

**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, 2017



Certified
Public
Accountants

**TUOLUMNE COUNTY
TRANSPORTATION COUNCIL**
For the Year Ended June 30, 2017

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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, 2017, 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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Council's proportionate share of the net pension liability, and the schedule of the Council's contributions 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of allocation instructions and amounts allocated – Local Transportation Fund and State Transit Assistance and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 and the schedule of expenditures of federal awards are 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 August 23, 2018, 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.

Macias Gini & O'Connell LLP

Sacramento, California

August 23, 2018

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Management's Discussion and Analysis
For the Year Ended June 30, 2017
(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, 2017. 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 \$4,934,492 (*net position*). Of this amount, \$60,345 (*unrestricted net position*) may be used to meet the Council's ongoing obligations to citizens.
- The Council's total net position increased by \$2,241,300.
- As of June 30, 2017, the Council's governmental funds reported combined ending fund balances of \$1,706,885.
- As of June 30, 2017, fund balance for the Planning and Administration Fund was \$473,290, or 71% 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, 2017
(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 19-32 of this report.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017
(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 33 and the schedule of the Council's contributions on page 34 as required supplementary information and the schedule of allocation instructions and amounts allocated for Local Transportation Fund and State Transit Assistance funding on page 35 and the schedule of expenditures of federal awards on page 36.

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 \$4,934,492 at the close of the current year.

Council's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	\$ 2,017,905	\$ 1,631,639	\$ 2,654,008	\$ 4,152,805	\$ 4,671,913	\$ 5,784,444
Capital assets, net	-	-	3,388,231	1,083,752	3,388,231	1,083,752
Total assets	<u>2,017,905</u>	<u>1,631,639</u>	<u>6,042,239</u>	<u>5,236,557</u>	<u>8,060,144</u>	<u>6,868,196</u>
Deferred Outflows of Resources						
Related to pension	<u>217,427</u>	<u>72,461</u>	<u>82,852</u>	<u>39,616</u>	<u>300,279</u>	<u>112,077</u>
Liabilities						
Current liabilities	311,020	261,099	1,617,204	2,692,877	1,928,224	2,953,976
Net pension liability	1,017,280	757,528	303,396	372,750	1,320,676	1,130,278
Other long-term liabilities	73,139	92,842	42,858	36,442	115,997	129,284
Total liabilities	<u>1,401,439</u>	<u>1,111,469</u>	<u>1,963,458</u>	<u>3,102,069</u>	<u>3,364,897</u>	<u>4,213,538</u>
Deferred Inflows of Resources						
Related to pension	<u>33,073</u>	<u>42,708</u>	<u>27,961</u>	<u>30,835</u>	<u>61,034</u>	<u>73,543</u>
Net Position						
Net investment in capital assets	-	-	3,388,231	1,083,752	3,388,231	1,083,752
Restricted	1,485,916	1,195,606	-	-	1,485,916	1,195,606
Unrestricted	(685,096)	(645,683)	745,441	1,059,517	60,345	413,834
Total net position	<u>\$ 800,820</u>	<u>\$ 549,923</u>	<u>\$ 4,133,672</u>	<u>\$ 2,143,269</u>	<u>\$ 4,934,492</u>	<u>\$ 2,693,192</u>

The largest portion of the Council's net position, \$3,388,231, 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, \$1,485,916, 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 \$60,345 may be used to meet the Council's ongoing obligations to citizens.

At the end of the current year, the Council is able to report positive balances in all three categories of net position, as a whole, as well as for its separate business-type activities. Its governmental activities have a deficit \$685,096 unrestricted net position. This 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.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017
(Unaudited)

The Council's governmental activities current assets reported an increase of \$386,266, which is mostly the result of an increase in cash and investments of \$314,182, \$228,472 of which was related to the State Highway Account Fund due to revenues exceeding expenditures and transfers by \$215,442. In addition, the Council's governmental activities net pension liability and deferred outflows and inflows of resources related to pensions increased by a net of \$105,151, primarily the result of poor investment returns realized by CalPERS during the year.

The Council's business-type activities capital assets and net investment in capital assets reported increases of \$2,304,479 due to the purchase and construction of capital assets of \$2,620,531 offset by depreciation of \$316,052. In addition, the Council's business-type activities current assets and current liabilities decreased by \$1,498,797 and \$1,075,673, respectively, mostly due to the decrease in cash and investments of \$1,457,901 and unearned revenue of \$1,414,232 primarily the result of the Council recognizing \$1,300,920 Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) State funding received in prior years for the purchase and construction of capital assets previously noted. This increased capital assets activity during the year is the main reason for the increase in accounts payable and accrued liabilities of \$338,559 (current liabilities).

Council's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Expenses						
Planning and administration	\$ 753,740	\$ 709,105	\$ -	\$ -	\$ 753,740	\$ 709,105
Transportation allocations and projects	341,664	831,872	-	-	341,664	831,872
Transit	-	-	2,265,141	2,323,580	2,265,141	2,323,580
Total program expenses	<u>1,095,404</u>	<u>1,540,977</u>	<u>2,265,141</u>	<u>2,323,580</u>	<u>3,360,545</u>	<u>3,864,557</u>
Program Revenues						
Charges for services	-	-	203,087	231,041	203,087	231,041
Operating grants and contributions	911,271	777,497	494,188	443,432	1,405,459	1,220,929
Capital grants and contributions	-	-	1,931,025	23,312	1,931,025	23,312
Total program revenues	<u>911,271</u>	<u>777,497</u>	<u>2,628,300</u>	<u>697,785</u>	<u>3,539,571</u>	<u>1,475,282</u>
Net Program Revenue (Expense)	<u>(184,133)</u>	<u>(763,480)</u>	<u>363,159</u>	<u>(1,625,795)</u>	<u>179,026</u>	<u>(2,389,275)</u>
General Revenues						
State shared revenues - sales and use taxes	1,987,058	1,866,170	-	-	1,987,058	1,866,170
Investment earnings	12,454	10,546	32,007	10,846	44,461	21,392
Miscellaneous	-	7,531	25,715	3,875	25,715	11,406
Gain on sale of capital assets	-	-	5,040	-	5,040	-
Transfers	<u>(1,564,482)</u>	<u>(1,526,877)</u>	<u>1,564,482</u>	<u>1,526,877</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>435,030</u>	<u>357,370</u>	<u>1,627,244</u>	<u>1,541,598</u>	<u>2,062,274</u>	<u>1,898,968</u>
Change in net position	<u>250,897</u>	<u>(406,110)</u>	<u>1,990,403</u>	<u>(84,197)</u>	<u>2,241,300</u>	<u>(490,307)</u>
Net position - beginning, as reported	549,923	815,169	2,143,269	2,227,466	2,693,192	3,042,635
Restatement	-	140,864	-	-	-	140,864
Net position - beginning, as restated	<u>549,923</u>	<u>956,033</u>	<u>2,143,269</u>	<u>2,227,466</u>	<u>2,693,192</u>	<u>3,183,499</u>
Net position - ending	<u>\$ 800,820</u>	<u>\$ 549,923</u>	<u>\$ 4,133,672</u>	<u>\$ 2,143,269</u>	<u>\$ 4,934,492</u>	<u>\$ 2,693,192</u>

The Council's net position increased by \$2,241,300 during the current year.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017
(Unaudited)

Governmental activities increased the Council's net position by \$250,897, which is an increase of \$657,007 from the prior year's decrease of \$406,110. This increase was mainly the result of transportation allocations and projects expenses decreasing \$490,208 due to LTF expenses decreasing \$34,165 and RSTP expenses decreasing \$456,043. In addition, operating grants and contributions revenues increased \$133,774 due mainly to \$125,000 contributed by the County's General Fund in exchange for \$125,000 in RSTP funds being allocated to County projects.

Business-type activities increased the Council's net position by \$1,990,403, which is an increase of \$2,074,600 from the prior year's decrease of \$84,197. This increase was mainly due to \$630,105 in capital Congestion Mitigation and Air Quality funding mostly used to purchase buses and \$1,300,920 in capital Public Transportation Modernization, Improvement and Service Enhancement Account funding used on the construction of the Transit Center at the County's new Law and Justice Facility in the current year.

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, 2017, the Council's governmental funds reported combined ending fund balances of \$1,706,885. The Planning and Administration Fund accounted for \$473,290, of which \$162,408 was assigned for future spending. The State Highway Account fund balance of \$946,666 and the Local Transportation Fund fund balance of \$286,929 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 \$520,445 as of June 30, 2017, for future transportation-related projects, which include Tuolumne park and ride (\$207,353), Jackson Street/Yankee Hill Road (\$147,250), County projects (\$100,000), Mono Way Gateway monument/landscaping (\$45,842), and City sidewalk project (\$20,000).

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 \$473,290 at June 30, 2017. Of this amount, the Council has committed \$58,561 for employee leave, such as compensated absences. As a measure of the Planning and Administration Fund's liquidity, it may be useful to compare both assigned fund balance and total fund balance to total fund expenditures. Assigned and total fund balance represents 24% and 71%, respectively, of total Planning and Administration Fund expenditures.

The fund balance of the Council's Planning and Administration Fund increased by \$24,039 during the year ended June 30, 2017, which is an increase of 5% from the prior year balance. This increase is primarily the result of the County of Tuolumne providing \$125,000 during the current year.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017
(Unaudited)

The Local Transportation Fund has a total fund balance of \$286,929. The fund balance increased by \$96,864 primarily due to the State's allocation of LTF revenues to the Council of \$1,797,630 exceeding the Council's LTF allocations to claimants of \$1,702,322 via expenditures and transfers.

The State Highway Account fund has a total fund balance of \$946,666. The fund balance increased \$215,442 primarily due to the Council expending and transferring out \$178,951, while the RSTP funding apportioned by the State for fiscal year 2016/2017 was \$387,122.

The State Transit Assistance fund has no fund balance or change in fund balance, as the Council transferred out all it took in because its current STA allocation of \$240,223 exceeded the State's allocation of STA funds to the Council of \$189,428.

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 \$4,133,672, an increase of \$1,990,403 from the prior year. Although not reflected on the financial statements, the Council has allocated or obligated \$1,255,719 as of June 30, 2017, for future transit-related projects, which include the Transit Center (\$126,079), Washington Street/Stockton Road corridor improvements for bus stops and approaches (\$1,127,140), and the Tuolumne Road bus stop (\$2,500).

Planning and Administration Fund Budgetary Highlights

The Council's actual expenditures were less than the final budget for this year by \$526,524. This was due to salaries and benefits being less by \$22,109 mostly due to deferred compensation (\$8,591) and termination pay (\$5,428) and services and supplies being \$504,415 less mostly due to unused contingency (\$305,550), unused transportation planning projects (\$68,712), unused plan update project (\$66,000), and unused traffic circulation project (\$10,000). The majority of unused projects will be budgeted again in fiscal year 2017-18.

Capital Assets

The Council's investment in capital assets as of June 30, 2017, amounted to \$3,388,231 (net of accumulated depreciation). This was an increase of \$2,304,479 from the prior year as a result of the purchase and construction of capital assets of \$2,620,531 offset by depreciation of \$316,052.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017
(Unaudited)

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 a decrease from \$50,819 for the 2016-17 year to \$20,120 for the 2017-18 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, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 1,208,050	\$ 2,247,433	\$ 3,455,483
Internal balances	(64,108)	64,108	-
Accounts receivable	-	3,408	3,408
Due from other governments	873,963	339,059	1,213,022
Capital assets:			
Nondepreciable	-	2,336,096	2,336,096
Depreciable, net	-	1,052,135	1,052,135
Total assets	2,017,905	6,042,239	8,060,144
Deferred Outflows of Resources			
Related to pension	217,427	82,852	300,279
Liabilities			
Accounts payable and accrued liabilities	54,199	459,079	513,278
Due to County of Tuolumne	196,236	-	196,236
Due to City of Sonora	17,296	-	17,296
Unearned revenue	43,289	1,158,125	1,201,414
Long-term liabilities:			
Due within one year	35,000	19,000	54,000
Due in more than one year	38,139	23,858	61,997
Net pension liability due in more than one year	1,017,280	303,396	1,320,676
Total liabilities	1,401,439	1,963,458	3,364,897
Deferred Inflows of Resources			
Related to pension	33,073	27,961	61,034
Net Position			
Net investment in capital assets	-	3,388,231	3,388,231
Restricted	1,485,916	-	1,485,916
Unrestricted	(685,096)	745,441	60,345
Total net position	\$ 800,820	\$ 4,133,672	\$ 4,934,492

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, 2017

	Governmental Activities	Business-Type Activities	Total
Program Expenses			
Planning and administration	\$ 753,740	\$ -	\$ 753,740
Transportation allocations and projects	341,664	-	341,664
Transit	-	2,265,141	2,265,141
Total program expenses	<u>1,095,404</u>	<u>2,265,141</u>	<u>3,360,545</u>
Program Revenues			
Charges for services	-	203,087	203,087
Operating grants and contributions	911,271	494,188	1,405,459
Capital grants and contributions	-	1,931,025	1,931,025
Total program revenues	<u>911,271</u>	<u>2,628,300</u>	<u>3,539,571</u>
Net program revenue (expense)	<u>(184,133)</u>	<u>363,159</u>	<u>179,026</u>
General Revenues			
State shared revenue - sales and use taxes	1,987,058	-	1,987,058
Investment earnings	12,454	32,007	44,461
Gain on sale of capital assets	-	5,040	5,040
Miscellaneous	-	25,715	25,715
Transfers	<u>(1,564,482)</u>	<u>1,564,482</u>	<u>-</u>
Total general revenues and transfers	<u>435,030</u>	<u>1,627,244</u>	<u>2,062,274</u>
Changes in net position	250,897	1,990,403	2,241,300
Net position - beginning of year	<u>549,923</u>	<u>2,143,269</u>	<u>2,693,192</u>
Net position - end of year	<u>\$ 800,820</u>	<u>\$ 4,133,672</u>	<u>\$ 4,934,492</u>

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

TUOLUMNE COUNTY TRANSPORTATION COUNCIL

Balance Sheet
Governmental Funds
June 30, 2017

	Planning and Administration	Local Transportation Fund	State Highway Account	State Transit Assistance	Total Governmental Funds
Assets					
Cash and investments	\$ 491,199	\$ 157,307	\$ 559,544	\$ -	\$ 1,208,050
Due from other governments	79,579	354,849	387,122	52,413	873,963
Total assets	\$ 570,778	\$ 512,156	\$ 946,666	\$ 52,413	\$ 2,082,013
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 54,199	\$ -	\$ -	\$ -	\$ 54,199
Due to other funds	-	11,695	-	52,413	64,108
Due to County of Tuolumne	-	196,236	-	-	196,236
Due to City of Sonora	-	17,296	-	-	17,296
Unearned revenue	43,289	-	-	-	43,289
Total liabilities	97,488	225,227	-	52,413	375,128
Fund Balances:					
Restricted	252,321	286,929	946,666	-	1,485,916
Committed	58,561	-	-	-	58,561
Assigned	162,408	-	-	-	162,408
Total fund balances	473,290	286,929	946,666	-	1,706,885
Total liabilities and fund balances	\$ 570,778	\$ 512,156	\$ 946,666	\$ 52,413	

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. (832,926)

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (73,139)

Net position of governmental activities (page 11) \$ 800,820

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, 2017

	Planning and Administration	Local Transportation Fund	State Highway Account	State Transit Assistance	Total Governmental Funds
Revenues					
Sales and use taxes	\$ -	\$ 1,797,630	\$ -	\$ 189,428	\$ 1,987,058
Intergovernmental:					
Rural Planning Assistance (RPA)	332,862	-	-	-	332,862
Planning, Programming & Monitoring (PPM)	65,683	-	-	-	65,683
Regional Surface Transportation Program (RSTP) Exchange	-	-	387,122	-	387,122
Federal - Trails	604	-	-	-	604
Tuolumne County	125,000	-	-	-	125,000
Investment earnings	3,627	1,556	7,271	-	12,454
Total revenues	<u>527,776</u>	<u>1,799,186</u>	<u>394,393</u>	<u>189,428</u>	<u>2,910,783</u>
Expenditures					
Allocations:					
County of Tuolumne:					
Streets and roads	-	196,236	-	-	196,236
Regional surface transportation exchange	-	-	128,132	-	128,132
City of Sonora:					
Streets and roads	-	17,296	-	-	17,296
Regional surface transportation exchange	-	-	-	-	-
Salaries and benefits	465,323	-	-	-	465,323
Services and supplies	202,969	-	-	-	202,969
Total expenditures	<u>668,292</u>	<u>213,532</u>	<u>128,132</u>	<u>-</u>	<u>1,009,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(140,516)</u>	<u>1,585,654</u>	<u>266,261</u>	<u>189,428</u>	<u>1,900,827</u>
Other financing sources (uses)					
Transfers in	164,555	-	-	-	164,555
Transfers out	-	(1,488,790)	(50,819)	(189,428)	(1,729,037)
Total other financing sources (uses)	<u>164,555</u>	<u>(1,488,790)</u>	<u>(50,819)</u>	<u>(189,428)</u>	<u>(1,564,482)</u>
Changes in fund balances	24,039	96,864	215,442	-	336,345
Fund balances, beginning of year	<u>449,251</u>	<u>190,065</u>	<u>731,224</u>	<u>-</u>	
Fund balances, end of year	<u>\$ 473,290</u>	<u>\$ 286,929</u>	<u>\$ 946,666</u>	<u>\$ -</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	(105,151)
Compensated absences	<u>19,703</u>
Change in net position of governmental activities (page 12)	<u>\$ 250,897</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Intergovernmental:				
Rural Planning Assistance (RPA)	\$ 332,861	\$ 332,861	\$ 332,862	\$ 1
Planning, Programming & Monitoring (PPM)	108,972	108,972	65,683	(43,289)
State - Uplan	31,229	31,229	-	(31,229)
Regional Surface Transportation Program (RSTP) Exchange	150,775	99,956	-	(99,956)
Federal - Trails	-	-	604	604
Tuolumne County	125,000	124,039	125,000	961
Investment earnings	2,500	3,130	3,627	497
Miscellaneous	20,000	21,549	-	(21,549)
Total revenues	<u>771,337</u>	<u>721,736</u>	<u>527,776</u>	<u>(193,960)</u>
Expenditures				
Salaries and benefits	444,118	487,432	465,323	22,109
Services and supplies	724,817	707,384	202,969	504,415
Total expenditures	<u>1,168,935</u>	<u>1,194,816</u>	<u>668,292</u>	<u>526,524</u>
Deficiency of revenues under expenditures	(397,598)	(473,080)	(140,516)	332,564
Other financing sources (uses)				
Transfers in	206,513	257,332	164,555	(92,777)
Change in fund balance	(191,085)	(215,748)	24,039	239,787
Fund balance, beginning of year	191,085	260,662	449,251	188,589
Fund balance, end of year	<u>\$ -</u>	<u>\$ 44,914</u>	<u>\$ 473,290</u>	<u>\$ 428,376</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, 2017

Assets

Current assets:

Cash and investments	\$ 2,247,433
Due from other funds	64,108
Accounts receivable	3,408
Due from other governments	339,059
Total current assets	<u>2,654,008</u>

Capital assets:

Nondepreciable	2,336,096
Depreciable, net	1,052,135
Total capital assets	<u>3,388,231</u>
Total assets	<u><u>6,042,239</u></u>

Deferred Outflows of Resources

Related to pension	<u>82,852</u>
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Liabilities

Current liabilities:

Accounts payable and accrued liabilities	459,079
Compensated absences	19,000
Unearned revenue	1,158,125
Total current liabilities	<u>1,636,204</u>

Noncurrent liabilities:

Compensated absences	23,858
Net pension liability	303,396
Total noncurrent liabilities	<u>327,254</u>
Total liabilities	<u><u>1,963,458</u></u>

Deferred Inflows of Resources

Related to pension	<u>27,961</u>
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Net position

Net investment in capital assets	3,388,231
Unrestricted	745,441
Total net position	<u><u>\$ 4,133,672</u></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, 2017

Operating Revenues

Fares	\$ 203,087
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Operating Expenses

Salaries and benefits	143,509
Professional and specialized services	1,697,859
Expendable equipment	22,060
Depreciation	316,052
Rent and leases	80,410
Office expenses	5,251
Total operating expenses	2,265,141

Operating loss	(2,062,054)
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Nonoperating Revenues

Federal:	
Federal Transit Administration operating grant	298,704
Transit Service Marketing grant	35,000
State:	
Public Transportation Modernization, Improvement and Service Enhancement Account	2,500
CalEMA grant	157,984
Gain on sale of capital assets	5,040
Investment earnings	32,007
Miscellaneous	25,715
Total nonoperating revenues	556,950

Loss before capital contributions and transfers	(1,505,104)
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Capital contributions:

Federal: Congestion Mitigation and Air Quality	630,105
State: Public Transportation Modernization, Improvement and Service Enhancement Account	1,300,920
Transfers in	1,564,482

Change in net position	1,990,403
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Net position - beginning of year	2,143,269
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Net position- end of year	\$ 4,133,672
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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, 2017

Cash flows from operating activities:	
Cash receipts from customers	\$ 203,087
Cash receipts from others	22,307
Cash payments to suppliers for goods or services	(1,467,021)
Cash payments to employees	(252,557)
Net cash used in operating activities	<u>(1,494,184)</u>
Cash flows from noncapital financing activities:	
Transfers in from other funds	1,652,104
Federal Transit Administration operating grant	295,741
California Emergency Management Agency grant	47,172
Net cash provided by noncapital financing activities	<u>1,995,017</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,620,531)
Capital contributions - Federal CMAQ	624,750
Proceeds from sale of capital assets	5,040
Net cash used in capital and related financing activities	<u>(1,990,741)</u>
Cash flows from investing activities:	
Investment earnings	<u>32,007</u>
Net decrease in cash and cash equivalents	(1,457,901)
Cash and cash equivalents, beginning of year	<u>3,705,334</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,247,433</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (2,062,054)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	316,052
Miscellaneous revenue	25,715
Change in assets and liabilities:	
Accounts receivable	(3,408)
Accounts payable and accrued liabilities	338,559
Net pension liability and related deferred outflows and inflows of resources	(115,464)
Compensated absences	6,416
Net cash used in operating activities	<u><u>\$ (1,494,184)</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, 2017

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, 2017

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, 2017

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 non-operating 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, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 484 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, 2017, the Council's portion of the pool totaled \$3,455,483. 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.

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 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 on the date of 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.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2017

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)

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 Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the 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 No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date:	June 30, 2015
Measurement Date:	June 30, 2016
Measurement Period:	July 1, 2015 to June 30, 2016

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.

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, 2017.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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)

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, 2017, the Council had net position of \$1,485,916 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, 2017, the State Highway Account fund balance of \$946,666, Local Transportation Fund fund balance of \$286,929, and the Planning and Administration fund balance of \$252,321 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 \$58,561 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.

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.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, is as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Governmental activities				
Vehicles and equipment	\$ 66,833	\$ -	\$ -	\$ 66,833
Accumulated depreciation	<u>(66,833)</u>	<u>-</u>	<u>-</u>	<u>(66,833)</u>
Governmental activities, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 250,414	\$ -	\$ -	\$ 250,414
Construction in progress	<u>85,512</u>	<u>2,000,170</u>	<u>-</u>	<u>2,085,682</u>
Total capital assets, not being depreciated	<u>335,926</u>	<u>2,000,170</u>	<u>-</u>	<u>2,336,096</u>
Capital assets, being depreciated:				
Buildings and improvements	186,446	-	-	186,446
Vehicles and equipment	<u>2,663,364</u>	<u>620,361</u>	<u>(615,534)</u>	<u>2,668,191</u>
Total capital assets, being depreciated	<u>2,849,810</u>	<u>620,361</u>	<u>(615,534)</u>	<u>2,854,637</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,458)	(7,458)	-	(14,916)
Vehicles and equipment	<u>(2,094,526)</u>	<u>(308,594)</u>	<u>615,534</u>	<u>(1,787,586)</u>
Total accumulated depreciation	<u>(2,101,984)</u>	<u>(316,052)</u>	<u>615,534</u>	<u>(1,802,502)</u>
Total capital assets, being depreciated, net	<u>747,826</u>	<u>304,309</u>	<u>-</u>	<u>1,052,135</u>
Business-type activities, net	<u>\$ 1,083,752</u>	<u>\$ 2,304,479</u>	<u>\$ -</u>	<u>\$ 3,388,231</u>

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE D – LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2017 is as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	\$ 92,842	\$ 20,005	\$ (39,708)	\$ 73,139	\$ 35,000
Business-type activities					
Compensated absences	\$ 36,442	\$ 26,816	\$ (20,400)	\$ 42,858	\$ 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 \$52,413 represents undistributed STA allocations and due from the Local Transportation Fund to the Tuolumne County Transit fund of \$11,695 represents undistributed LTF allocations.

Transfers in/out

Transfers from the Local Transportation Fund and the State Transit Assistance fund represent LTF and STA allocations, respectively. The following schedule briefly summarizes the Council's transfer activity for the year ended June 30, 2017:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Local Transportation Fund	Planning and Administration	\$ 113,736
	Tuolumne County Transit	1,375,054
		<u>1,488,790</u>
State Highway Account	Planning and Administration	50,819
State Transit Assistance	Tuolumne County Transit	189,428
		<u>\$ 1,729,037</u>

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, the Tuolumne County Transit Enterprise Fund fare ratio of revenues to operating expenses, as calculated below, indicates compliance with the provisions of the TDA:

Operating revenues	\$ 203,087
Operating expenses	\$ 2,265,141
Less: Depreciation expense	(316,052)
Net operating expenses	\$ 1,949,089
 Actual fare ratio	 10.4%

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, 2017

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 Miscellaneous Pension Plan (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 Plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan’s June 30, 2015, Annual Actuarial Valuation Report (funding valuation). 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 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 Plan and other requirements are established by State statute and County resolution.

Benefits Provided – The benefits for the 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 Plan’s provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire date	Prior to March 13, 2011 (Tier 1)	March 13, 2011 to December 31, 2012 (Tier 2)	On or After January 1, 2013 (Tier 3)
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, 2017

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 the 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if the plan contracts are amended. 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 measurement period ended June 30, 2016 (the measurement date) for the 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 18.069% of member earnings. For the year ended June 30, 2017, the contributions recognized as part of pension expense were \$86,215.

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

As of June 30, 2017, the Council reported a liability of \$1,320,676 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The Council’s proportion of the net pension liability was based on its 2015-16 total contributions to the Plan relative to all 2015-16 contributions to the Plan. The Council’s proportion of the Plan’s net pension liability as of June 30, 2016 and 2015, were 1.68087% and 1.86401%, respectively, for a decrease of 0.18314%.

For the year ended June 30, 2017, the Council recognized pension expense of \$87,406. At June 30, 2017, 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	\$ 97,718	\$ -
Differences between expected and actual experience	27,667	-
Net differences between projected and actual earnings on plan investments	163,454	-
Change in Council's proportion	-	61,034
Differences between Council's contributions and Council's proportionate share of contributions	11,440	-
	\$ 300,279	\$ 61,034
Totals		

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE H – PENSION PLAN (Continued)

The \$97,718 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, 2018. The \$27,667, \$163,454, and \$11,440 reported as deferred outflows of resources related to pension from the differences between expected and actual experience, the net differences between projected and actual earnings on plan investments, and the differences between Council’s contributions and Council’s proportionate share of contributions, respectively, and the \$61,034 reported as deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ending June 30	
2018	\$ 1,984
2019	19,924
2020	76,344
2021	<u>43,275</u>
Total	<u>\$ 141,527</u>

Actuarial Assumptions – The June 30, 2015, valuation was rolled forward to determine the June 30, 2016 total pension liability, based on the following actuarial method and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	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

⁽¹⁾ 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, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions – There were no changes of assumptions.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE H – PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 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 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 Board effective on July 1, 2015.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10 ⁽¹⁾</u>	<u>Real Return Years 11+ ⁽²⁾</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)

⁽¹⁾ An expected inflation of 2.5% used for this period.

⁽²⁾ 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, 2017

NOTE H – PENSION PLAN (Continued)

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Council's Proportionate Share of Plan's Net Pension Liability	\$ 1,836,834	\$ 1,320,676	\$ 889,109

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE I – OTHER POSTEMPLOYMENT BENEFITS

The Council also participates in the County's healthcare program and reimburses the County for contributions the County makes for the Council's employees. The County provides medical coverage for Council employees through the CalPERS healthcare program (PEMHCA). Retirees participating in PEMHCA receive the PEMHCA minimum required employer contribution towards the retiree monthly premium. The County currently contributes based on a projected pay-as-you-go funding method, that is, benefits are payable when due. For fiscal year 2016-17, the Council contributed \$1,270 in benefit payments.

REQUIRED SUPPLEMENTARY INFORMATION

TUOLUMNE COUNTY TRANSPORTATION COUNCIL

Schedule of the Council's Proportionate Share
of the Net Pension Liability
Last 10 Years*

<u>Fiscal Year</u>	<u>Measurement Period</u>	<u>Council's Proportion of the Net Pension Liability</u>	<u>Council's Proportionate Share of the Net Pension Liability</u>	<u>Council's Covered-Employee Payroll</u>	<u>Council's Proportionate Share of the Net Pension Liability as a Percentage of Their Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Miscellaneous Plan:						
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, 2015 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 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, amount reported were based on the 7.5 percent discount rate.

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

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

Measurement Period	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency	Council's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
Miscellaneous Plan:					
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). Only four years 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, 2017

	<u>Balances</u> <u>July 1, 2016</u>	<u>Allocation</u> <u>Instructions</u>	<u>Amounts</u> <u>Allocated</u>	<u>Balances</u> <u>June 30, 2017</u>
Local Transportation Fund				
Article 3 Administration, 99233.1				
Council Administration	\$ -	\$ 113,736	\$ 113,736	\$ -
Article 3 Pedestrian and Bike Facilities, 99233.3				
Reserve	-	33,935	33,935	-
Article 8 Streets and Roads, 99400(a) & 99402				
County of Tuolumne	-	196,236	196,236	-
City of Sonora	-	17,296	17,296	-
Article 4.5 Transit, 99277, Article 8 Transit, 99400(c) & 99400(e)				
Public Transportation	<u>-</u>	<u>1,375,054</u>	<u>1,375,054</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 1,736,257</u>	<u>\$ 1,736,257</u>	<u>\$ -</u>
State Transit Assistance				
Article 6.5 Planning, 99313.3				
Public Transportation	<u>\$ 83,442</u>	<u>\$ 240,223</u>	<u>\$ 189,428</u>	<u>\$ 134,237</u>

TUOLUMNE COUNTY TRANSPORTATION COUNCIL

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

<u>Federal Grantor</u> <u>Pass Through Grantor (if not direct)</u> <u>Federal Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>	<u>Grant No./</u> <u>Project ID</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct:			
U.S. Forest Service - Trail Improvements	10.unknown	\$ 604	12-PA-11051600-022
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Direct:			
National Park Service Conservation, Protection, Outreach, and Education	15.954	35,000	P12AC30509
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through California Department of Transportation:			
Formula Grants for Rural Areas	20.509	298,704	64BO17-00571
Formula Grants for Rural Areas	20.509	630,105	6415204
Total Formula Grants for Rural Areas		928,809	
 TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 964,413	

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

NOTE A – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the Tuolumne County Transportation Council (Council). The Council reporting entity is defined in Note A to the Council's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

NOTE B – BASIS OF ACCOUNTING

The accompanying Schedule is presented using the accrual basis of accounting.

NOTE C – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers included in the accompanying Schedule were determined based on the program name, review of grant contract information and Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE D – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal expenditures materially agree to or can be reconciled with the amounts reported in the Council's basic financial statements.

NOTE E – IDENTIFYING NUMBERS

The Council has included in the Schedule under Grant No./Project ID the identifying number for pass-through programs when such information has been provided by the pass-through grantor. For pass-through programs that Council was not provided with such information by the pass-through grantors, the Council has indicated the pass-through identifying numbers as "Not Available." The Council has also included in the Schedule under Grant No./Project ID the identifying number for direct programs when such information has been provided by the federal grantor. For direct programs that Council was not provided with such information by the federal grantors, the Council has indicated the direct identifying numbers as "Not Applicable" as they are not required by the Uniform Guidance.

NOTE F – DE MINIMIS INDIRECT COST RATE

For non-federal entities who have never received a negotiated rate, a de minimis rate of 10 percent of modified total direct costs may be used indefinitely as defined in Uniform Guidance section 200.414. The Council has not elected to use the 10 percent de minimis indirect cost rate.

OTHER REPORTS



**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, 2017, and the related notes to the financial statements, which collectively comprise the Council’s basic financial statements, and have issued our report thereon dated August 23, 2018.

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 findings and questioned costs as item 2017-001.

The Council's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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
August 23, 2018



Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited the Tuolumne County Transportation Council's (Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Council's major federal program for the year ended June 30, 2017. The Council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Council's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on the Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-002. Our opinion on the major federal program is not modified with respect to this matter.

The Council's response to this noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Sacramento, California
August 23, 2018

TUOLUMNE COUNTY TRANSPORTATION COUNCIL

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards:

Internal control over major federal program:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee	No

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings

Item 2017-001 – 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, 2017, being issued late is mainly attributable to the Council 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, 2017, 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. See the "Corrective Action Plan" section of this report.

TUOLUMNE COUNTY TRANSPORTATION COUNCIL
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs

Item 2017-002 – Submission of Single Audit

Criteria:

Under the Office of Management and Budget (OMB) Uniform Guidance, the single audit report is due nine months after the end of the Council's year end, which for the Council's June 30, 2017, year end was March 31, 2018.

Condition:

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

Cause:

The Council's single audit report for the year ended June 30, 2017, is being issued late because the Council's annual fiscal and compliance audit for the year ended June 30, 2017, is being issued late (see item 2017-001), which is mainly attributable to the Council 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 single audit report for the year ended June 30, 2017, may cause some grantors to either withhold or discontinue funding pending the release of the single audit report. In addition, submitting the report late precludes the Council from being considered a low risk auditee for the next two fiscal years.

Recommendation:

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

Views of Responsible Officials:

Management agrees. See the "Corrective Action Plan" section of this report.



OFFICE OF THE AUDITOR-CONTROLLER

"Proudly Serving the Financial Needs of Tuolumne County"

DEBORAH BAUTISTA, CPA
Clerk & Auditor-Controller

August 21, 2017

Macias Gini & O'Connell LLP
3000 S Street, Suite 300
Sacramento, CA 95816

In preparation of your audit of the Tuolumne County Transportation Council (Council), for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we have prepared this Summary Schedule of Prior Audit Findings as required by §200.511 of the Uniform Guidance to report the status of all audit findings reported in the prior audit as follows:

Item 2016-001 – Transfers

Condition:

The Council records transfers between funds as revenues and expenditures/expenses.

Recommendation:

It is recommended that the Council record transfers between funds as transfers in and out in its general ledger so as not to lose the identity of its transfers.

Status:

This condition has been fully corrected.

Item 2016-002 – Revenue Recognition

Condition:

The Council under-accrued Rural Planning Assistance (RPA) grant revenue at June 30, 2015 and recorded unearned revenue for the unexpended allocation carried over into fiscal year 2017 at June 30, 2016 for the RPA grant. In addition, the Council over-accrued State Transit Assistance (sales and use taxes) revenue at June 30, 2016.

Recommendation:

It is recommended that the Council improve its year-end close procedures and train staff to ensure the proper recognition of revenue in all material respects.

Status:

This condition has been fully corrected.

If you have any questions concerning this Summary Schedule of Prior Audit Findings, please contact me at (209) 533-5552.

Sincerely,

A handwritten signature in cursive script that reads "Deborah Bautista". The signature is written in black ink and is positioned above the printed name.

Deborah Bautista, CPA
Clerk and Auditor-Controller



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

DEBORAH BAUTISTA, CPA
Clerk & Auditor-Controller

August 23, 2018

Macias Gini & O'Connell LLP
3000 S Street, Suite 300
Sacramento, CA 95816

To conclude your audit of the Tuolumne County Transportation Council (Council), for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we have prepared this Corrective Action Plan as required by §200.511 of the Uniform Guidance to address each audit finding included in this year's audit as follows:

Item 2017-001 – Submission of Fiscal and Compliance Audit

Name of the Contact Person Responsible for Corrective Action
Deborah Bautista, CPA, Clerk and Auditor-Controller

Corrective Action Planned

Management is currently drafting the Council's 2018 financial statements and plans to be ready for the 2018 audit by the end of September 2018. In addition, management will make itself more accessible and will respond more quickly to audit inquiries and requests.

Anticipated Completion Date

Management has established an issuance date of December 31, 2018 for the 2018 fiscal and compliance audit.

Item 2017-002 – Submission of Single Audit

Name of the Contact Person Responsible for Corrective Action
Deborah Bautista, CPA, Clerk and Auditor-Controller

Corrective Action Planned

Management is currently drafting the Council's 2018 financial statements and plans to be ready for the 2018 audit by the end of September 2018. In addition, management will make itself more accessible and will respond more quickly to audit inquiries and requests.

Anticipated Completion Date

Management has established an issuance date of December 31, 2018 for the 2018 single audit, if required.

If you, the California Department of Transportation, or the U.S. Department of Transportation have any questions concerning this Corrective Action Plan, please contact me at (209) 533-5552.

Sincerely,

A handwritten signature in cursive script that reads "Deborah Bautista". The signature is written in black ink and is positioned above the printed name.

Deborah Bautista, CPA
Clerk and Auditor-Controller