

**LASSEN COUNTY
TRANSPORTATION COMMISSION**

Audited Financial Statements
Supplementary Information and Compliance Report

June 30, 2020

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LASSEN COUNTY TRANSPORTATION COMMISSION

Audited Financial Statements, Supplementary Information and Compliance Report

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Lassen County Transportation Commission
Susanville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lassen County Transportation Commission (the Commission) as of and for the year ended June 30, 2020 and the related notes to the financial statements which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2020, the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

The Commission has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2021 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and the Transportation Development Act. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Richardson & Company, LLP

June 1, 2021

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,023,156
Restricted cash and investments	509,290
Due from other governmental agencies	<u>596,369</u>
TOTAL ASSETS	<u>2,128,815</u>
LIABILITIES	
Accounts payable	87,685
Due to other governmental agencies	1,299,301
Reimbursements payable to County - pension	275,657
Reimbursements payable to County - OPEB	<u>6,126</u>
TOTAL LIABILITIES	<u>1,668,769</u>
NET POSITION	
Restricted:	
Transportation/transit	530,443
SGR projects	42,964
Unrestricted	<u>(113,361)</u>
TOTAL NET POSITION	<u><u>\$ 460,046</u></u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

		Governmental Activities
PROGRAM EXPENSES		
Planning and administration		\$ 558,107
Transportation claimants		2,942,957
	TOTAL PROGRAM EXPENSES	<u>3,501,064</u>
PROGRAM REVENUES		
Operating grants and contributions		539,634
	TOTAL PROGRAM REVENUE	<u>539,634</u>
	NET PROGRAM REVENUE	<u>(2,961,430)</u>
GENERAL REVENUES		
State shared revenue - sales tax		1,072,588
Interest income		39,328
	TOTAL GENERAL REVENUES	<u>1,111,916</u>
	CHANGE IN NET POSITION	(1,849,514)
Net position, beginning of year		<u>2,309,560</u>
	NET POSITION, END OF YEAR	<u><u>\$ 460,046</u></u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Major Special Revenue Funds				Total
	Planning and Administration	Local Transportation Fund	State Transit Assistance Fund	State of Good Repair Fund	Other Grants Fund	Governmental Funds
ASSETS						
Cash and investments	\$ 91,868	\$ 849,341	\$ 46,351	\$ 35,596		\$ 1,023,156
Restricted cash and investments					\$ 509,290	509,290
Due from other governmental agencies	258,581	205,934	67,216	7,368	57,270	596,369
Due from other funds	47,262					47,262
TOTAL ASSETS	\$ 397,711	\$ 1,055,275	\$ 113,567	\$ 42,964	\$ 566,560	\$ 2,176,077
LIABILITIES						
Accounts payable	\$ 87,685					\$ 87,685
Due to other governmental agencies	102,000	\$ 524,832	\$ 121,300		\$ 551,169	1,299,301
Reimbursements payable to county - pension	275,657					275,657
Reimbursements payable to county - OPEB	6,126					6,126
Due to other funds					47,262	47,262
TOTAL LIABILITIES	471,468	524,832	121,300		598,431	1,716,031
DEFERRED INFLOWS						
Unavailable revenue	148,581					148,581
TOTAL DEFERRED INFLOWS	148,581					148,581
FUND BALANCE						
Restricted for transportation/transit		530,443				530,443
Restricted for SGR Projects				\$ 42,964		42,964
Unassigned	(222,338)		(7,733)		(31,871)	(261,942)
TOTAL FUND BALANCE	(222,338)	530,443	(7,733)	42,964	(31,871)	311,465
TOTAL LIABILITIES AND FUND BALANCE	\$ 397,711	\$ 1,055,275	\$ 113,567	\$ 42,964	\$ 566,560	\$ 2,176,077

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

LASSEN COUNTY TRANSPORTATION COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2020

Fund balance - governmental funds, June 30, 2020	\$ 311,465
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Certain receivables are not available to pay current period expenditures and therefore deferred in the governmental funds.	<u>148,581</u>
Net position - governmental activities, June 30, 2020	<u><u>\$ 460,046</u></u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	General Fund	Major Special Revenue Funds				Total
	Planning and Administration	Local Transportation Fund	State Transit Assistance Fund	State of Good Repair Fund	Other Grants Fund	Governmental Funds
REVENUES:						
State Rural Planning Assistance	\$ 291,098					\$ 291,098
State funds, other					\$ 57,266	57,266
Sales Tax		\$ 809,903	\$ 262,685			1,072,588
State of Good Repair				\$ 42,689		42,689
Interest income	7,636	19,540	653		11,499	39,328
TOTAL REVENUES	298,734	829,443	263,338	42,689	68,765	1,502,969
EXPENDITURES:						
Transportation planning and related expenditures	443,297					443,297
Allocation - Lassen Transit Agency		889,137	353,091	46,452		1,288,680
PTMISEA expenditures					486,659	486,659
LCTOP expenditures					174,653	174,653
CalOES expenditures					25,188	25,188
Allocation - Other claimants	14,093	873,123			80,561	967,777
Administration	12,810					12,810
Other	102,000					102,000
TOTAL EXPENDITURES	572,200	1,762,260	353,091	46,452	767,061	3,501,064
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(273,466)	(932,817)	(89,753)	(3,763)	(698,296)	(1,998,095)
OTHER FINANCING SOURCES (USES)						
Transfers in	247,101	410,000				657,101
Transfers out	(410,000)	(176,601)			(70,500)	(657,101)
TOTAL OTHER FINANCING SOURCES (USES)	(162,899)	233,399			(70,500)	
CHANGE IN FUND BALANCE	(436,365)	(699,418)	(89,753)	(3,763)	(768,796)	(1,998,095)
Fund balance, beginning of year	214,027	1,229,861	82,020	46,727	736,925	2,309,560
FUND BALANCE, END OF YEAR	\$ (222,338)	\$ 530,443	\$ (7,733)	\$ 42,964	\$ (31,871)	\$ 311,465

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

LASSEN COUNTY TRANSPORTATION COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Net change in fund balance - governmental fund	\$ (1,998,095)
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Amounts reported for governmental activities in the Statement of Activities are
different because:

Some receivable are deferred in the governmental funds in the prior year
because the amounts do not represent current financial resources
that are recognized under the accrual basis in the statement of activities
Deferred revenue recognized

148,581

Change in net position - governmental activities
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<u>\$ (1,849,514)</u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUES:				
State Rural Planning Assistance	\$ 322,038	\$ 586,297	\$ 291,098	\$ (295,199)
Interest income			7,636	7,636
TOTAL REVENUES	<u>322,038</u>	<u>586,297</u>	<u>298,734</u>	<u>(287,563)</u>
EXPENDITURES:				
Transportation planning and related expenditures	625,817	847,182	443,297	403,885
Allocation - other entities			14,093	(14,093)
Admininstration	20,500	28,500	12,810	15,690
Other			102,000	(102,000)
TOTAL EXPENDITURES	<u>646,317</u>	<u>875,682</u>	<u>572,200</u>	<u>303,482</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(324,279)	(289,385)	(273,466)	15,919
OTHER FINANCING SOURCES (USES)				
Transfers in	324,279	289,385	247,101	42,284
Transfers out			(410,000)	(410,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>324,279</u>	<u>289,385</u>	<u>(162,899)</u>	<u>(452,284)</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(436,365)</u>	<u>(436,365)</u>
Fund balance, beginning of year	<u>214,027</u>	<u>214,027</u>	<u>214,027</u>	
FUND BALANCE, END OF YEAR	<u>\$ 214,027</u>	<u>\$ 214,027</u>	<u>\$ (222,338)</u>	<u>\$ (436,365)</u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Lassen County Transportation Commission (Commission) have been prepared in conformity with generally accepted accounting principles 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 of the Commission's accounting policies are described below.

Description of Reporting Entity: Lassen County Transportation Commission (the Commission) was created pursuant to California Government Code Section 29535 of Article II, Chapter 2 of Division 3 of Title 3, as a local planning commission to provide regional transportation planning activities for the area of Lassen County. The Commission is also responsible for the administration of the Transportation Development Act Funds (Local Transportation and State Transit Assistance Fund). The Commission's responsibilities include establishing rules and regulations to provide for administering transportation planning and allocating the Local Transportation Fund and State Transit Assistance Fund in accordance with the applicable sections of the Government Code, Public Utilities Code and Administrative Code included within the Transportation Development Act. The Commission is also responsible for administering the regional transportation planning process, updating the Regional Transportation Plan and the Regional Transportation Improvement Program, and for State Exchange Funds that were created under the Federal Intermodal Surface Transportation Efficiency Act.

Although the Commissioners also serve as the Board of Directors of Lassen Transit Services Agency (LTSA), it is not considered to be a component unit of the Commission because a financial benefit or burden relationship does not exist between the two organizations.

Basis of Presentation - Government-wide Financial Statements: The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange revenues are recognized when all eligibility requirements have been met. Cost reimbursement grant revenues are recognized when program expenses are incurred in accordance with program guidelines. When nonexchange revenues are received before eligibility requirements are met, they are reported as unearned revenues until earned. Sales tax revenue is recorded as revenue when collected and apportioned to the Commission.

Basis of Presentation – Fund Financial Statements: The accounts of the Commission are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Major individual governmental funds are reported as separate columns in the fund financial statements.

LASSEN COUNTY TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period for sales tax and 180 days for grant revenue. Expenditures generally are recorded when a liability is incurred, as under accrual basis accounting, except for compensated absences and termination benefits, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

The Commission reports the following major governmental funds:

General Fund – The General Fund (Planning and Administration) is the general operating fund of the Commission and accounts for revenues collected to provide services and finance the fundamental operations of the Commission. The fund is charged with all costs of operations not reported in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. In its capacity as a Regional Transportation Planning Agency, the Commission is responsible for the administration of several special revenue funds which provide funding for transportation planning, transit operations, pedestrian and bicycle facilities and street and roads maintenance and improvements. These funds include:

Local Transportation Fund: The Local Transportation Fund represents revenues generated from a ¼ cent sales tax imposed by the State of California pursuant to the Transportation Development Act. Agencies file claims with the Commission for the monies and allocations are made for planning, transit, pedestrian, bicycle, streets and roads purposes. The Commission reviews the claims, determines the agency's eligibility to receive funds, and, upon approval, allocates the funds to the agencies.

State Transit Assistance Fund: The State Transit Assistance Fund represents revenues earned based on a portion of the State gasoline tax. Agencies file claims with the Commission for the monies and allocations are made solely for transit-related purposes.

State of Good Repair Fund: Under Senate Bill (SB) 1 (Chapter 5, Statutes of 2017) and the Road Repair and Accountability Act of 2017, a new Transportation Improvement Fee (Fee) on vehicle registrations is collected, a portion of which is provided to the California State Controller's Office for the program. SGR fees are available for capital assistance to rehabilitate and modernize existing local transportation systems, including the purchase of new vehicles and the maintenance and rehabilitation of transit facilities and vehicles.

Other Grants Fund: The Other Grants Fund includes revenue from the following sources:

Public Transportation Modernization, Improvement, and Service Enhancement Account Fund (Prop 1B Fund) – PTMISEA funds are part of a comprehensive voter approved transportation bond (Proposition 1B) investment package. Eligibility is based on those entities eligible to receive allocation of funds under the State Transit Assistance (STA) pursuant to PUC Section 99313 and/or 99314.

LASSEN COUNTY TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Low Carbon Transit Operations Program (LCTOP) – The LCTOP was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants.

California Office of Emergency Services (CalOES) – As approved by the voters in November 2006 general elections, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects. CalOES has been charged with administering the Prop 1B California Transit Security Grant Program CTSGP.

Due from Other Governments: Due from other governments consists mainly of amounts due from state and federal agencies under grant agreements and other revenue sources. Management believes these amounts to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

Capital Assets: Capital assets for governmental fund types of the Commission are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets are defined as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Provision is made for depreciation by the straight-line method over the estimated useful lives of these individual assets, which range from three to ten years for equipment and thirty years for structures. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Fund Balance: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle. The Commission has no nonspendable funds.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts are restricted in the Special Revenue Funds for purposes listed on the face of the Balance Sheet.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which is by resolution of the Commission. These amounts cannot be used for any other purpose unless the governing body modifies or removes the fund commitment.

LASSEN COUNTY TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Funds – Unassigned fund balance is the residual classification of the Commission's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

Net Position: The government-wide financial statements present net position. Net position is categorized as invested in capital assets, restricted, and unrestricted.

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

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commission has provided otherwise in its commitment or assignment actions.

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

Budgetary Information: The Commissioners approve all budgeted revenues and expenditures for the General Fund. Budgeted revenues and expenditures represent the original budget, as approved by the Commissioners, and the final budget, which includes modifications of the original budget through amendments approved by either the Executive Director or the Commissioners during the year. Amendments that alter total expenditures within the General Fund require approval of the Board of Directors. The Commissioners do not budget for the special revenue funds.

NOTE B – CASH AND CASH EQUIVALENTS

Investment in the County of Lassen Investment Pool: The Commission's cash is held in the County of Lassen Treasury. The County maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the County's investment pool are available on demand to the Commission and are stated at cost, which approximates fair value.

LASSEN COUNTY TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Investment Policy: California statutes authorize governmental agencies to invest surplus funds in a variety of credit instruments as provided in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The Commission follows the investment policy of the County of Lassen.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2020, the weighted average maturity of the investments contained in the County of Lassen investment pool was approximately 588 days.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Lassen investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County of Lassen investment pool).

NOTE C –STATE GRANTS

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

LASSEN COUNTY TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE C –STATE GRANTS (Continued)

For the year ended June 30, 2020, funds received and expended were verified in the course of the audit as follows:

Balance at June 30, 2019	\$ 476,898
Revenues:	
Interest earned	9,761
Total revenue	<u>9,761</u>
Expenditures incurred:	
Transferred to LTSA	<u>(486,659)</u>
Total expenditures incurred	<u>(486,659)</u>
Unexpended proceeds at June 30, 2020	<u>\$ -</u>

Low Carbon Transit Operations Program (LCTOP): The LCTOP was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants. Projects approved for LCTOP will support bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions.

For the year ended June 30, 2020, funds received and expended were verified in the course of the audit as follows:

Balance at June 30, 2019	\$ 116,197
Revenues:	
LCTOP revenues received	57,266
Interest earned	1,190
Total revenue	<u>58,456</u>
Expenditures incurred:	
Transferred to LTSA	<u>(174,653)</u>
Total expenses	<u>(174,653)</u>
Unexpended proceeds at June 30, 2020	<u>\$ -</u>

California Governor's Office of Emergency Services (Cal OES): Cal OES funds are part of a comprehensive voter approved transportation bond (Proposition 1B) investment package. Eligible projects include transit system safety, security and disaster response projects.

LASSEN COUNTY TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE C –STATE GRANTS (Continued)

For the year ended June 30, 2020, funds received and expended were verified in the course of the audit as follows:

Balance at June 30, 2019	\$ 24,641
Revenues:	
Interest earned	547
Total Revenue	<u>547</u>
Expenditures incurred:	
Transferred to LTSA	(25,188)
Total expenditures incurred	<u>(25,188)</u>
Unexpended proceeds at June 30, 2020	<u>\$ -</u>

NOTE D – CONTINGENCIES

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

NOTE E – RISK FINANCING

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage from the prior year.

NOTE F – INTERFUND TRANSFERS

Interfund transfers are used to move revenues from a fund that is required by statute to receive them to a fund that statute or budget requires to expend them. During the year ended June 30, 2020, the Local Transportation Fund transferred \$176,601 to the Planning and Administration Fund as part of the annual allocation of local transportation funds. Additionally, the Other Grants Fund transferred \$70,500 to the Planning and Administration fund to support transportation planning and Transportation Development Act administration. The Planning and Administration Fund transferred \$410,000 to the Local Transportation Fund to be reallocated to claimants.

LASSEN COUNTY TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE G – REIMBURSEMENT PAYABLE TO COUNTY

From 1972 to 2016, the Commission had relied upon the County employees to perform the operations of the Commission. The Commission, as controlled by the Board of Supervisors, provided appropriation and staffing to help the Commission perform its duties expressly mandated pursuant to the Transportation Act of 1971. Over those 44 years, approximately 14 County employees received salaries and benefits from the Commission for work performed in their various roles, responsibilities and functions. The County quantified the amount of unfunded pension and OPEB liabilities and invoiced the Commission for these liabilities for a total of \$442,057. Since a portion of these liabilities related to transit services, the County provided a breakdown of the liabilities between the Commission and LTSA employees. The unfunded pension and OPEB liabilities for Commission employees include active and retired employees based upon 1) an employee's years of service for the Commission, 2) annual full time equivalent (FTE) of work for the Commission. The unfunded pension and OPEB liabilities attributed to the Commission was \$281,783 and the unfunded pension and OPEB liabilities attributed to LTSA was \$160,274. The Commission approved repaying the County \$100,000 per year beginning in fiscal year 2020/21 using cash balances transferred from a Commission/LTSA commingled fund to the Local Transportation Fund that will be subject to the TDA allocation process.

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SUPPLEMENTARY INFORMATION

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF ALLOCATIONS AND EXPENDITURES – LOCAL TRANSPORTATION FUNDS

For the Year Ended June 30, 2020

California Code of Regulations Article 5, Subchapter 2, Section 6661 related to the Transportation Development Act requires supplementary information for the County of Lassen Local Transportation Fund regarding expenditures made by the Fund. The net amount allocated and expended for each of the allocation purposes specified in Public Utilities Code (PUC) Chapter 4 of the Act were as follows for the year ended June 30, 2020:

<u>PUC Section</u>	<u>Purpose</u>	<u>Allocated</u>	<u>Disbursed</u>	<u>Undisbursed/ Unclaimed</u>
99233.1	Administration			
	Lassen County Transportation Commission	\$ 176,601	\$ 176,601	
99262	Public transportation			
	Lassen Transit Service Agency	254,000	254,000	
99260(a)	Public transportation			
	Lassen Transit Service Agency	635,137	635,137	
99233.3	Pedestrian and Bicycle Facilities			
	County of Lassen	12,867		\$ (12,867)
99400(a)	Streets and Roads			
	County of Lassen	522,175	348,291	(173,884)
	City of Susanville	338,081		(338,081)
		<u>\$ 1,938,861</u>	<u>\$ 1,414,029</u>	<u>\$ (524,832)</u>

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF ALLOCATIONS AND EXPENDITURES – STATE TRANSIT ASSISTANCE FUNDS

For the Year Ended June 30, 2020

California Code of Regulations, Subchapter 2.5, Article 5, Section 6751 related to the Transportation Development Act requires supplementary information for the STA Fund regarding fund balances maintained and expenditures made by the Fund. No portion of the fund balance was apportioned to operators pursuant to Section 6721 of the Code as of June 30, 2018. The amounts allocated and expended for each of the allocation purposes specified in Section 6730 and 6731 of the Code were as follows for the year ended June 30, 2020:

<u>PUC Section</u>	<u>Purpose</u>	<u>Allocated</u>	<u>Disbursed</u>	<u>Undisbursed</u>
6730(a)	Rural Bus Operation			
	Lassen Transit Service Agency	\$ 335,083	\$ 219,969	\$ 115,114
6730(b)	Rural Bus Capital			
	Lassen Transit Service Agency	<u>18,008</u>	<u>11,822</u>	<u>6,186</u>
		<u>\$ 353,091</u>	<u>\$ 231,791</u>	<u>\$ 121,300</u>

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF ALLOCATIONS AND EXPENDITURES – STATE OF GOOD REPAIR FUNDS

For the Year Ended June 30, 2020

California Code of Regulations, Chapter 5, Statutes of 2017 known as the Road Repair and Accountability Act of 2017 requires supplementary information for the SGR Fund regarding fund balances maintained and expenditures made by the Fund. The amounts allocated and expended for each of the allocation purposes specified in Section 99312.1(a) of the Code were as follows for the year ended June 30, 2020:

<u>PUC Section</u>	<u>Purpose</u>	<u>Allocated</u>	<u>Disbursed</u>	<u>Undisbursed</u>
99312.1(a)	Preventative maintenance	\$ 42,678	\$ 42,678	
99313	Contributions to vehicle replacement fund			
	Lassen Transit Service Agency	3,774	3,774	
		<u>\$ 46,452</u>	<u>\$ 46,452</u>	

COMPLIANCE REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND THE TRANSPORTATION
DEVELOPMENT ACT AND OTHER STATE PROGRAM GUIDELINES

Lassen County Transportation Commission
Susanville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Lassen County Transportation Commission (the Commission) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2020-001 and 2020-002, that we consider to be material weaknesses.

To the Commission
Lassen County Transportation Commission

Compliance and Other Matters (including other State program guidelines)

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act Funds allocated and received by the Commission were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act and Section 6659, 6661 and 6662 of the California Code of Regulations and other state program guidelines. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of performing these tasks disclosed instances of noncompliance with the applicable statutes, rules and regulations of the Transportation Development Act that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2020-003 and 2020-004.

Lassen County Transportation Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission'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 result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

June 1, 2021

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR FINDINGS

Finding 2020-001 – Material Weakness

Criteria: In order for financial statements to be fairly presented, they need to include all revenues and expenses of the entity.

Condition: The administrative costs and some revenues of Lassen Transit Service Agency (LTSA) have been combined with those of the Lassen County Transportation Commission (Commission) in one single fund (Fund 128). While these costs were segregated by a business unit code starting in fiscal year 2017/18, this segregation was not done retroactively. Thus, it is not possible to determine how much of the remaining \$410,000 cash balance in Fund 128, after audit adjustments to reclassify activity related to LTSA, relates to LTSA and how much relates to the Commission. As of June 30, 2020, this \$410,000 of cash is included in the financial statements of the Commission's Local Transportation Fund and \$9,000 of cash is included in the Commission's General Fund.

Effect: The cash and net position reported in LTSA's financial statements could be understated or overstated, depending on the extent of revenues versus expenditures related to LTSA that were recorded in Fund 128. The amount of this understatement or overstatement could not be determined.

Cause: Certain expenditures and revenues related to LTSA and the Commission have been recorded in the same fund in the County's accounting system.

Recommendation: The Commission needs to prepare an allocation of Local Transportation Funds to LTSA to pay the pension and OPEB liabilities of LTSA totaling \$283,783.

Management's Response: The Commission will work with LTSA to submit a claim to repay the County for LTSA's pension and OPEB liability.

Finding 2020-002 – Material Weakness

Criteria: Internal controls over financial reporting should be in place to ensure management can initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Condition: The County's closing process did not identify required closing entries to report the Commission's financial statements on the accrual basis. In addition, restricted resources are not being tracked in separate restricted fund balance accounts or in separate funds.

Effect: Audit adjustments were needed to report the financial statements in accordance with generally accepted accounting principles, including entries posted to roll forward equity from prior year audit adjustments, remove activity related to LTSA operations, record additional revenues and associated receivables, record additional expenditures and associated payables, record activity in the correct funds for their specific purposes, and reclassification of deferred revenue.

Cause: The closing process did not identify all required closing entries.

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

Recommendation: We recommend the County ensure transactions are reported in the proper period. Also, separate fund balance accounts and preferably separate funds need to be established for tracking specific grant funding, such as SGR, RSTP, etc. If this separate tracking cannot be done within the County's accounting system, the Commission needs to consider establishing its own internal accounting system to track these various funding sources, so that more timely and accurate information is available.

Management's Response: Management will work with the County to ensure all required entries are posted during the closing process in the future.

COMPLIANCE AND OTHER MATTERS

CURRENT YEAR FINDINGS

Finding 2020-003 – Significant Deficiency

Criteria: Section 6644 and 6659 of the Transportation Development Act requires the Commission to advise all prospective claimants of the amounts of all area apportionments prior to March 1 of the preceding fiscal year and to convey allocation instructions to the County auditor by written memorandum of its executive director accompanied by a certified copy of the resolution authorizing the action.

Condition: While the initial allocations were approved, subsequent revisions to the allocations were not approved by a resolution of the Commission and claimants were not officially notified of their allocations.

Effect: The Commission was not in compliance with Sections 6644 and 6659 of the Transportation Development Act requiring the Commission to advise all prospective claimants of the amounts of all area apportionments and allocations to be submitted to the County auditor along with a resolution approving the revised allocation.

Cause: The Commission did not advise all prospective claimants and did not submit a memorandum of allocations accompanied by certified resolution to the County auditor for the final allocation amounts.

Recommendation: We recommend the Commission ensure that all claimants be advised of the amounts of all area apportionments prior to March 1 and that the Commission ensure a written memorandum be submitted to the County auditor prior to the fiscal year accompanied by the supporting resolution for the allocation instructions. If there are subsequent revisions to the allocation instructions, the Commission needs to pass an additional resolution and submit new allocation instructions to the County auditor.

Management's Response:

Finding 2020-004 – Significant Deficiency

Criteria: Section 99402 and 99407 of the Transportation Development Act requires the claims to be filed for Article 8 disbursements related to local streets and roads, and projects which are provided for use by pedestrians and bicycles.

Condition: The Commission allocated and paid Article 8 funds to the County of Lassen, even though the County did not submit a claim.

Effect: The Commission was not in compliance with Section 99402 and 99407 of the Transportation Development Act requiring claims be submitted to the Commission prior to disbursements.

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

Cause: The Commission did not require the County of Lassen to submit claims prior to disbursing Article 8 funds.

Recommendation: We recommend the Commission ensure that claims for all Transportation Development Act funds be submitted with appropriate supporting documentation as required prior to disbursing funds.

Management's Response:

PRIOR YEAR FINDINGS

Finding 2019-001

Condition: The administrative costs and some revenues of LTSA have been combined with those of the Commission in one single fund (Fund 128). While these costs were segregated by a business unit code starting in fiscal year 2017/18, this segregation was not done retroactively. Thus, it is not possible to determine how much of the remaining \$410,000 cash balance in Fund 128, after audit adjustments to reclassify fiscal year 2019/20 activity related to LTSA, relates to LTSA and how much relates to the Commission. Currently, this \$410,000 of cash is included in the financial statements of the Commission.

Current Status: The Commission has transferred the cash balance in fund 128 of \$410,000 to the Local Transportation Fund during the fiscal year 2019/20 audit. Fund 128 still has a balance of \$9,000 of cash after adjustments during the fiscal year 2019/20 audit. See finding 2020-001 which is a continuation of this finding.

Finding 2019-002

Condition: The County's closing process did not identify required closing entries to report the Fund's financial statements on the accrual basis. In addition, restricted resources are not being tracked in separate restricted fund balance accounts or in separate funds.

Current Status: Numerous audit adjustments were identified during the fiscal year 2019/20 audit. See finding 2020-002, which is a continuation of this finding.

Finding 2019-003

Condition: The claim submitted by LTSA for LTF funds consisted of an email to the Executive Secretary and did not contain all of the items required by the TDA. Also, a resolution passed by the Commission approving the claim could not be provided, as required by the TDA.

Current Status: A claim containing the requirements of the TDA was prepared for fiscal year 2019/20.