 2017 reduces the beginning net position for the year ended June 30, 2018. As a result, for the year ended June 30, 2018, the beginning net position decreased by \$100,920 for the governmental activities and \$57,041 for the business-type activities, and Tuolumne County Transit Enterprise Fund as the cumulative effect of the change in accounting principles.

***Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances***

**Cash and Investments**

The Council involuntarily participates in the external investment pool of the County, which is not rated by national credit rating agencies, by depositing its cash in the County Treasury. Interest earned is apportioned quarterly based on the relationship of its daily balance to the total pooled cash and investments. The weighted average to maturity of the pool's investments is 297 days. The County Treasurer has a written investment policy, approved by the Board of Supervisors. Under the provisions of the County's Investment Policy, and in accordance with Section 53601 of the California Government Code, the County is authorized to invest in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, local government investment pools such as the California Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP), prime commercial paper as rated by Standard and Poor's Corporation or Moody's Commercial Paper Record, money market funds, mortgage pass-through securities, medium-term corporate notes, bankers' acceptance, repurchase and reverse repurchase agreements, negotiable certificates of deposit, supranational securities, obligations of the State of California, obligations of any of the other 49 states, and obligations of local agencies within California, including obligations of the County. The Council's portion of the pool is measured at fair value. However, investments in external investment pools are not subject to the fair value hierarchy established by generally accepted accounting principles. At June 30, 2018, the Council's portion of the pool totaled \$3,405,918. The value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Council's position in the pool. Information regarding the investments within the County's pool, including the related risks, can be found in the County's Comprehensive Annual Financial Report.

For purposes of the statement of cash flows, cash and cash equivalents have been defined as cash and investments invested in the County pool.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances (Continued)*

Due From Other Governments

These amounts represent receivables from other federal, state and local governments.

Capital Assets

Capital assets are reported in the government-wide and enterprise fund financial statements. Capital assets are defined by the Council, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value prior to July 1, 2015 and at acquisition value thereafter on the date of the donation. Vehicles and equipment and buildings and improvements are depreciated over an estimated useful life of 3-10 and 25 years, respectively, on the straight-line basis.

Unearned Revenue

Unearned revenue represents financial resources received before eligibility requirements have been met. These resources are advances of various programs/grants from the State of California.

Pension and Other Postemployment Benefit Plans

For purposes of measuring the net pension and total OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the Miscellaneous Plan (Pension Plan) and additions to/deductions from the Pension Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement Nos. 68 and 75 require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	<u>Pension</u>	<u>OPEB</u>
Valuation Date:	June 30, 2016, rolled forward to June 30, 2017	June 30, 2017
Measurement Date:	June 30, 2017	June 30, 2017
Measurement Period:	July 1, 2016 to June 30, 2017	July 1, 2016 to June 30, 2017

Compensated Absences

Employees accumulate vacation time in accordance with the employee’s respective “Memorandum of Understanding.” The amount of vacation and sick time vested and accrued depends on years of service and date of hire. Sick leave vested may be accumulated until termination or retirement. Upon termination or retirement, after 5 years of continuous service, an employee may receive full cash payment of the accumulated sick leave vested up to a maximum of 240 hours and receive a 50% payment for hours in excess of 240 hours.

## TUOLUMNE COUNTY TRANSPORTATION COUNCIL

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2018

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances (Continued)*

##### Net Position/Fund Balances

The government-wide and Tuolumne County Transit Enterprise 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* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets, reduce the net position balance. There was no capital-related debt outstanding at June 30, 2018.

*Restricted* – This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2018, the Council had net position of \$1,680,863 restricted by laws and regulations imposed by the State of California for transportation-related activities.

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

When both restricted and unrestricted net position is available, unrestricted resources are used only after the restricted resources are depleted.

The governmental funds utilize a classified fund balance presentation. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the Council is bound to honor constraints on the specific purposes for which amounts can be spent. The Council reports the following fund balance classifications:

*Restricted* – to reflect amounts that can only be used for specific purposes pursuant to constraints externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2018, the State Highway Account fund balance of \$919,048, Local Transportation Fund fund balance of \$197,716, State Transit Assistance fund balance of \$100,001, and the Planning and Administration fund balance of \$464,098 are all restricted by laws and regulations imposed by the State of California for transportation-related activities.

*Committed* – to reflect amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Council. The formal action necessary to establish (and modify or rescind) a commitment is either a three-fifths vote if done as part of the passage of the final budget, or a four-fifths vote if done any other time. The Council has committed \$40,551 for employee leave.

*Assigned* – to reflect amounts that are constrained by the Council's intent to be used for specific purposes, but are neither restricted nor committed.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Allocations***

The Council, by resolution, allocates the anticipated LTF and STA revenues to various claimants on an annual basis. Allocations for one year may be carried over to another year at the discretion of the Council in the LTF, while STA allocations are valid for a two-year period.

***Estimates***

The preparation of 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.

**NOTE B – BUDGETARY INFORMATION**

The Council’s Board of Directors approves all budgeted revenues and expenditures for the Planning and Administration Special Revenue Fund. The Council does not legally adopt annual budgets for the Local Transportation, State Highway Account and State Transit Assistance special revenue funds. Budgeted revenues and expenditures represent the original and final budget as modified by amendments during the year. The Board approves all amendments. The legal level of budgetary control is at the major object level. The budgetary process is on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

**NOTE C – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 is as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
<b>Governmental activities</b>				
Vehicles and equipment	\$ 66,833	\$ -	\$ -	\$ 66,833
Accumulated depreciation	(66,833)	-	-	(66,833)
Governmental activities, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 250,414	\$ -	\$ -	\$ 250,414
Construction in progress	<u>2,085,682</u>	<u>190,876</u>	<u>(2,276,558)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,336,096</u>	<u>190,876</u>	<u>(2,276,558)</u>	<u>250,414</u>
Capital assets, being depreciated:				
Buildings and improvements	186,446	2,276,558	-	2,463,004
Vehicles and equipment	<u>2,668,191</u>	<u>14,444</u>	<u>(1,489)</u>	<u>2,681,146</u>
Total capital assets, being depreciated	<u>2,854,637</u>	<u>2,291,002</u>	<u>(1,489)</u>	<u>5,144,150</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,916)	(75,754)	-	(90,670)
Vehicles and equipment	<u>(1,787,586)</u>	<u>(348,822)</u>	<u>1,489</u>	<u>(2,134,919)</u>
Total accumulated depreciation	<u>(1,802,502)</u>	<u>(424,576)</u>	<u>1,489</u>	<u>(2,225,589)</u>
Total capital assets, being depreciated, net	<u>1,052,135</u>	<u>1,866,426</u>	<u>-</u>	<u>2,918,561</u>
Business-type activities, net	<u>\$ 3,388,231</u>	<u>\$ 2,057,302</u>	<u>\$ (2,276,558)</u>	<u>\$ 3,168,975</u>

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE D – LONG-TERM LIABILITIES**

Long-term liabilities activity for the year ended June 30, 2018 is as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Compensated absences	\$ 73,139	\$ 47,346	\$ (34,726)	\$ 85,759	\$ 35,000
<b>Business-type activities</b>					
Compensated absences	\$ 42,858	\$ 24,433	\$ (18,461)	\$ 48,830	\$ 19,000

**NOTE E – INTERFUND TRANSACTIONS**

Due from/to other funds

Due from the State Transit Assistance fund to the Tuolumne County Transit fund of \$40,618 represents undistributed STA allocations. Due from the Planning and Administrative fund to the State Highway Account fund represents over-distributed RSTP allocation.

Transfers in/out

Transfers from the Local Transportation Fund and the State Transit Assistance fund represent LTF and STA allocations, respectively. Transfer from the State Highway Account fund represents RSTP allocation. The following schedule briefly summarizes the Council's transfer activity for the year ended June 30, 2018:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Local Transportation Fund	Planning and Administration	\$ 79,744
	Tuolumne County Transit	1,488,745
		<u>1,568,489</u>
State Highway Account	Planning and Administration	217,976
State Transit Assistance	Tuolumne County Transit	339,673
		<u>\$ 2,126,138</u>

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE F – COMPLIANCE REQUIREMENTS OF TRANSPORTATION DEVELOPMENT ACT FUNDS**

The TDA is defined at Chapter 4 of the California Public Utilities Code commencing with Section 99200. Funds received pursuant to Section 99277 (Article 4.5) and Section 99313.3 (Article 6.5) may only be used for community transit services. Funds received pursuant to Section 99400(c) and 99400(e) (Article 8) may only be used for payment to transportation service providers and to acquire vehicles and related equipment for the transportation services. TDA funds are apportioned, allocated and paid in accordance with allocation instructions from the Council.

The Tuolumne County Transit Enterprise Fund is subject to the provision of Section 6633.2 of Title 21, Division 3, Chapter 2 of the California Code of Regulations requiring the calculation and adherence of fare and local support ratios for TDA transit funding. Accordingly, the Tuolumne County Transit Enterprise Fund must maintain a ratio equaling or exceeding 10%. During the year ended June 30, 2018, the Tuolumne County Transit Enterprise Fund fare ratio of revenues to net operating expenses, as calculated below, indicates compliance with the provisions of the TDA:

Fares	\$ 222,203
Local support – bus advertising	<u>36,112</u>
Revenues	<u>\$ 258,315</u>
Operating expenses	\$ 2,670,580
Less: Depreciation expense	<u>(424,576)</u>
Net operating expenses	<u>\$ 2,246,004</u>
Actual ratio	<u>11.5%</u>

**NOTE G – RISK MANAGEMENT**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to and illnesses of employees; and natural disasters. The Council participates in the County’s worker’s compensation, general liability, and property risk management programs. Under these programs, the Council makes payments to the County’s internal service funds based on historical cost of the amounts needed to pay prior and current year claims, and to allow for estimated incurred but not reported claims including loss adjustment expenses. There have been no settlements in excess of insurance coverage in the past three years.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE H – PENSION PLAN**

General Information about the Pension Plan

*Plan Description* – All of the Council’s qualified employees are eligible to participate in the County’s Pension Plan, an agent multi-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Departments and funds of the County and agencies associated with the County, including the Council, are in a cost-sharing arrangement in which all risks and costs are shared proportionately. A full description of the Pension Plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Pension Plan’s June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

The California Legislature passed and the Governor signed the “Public Employees’ Pension Reform Act of 2013” (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions under the Pension Plan and other requirements are established by State statute and County resolution.

*Benefits Provided* – The benefits for the Pension Plan are based on members’ years of services, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

The Pension Plan’s provisions and benefits in effect at June 30, 2018 are summarized as follows:

Hire date	<b>Prior to March 13, 2011 (Tier 1)</b>	<b>March 13, 2011 to December 31, 2012 (Tier 2)</b>	<b>On or After January 1, 2013 (Tier 3)</b>
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 67	50 to 67	52 to 67
Monthly benefits, as a % of eligible compensation	1.426 to 2.418%	1.092 to 2.418%	1.000 to 2.500%

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE H – PENSION PLAN (Continued)**

*Contributions* – Section 20814(c) of the California Public Employees Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Council is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date) for the Pension Plan, the employee contribution rates were 7.000% for Tiers 1 and 2 and 6.250% for Tier 3 of member earnings and the employer’s contribution rate was 19.844% of member earnings. Employer contribution rates may change if the plan contracts are amended. It is the responsibility of the Council to make necessary accounting adjustments to reflect the impact due to any employer-paid member contributions or situations where members are paying a portion of the employer contributions. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. For the year ended June 30, 2018, the Council contributed \$99,885 to the Pension Plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

As of June 30, 2018, the Council reported a liability of \$1,474,230 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Council’s proportion of the net pension liability was based on its 2016-17 total contributions to the Pension Plan relative to all 2016-17 contributions to the Pension Plan. The Council’s proportion of the Pension Plan’s net pension liability as of June 30, 2017 and 2016 were 1.66069% and 1.68087%, respectively, for a decrease of 0.02018%.

For the year ended June 30, 2018, the Council recognized pension expense of \$125,180. At June 30, 2018, the Council reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 99,885	\$ -
Differences between expected and actual experience	27,667	-
Net differences between projected and actual earnings on plan investments	144,712	-
Change in Council's proportion	-	16,655
Differences between Council's contributions and Council's proportionate share of contributions	12,010	-
	\$ 284,274	\$ 16,655
Totals		

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE H – PENSION PLAN (Continued)**

The \$99,885 reported as deferred outflows of resources related to pension resulting from the pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The remainder reported as deferred outflows and inflows of resources related to pension will be recognized as pension expense as follows:

Year Ending June 30	
2019	\$ 109,956
2020	62,910
2021	18,812
2022	<u>(23,944)</u>
Total	<u>\$ 167,734</u>

*Actuarial Assumptions* – For the measurement period ended June 30, 2017 (measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial method and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment Expenses, includes Inflation
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>(1)</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

*Change of Assumptions* – In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE H – PENSION PLAN (Continued)**

*Discount Rate* – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Pension Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS’ board effective on July 1, 2014.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10<sup>1</sup></u>	<u>Real Return Years 11+<sup>2</sup></u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

<sup>1</sup> An expected inflation of 2.5% used for this period.

<sup>2</sup> An expected inflation of 3.0% used for this period.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE H – PENSION PLAN (Continued)**

*Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability of the Pension Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Council’s Proportionate Share of Pension Plan’s Net Pension Liability	\$ 2,043,945	\$ 1,474,230	\$ 999,144

*Pension Plan Fiduciary Net Position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report that can be obtained at CalPERS’ website under Forms and Publications.

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS PLAN**

*Plan description* – The Council participates in the County’s Retiree Healthcare Plan (OPEB Plan), a multiple-employer defined benefit plan, which does not issue a publicly available report. The Council reimburses the County for contributions the County makes for the Council’s employees. The County’s OPEB Plan provides medical coverage for the Council’s employees through the CalPERS healthcare program (PEMHCA). The OPEB Plan is not administered in a trust or equivalent arrangement that meets the criteria in paragraph 4 of GASB Statement No. 75. For financial reporting purposes, the Council reports its proportionate share of the collective total OPEB liability, OPEB expense, and deferred inflows and outflows. Accordingly, the disclosures and required supplementary information have been reported for the Council as a cost-sharing participant.

*Benefits provided* – The County allows retirees to continue participating in the OPEB Plan after retirement. The following summarizes the Council’s retiree OPEB Plan benefits:

- **PEMHCA Minimum:** Retirees participating in PEMHCA receive the PEMHCA minimum required employer contribution towards the retiree monthly premium.
- **Implied Subsidy:** An implied subsidy generally exists when retiree premiums are based on blended active and retiree experience. Since PEMHCA is a community rated plan, an implied subsidy is required.

*Contributions* – The County currently contributes based on a pay-as-you-go funding method, that is, benefits are payable when due. For fiscal year 2017-18, the Council contributed \$3,124 in benefit payments. Employees are not required to contribute to the OPEB Plan.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

*Total OPEB liability, OPEB expense, and deferred outflows/inflows or resources related to OPEB* – At June 30, 2018, the Council reported a liability of \$150,514 for its proportionate share of the OPEB Plan total OPEB liability in accordance with the parameters of GASB Statement No. 75. The total OPEB liability was measured as of June 30, 2017 as determined by an actuarial valuation as of June 30, 2017. The Council’s proportion of the total OPEB liability was based on its 2016-17 number of employees relative to all 2016-17 number of County and Council employees. The Council’s proportionate share based on its number of employees as of June 30, 2017 was 0.49074%.

For fiscal year 2017-18, the Council recognized OPEB expense of \$8,261. At June 30, 2018, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ -	\$ 15,708
Council's contributions subsequent to the measurement date	3,124	-
Totals	\$ 3,124	\$ 15,708

The \$3,124 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during fiscal year 2018-19. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in the Council’s expense as follows:

<b>Year Ending June 30</b>		
2019	\$	2,110
2020		2,110
2021		2,110
2022		2,110
2023		2,110
Thereafter		5,158
Total	\$	15,708

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

*Actuarial Assumptions* – For the measurement period ended June 30, 2017 (the measurement date), the total OPEB liability was determined using a June 30, 2017 valuation date. The June 30, 2016 beginning total OPEB liability was determined by rolling back the June 30, 2017 total OPEB liability. The June 30, 2017 total OPEB liability was based on the following actuarial method and assumptions:

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.58%
Investment Rate of Return	n/a
General Inflation	2.75%
Mortality Improvement	Mortality projected fully generational with Scale MP-17
Salary Increases	3.00%
Medical Trend	<i>Non-Medicare:</i> 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years  <i>Medicare:</i> 6.5% for 2019, decreasing to an ultimate rate of 4.0% for 2076 and later years
PEMHCA Minimum Increases	4.25%

Other demographic assumptions used in the June 30, 2017 valuation were based on the results of the 2014 *CalPERS Experience Study and Review of Actuarial Assumptions* report (Experience Study) for the period from 1997 to 2011, including updates to termination, disability, mortality assumptions, and retirement rates. The Experience Study report can be obtained from the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

*Changes in Assumptions* – For the actuarial valuation as of June 30, 2017, healthcare related assumptions, including medical trend rates, were updated based on experience through June 30, 2017. In addition, the discount rate decreased from 4.00% to 3.58%, general inflation decreased from 3.00% to 2.75%, salary increases decreased from 3.25% to 3.00%, and PEMHCA minimum increases decreased from 4.50% to 4.25%.

*Discount Rate* – The discount rate used to measure the total OPEB liability was based on the Bond Buyer 20-Bond General Obligation Index as of June 30, 2017.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2018

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

*Sensitivity of the Council's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the Council's proportionate share of the total OPEB liability, as well as what the Council's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	<b>Discount Rate -1% (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>Discount Rate +1% (4.58%)</b>
Council's Proportionate Share of OPEB Plan's Total OPEB Liability	\$ 175,704	\$ 150,514	\$ 130,330

*Sensitivity of the Council's Proportionate Share of the Total OPEB Liability to Changes in Healthcare Costs Trend Rates* – The following presents the Council's proportionate share of the total OPEB liability, as well as what the Council's proportionate share of the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	<b>Healthcare Cost Trend Rate -1%</b>	<b>Healthcare Cost Trend Rate</b>	<b>Healthcare Cost Trend Rate +1%</b>
Council's Proportionate Share of OPEB Plan's Total OPEB Liability	\$ 128,637	\$ 150,514	\$ 178,246

**REQUIRED SUPPLEMENTARY INFORMATION**

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Schedule of the Council's Proportionate Share  
of the Net Pension Liability  
Last 10 Years\*

Fiscal Year	Measurement Period	Council's Proportion of the Net Pension Liability	Council's Proportionate Share of the Net Pension Liability	Council's Covered Payroll	Council's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>Miscellaneous Plan:</b>						
2018	2017	1.66069%	\$ 1,474,230	\$ 492,431	299.38%	68.24%
2017	2016	1.68087%	1,320,676	477,143	276.79%	69.38%
2016	2015	1.86401%	1,130,278	450,080	251.13%	75.24%
2015	2014	1.87105%	965,454	474,603	203.42%	78.39%

**Notes to Schedule:**

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

\* GASB 68 was implemented in 2015 (2014 measurement period). Therefore, only four years of information is presented.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Schedule of the Council's Pension Contributions  
Last 10 Years\*

Measurement Period	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency	Council's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Miscellaneous Plan:</b>					
2018	\$ 99,885	\$ 99,885	\$ -	\$ 479,157	20.846%
2017	97,718	97,718	-	492,431	19.844%
2016	86,215	86,215	-	477,143	18.069%
2015	83,357	83,357	-	450,080	18.520%
2014	82,287	82,287	-	474,603	17.338%

\* GASB 68 was implemented in 2015 (2014 measurement period). Therefore, only five years of information is presented.

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**

Schedule of the Council's Proportionate Share  
of the Total Other Postemployment Benefits Liability  
Last 10 Years\*

<u>Fiscal Year</u>	<u>Measurement Period</u>	<u>Council's Proportion of the Total Other Postemployment Benefits Liability</u>	<u>Council's Proportionate Share of the Total Other Postemployment Benefits Liability</u>	<u>Council's Covered-Employee Payroll</u>	<u>Council's Proportionate Share of the Total Other Postemployment Benefits Liability as a Percentage of Their Covered-Employee Payroll</u>
2018	2017	0.49074%	\$ 150,514	\$186,887	80.54%

\* GASB 75 was implemented in 2018 (2017 measurement period). Therefore, only one year of information is presented.

**OTHER SUPPLEMENTARY INFORMATION**

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Schedule of Allocation Instructions and Amounts Allocated  
Local Transportation Fund and State Transit Assistance  
For the Year Ended June 30, 2018

	<u>Balances</u> <u>July 1, 2017</u>	<u>Allocation</u> <u>Instructions</u>	<u>Amounts</u> <u>Allocated</u>	<u>Balances</u> <u>June 30, 2018</u>
<b>Local Transportation Fund</b>				
Article 3 Administration, 99233.1				
Council Administration	\$ -	\$ 79,744	\$ 79,744	\$ -
Article 3 Pedestrian and Bike Facilities, 99233.3				
Reserve	-	37,822	37,822	-
Article 8 Streets and Roads, 99400(a) & 99402				
County of Tuolumne	-	464,881	315,656	149,225
City of Sonora	-	40,974	27,450	13,524
Article 4.5 Transit, 99277, Article 8 Transit, 99400(c) & 99400(e)				
Public Transportation	-	1,488,745	1,488,745	-
Total	<u>\$ -</u>	<u>\$ 2,112,166</u>	<u>\$ 1,949,417</u>	<u>\$ 162,749</u>
<b>State Transit Assistance</b>				
Article 6.5 Planning, 99313.3				
Public Transportation	<u>\$ 134,237</u>	<u>\$ 205,436</u>	<u>\$ 339,673</u>	<u>\$ -</u>

## **OTHER REPORT**



**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of the Financial Statements  
Performed in Accordance With *Government Auditing Standards*  
and the California Transportation Development Act**

To the Board of Directors of the Tuolumne  
County Transportation Council  
Sonora, California

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Tuolumne County Transportation Council (Council), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council’s basic financial statements, and have issued our report thereon dated January 31, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable statutes, rules and regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Council as required by Sections 6662 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the results of our tests disclosed an instance of noncompliance that is required to be reported under the California Transportation Development Act and which is described in the accompanying schedule of finding and recommendation as item 2018-001.

### **The Council's Response to Finding**

The Council's response to the finding identified in our audit is described in the accompanying schedule of finding and recommendation. The Council'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* and the California Transportation Development Act in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Sacramento, California  
January 31, 2020

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**  
Schedule of Finding and Recommendation  
For the Year Ended June 30, 2018

**Item 2018-001 – Submission of Fiscal and Compliance Audit**

Criteria:

Under Section 99245 the Public Utilities Code, the fiscal and compliance audit is to be submitted to the State Controller within 180 days after the end of the fiscal year, or 270 days after the end of the fiscal year if a 90-day extension was granted.

Condition:

As of the date of this report, the Council is late with its submission of the fiscal and compliance audit report.

Cause:

The Council's fiscal and compliance audit report for the year ended June 30, 2018, being issued late is mainly attributable to the County Auditor's Office accounting staff's unusually heavy work load, which made it difficult to accomplish the audit in a timely fashion.

Effect:

The lateness of the Council's fiscal and compliance audit report for the year ended June 30, 2018 may cause the State of California to withhold future TDA allocations pending the release of the fiscal and compliance audit report.

Recommendation:

The Council should take the necessary steps to obtain adequate resources needed to issue the Council's annual fiscal and compliance audit report in a more timely fashion.

Views of Responsible Officials:

Management agrees. There has been turnover in the Auditor's Office staff, which has caused more delays. The ERP system is taking more time to implement than projected. Staff is working on the 2019 financial statements with anticipation of issuing by March 31, 2020.



**OFFICE OF THE AUDITOR-CONTROLLER**  
"Proudly Serving the Financial Needs of Tuolumne County"

**DEBORAH BAUTISTA, CPA**  
Clerk & Auditor-Controller

**TUOLUMNE COUNTY TRANSPORTATION COUNCIL**

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2018

**Item 2017-001 – Submission of Fiscal and Compliance Audit**

Condition:

The Council was late with its submission of the fiscal and compliance audit report.

Recommendation:

The Council should take the necessary steps to obtain adequate resources needed to issue the Council's annual fiscal and compliance audit report in a more timely fashion.

Status:

This condition has not been corrected (see current year finding and recommendation 2018-001).

**Item 2017-002 – Submission of Single Audit**

Condition:

The Council's single audit report for the year ended June 30, 2017 was issued in August 2018, making it late and therefore not in compliance with the OMB Uniform Guidance.

Recommendation:

The Council should take the necessary steps to obtain adequate resources needed to issue the Council's single audit report in a more timely fashion.

Status:

This condition was not present this year as a Single Audit was not required.