

LASSEN COUNTY TRANSPORTATION COMMISSION

SUSANVILLE, CALIFORNIA

**AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2014**

LASSEN COUNTY TRANSPORTATION COMMISSION
JUNE 30, 2014

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Independent Auditors' Report on Financial Statements

Board of Commissioners
Lassen County Transportation Commission
Susanville, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Lassen County Transportation Commission as of and for the year ended June 30, 2014, 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.

Auditors' 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.

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 Commission'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 Commission'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.

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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, business-type activities, each major fund, and the aggregate remaining fund information of the Lassen County Transportation Commission as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof 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 and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 Supplementary Information

The Other Supplementary Information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information schedules is 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 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 other

supplementary information schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2014 on our consideration of 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 other matters. 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 the 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Singleton Auman, PC". The signature is fluid and cursive, with a distinct "PC" at the end.

SingletonAuman PC
Susanville, CA
November 15, 2014

FINANCIAL SECTION

LASSEN COUNTY TRANSPORTATION COMMISSION
Management's Discussion and Analysis (MD&A)
June 30, 2014

INTRODUCTION

The Lassen County Transportation Commission (Commission) was created pursuant to California Government Code Section 67910, as a local planning commission to provide regional transportation planning activities in Lassen County.

This discussion and analysis of Lassen County Transportation Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the Commission's financial statements, including notes and supplementary information, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$2,108,460 at June 30, 2014. This was an increase of \$410,213 over the prior year.
- ❑ Overall revenues were \$2,189,698, which was more than expenses of \$1,779,485, by \$410,213.
- ❑ The total cost of the Commission's programs increased by \$55,532 from last year.
- ❑ The Commission has no long term debt for the year ended June 30, 2014.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The three sections together provide a comprehensive overview of the Commission. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ Fund financial statements focus on reporting the individual parts of the Commission operations in more detail. The fund financial statements comprise the remaining statements.
 - Governmental funds tell how services were financed in the short-term as well as what remains for future spending.
 - Proprietary funds statements provide information about the short and long-term financial information of the Commission that operate like businesses.
 - Fiduciary funds statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required

supplementary information that further explains and supports the financial statements. A comparison of the commission's budget for the year is included.

Government-Wide Statements

The government-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Commission's net assets and how they have changed. Net position -the difference between the assets and liabilities- is one way to measure the Commission's financial health or position.

- Over time, increases or decreases in the Commission's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Commission, one needs to consider additional nonfinancial factors such as changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the Commission include business-type activities. Most of the Commission's basic services are included here, such as water, sewer, and street lighting. Customer payments finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's most significant funds-not the Commission as a whole. Funds are accounting devices that the Commission uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Manager and Board of Commissioners establish other funds to control and manage money for particular purposes or to show that the Commission is meeting legal responsibilities for using certain revenues. The Commission has three kinds of funds

- Governmental Fund – The Planning Fund is the operating fund of the Commission. The major revenue sources for this fund are state grants and local transportation funds.
- Proprietary Fund – Services for which the Commission expects to support services from user fees are generally reported in proprietary funds. The Transit Fund is considered to be proprietary. Proprietary funds are reported in the same way as the district-wide financial statements.
- Fiduciary Funds – The Commission is the trustee, or fiduciary, for assets that belong to others. The Local Transportation Trust Fund and the State Transit Assistance Fund are expendable trust funds. The Commission is responsible for ensuring that assets reported in these funds are used only for their intended purposes. All of the Commission's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Commission-wide financial statements because the Commission cannot use the assets to finance its operations.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The Commission's business-type and governmental net positions were \$2,009,468 and \$98,992 respectively at June 30, 2014 See Table 1. The main factor contributing to the change in net position was the purchase of a new bus.

Table 1:
Net Position Business-Type Activities

| | Business-Type Activities | | Total Percentage |
|--|--------------------------|---------------------|---------------------|
| | 2014 | 2013 | Change 2014-2013 |
| Assets | | | |
| Cash and Investments | \$ 365,287 | \$ 141,084 | 158.91% |
| | <u>365,287</u> | <u>141,084</u> | |
| Capital Assets, Net of Accumulated Depreciation | 1,720,776 | 1,507,679 | 14.13% |
| | <u>1,720,776</u> | <u>1,507,679</u> | |
| TOTAL ASSETS | <u>\$ 2,086,063</u> | <u>\$ 1,648,763</u> | |
| Current Liabilities: | | | |
| Accrued Liabilities | \$ 76,595 | \$ 53,743 | 42.52% |
| Total Current Liabilities | <u>76,595</u> | <u>53,743</u> | |
| TOTAL LIABILITIES | <u>\$ 76,595</u> | <u>\$ 53,743</u> | |
| Net Position | | | |
| Net Invested in Capital Assets | \$ 1,720,776 | \$ 1,507,679 | 14.13% |
| Unrestricted (deficit) | 288,692 | 87,341 | 230.53% |
| TOTAL NET POSITION | <u>\$ 2,009,468</u> | <u>\$ 1,595,020</u> | |

Net Position Governmental Activities

| | Governmental Activities | | Total Percentage |
|--|-------------------------|-------------------|---------------------|
| | 2014 | 2013 | Change 2014-2013 |
| Assets | | | |
| Cash and Investments | \$ 70,549 | \$ 47,512 | 48.49% |
| Due From Other Governments | 38,241 | 67,939 | -43.71% |
| | <u>108,790</u> | <u>115,451</u> | |
| Capital Assets, Net of Accumulated Depreciation | <u>1</u> | <u>4,481</u> | -99.98% |
| TOTAL ASSETS | <u>\$ 108,791</u> | <u>\$ 119,932</u> | |
| Current Liabilities: | | | |
| Accrued Liabilities | \$ 9,799 | \$ 16,705 | -41.34% |
| Total Current Liabilities | <u>9,799</u> | <u>16,705</u> | |
| TOTAL LIABILITIES | <u>\$ 9,799</u> | <u>\$ 16,705</u> | |
| Net Position | | | |
| Net Investment in Capital Assets | \$ 1 | \$ 4,481 | -99.98% |
| Unrestricted (deficit) | 98,991 | 98,746 | 0.25% |
| TOTAL NET POSITION | <u>\$ 98,992</u> | <u>\$ 103,227</u> | |

Changes in Position

The Commission's business-type and governmental revenues were \$1,734,290 and \$455,408 respectively. The significant changes in funding during the year were a result of the receiving funding for the purchase of new assets.

The total cost of all business-type and governmental programs and services was \$1,319,842 and \$459,643 respectively.

**Table 2:
Changes in Net Position -Governmental Activities**

| | Governmental Activities | | Total Percentage |
|--|-------------------------|------------------|---------------------|
| | 2014 | 2013 | Change 2014-2013 |
| Revenues | | | |
| Sales and Gas Taxes | \$ 60,000 | \$ 60,000 | 0.00% |
| Operating Grants and Contributions | 394,092 | 382,374 | 3.06% |
| Other Local Income | 1,316 | 117 | 1024.79% |
| TOTAL REVENUES | <u>455,408</u> | <u>442,491</u> | 2.92% |
| Program Expenses | | | |
| Planning and Administration | 459,643 | 429,068 | 7.13% |
| TOTAL EXPENSES | <u>459,643</u> | <u>429,068</u> | 7.13% |
| INCREASE (DECREASE) IN NET POSITION | <u>\$ (4,235)</u> | <u>\$ 13,423</u> | |

Changes in Net Position Business-Type Activities

| | Business-Type Activities | | Total Percentage |
|--|--------------------------|-------------------|---------------------|
| | 2014 | 2013 | Change 2014-2013 |
| Revenues | | | |
| Sales and Gas Taxes | \$ 627,168 | \$ 917,502 | -31.64% |
| Charges for Services | 207,265 | 215,557 | -3.85% |
| Operating Grants and Contributions | 899,857 | 483,600 | 86.07% |
| TOTAL REVENUES | <u>1,734,290</u> | <u>1,616,659</u> | 7.28% |
| Program Expenses | | | |
| Transit | 1,319,842 | 1,294,885 | 1.93% |
| TOTAL EXPENSES | <u>1,319,842</u> | <u>1,294,885</u> | 1.93% |
| INCREASE (DECREASE) IN NET POSITION | <u>\$ 414,448</u> | <u>\$ 321,774</u> | |

Table 3 presents the cost of each of the Commission's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

**Table 3
Net Cost of Business-Type Activities**

| | Total Cost of Services | | Net Cost of Services | |
|--------------|------------------------|---------------------|----------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Transit | \$ 1,319,842 | \$ 1,294,885 | \$ 223,757 | \$ 595,728 |
| TOTAL | <u>\$ 1,319,842</u> | <u>\$ 1,294,885</u> | <u>\$ 223,757</u> | <u>\$ 595,728</u> |

Net Cost of Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|--------------------|------------------------|-------------------|----------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Planning and Admin | \$ 459,643 | \$ 429,068 | \$ 65,551 | \$ 46,694 |
| TOTAL | \$ 459,643 | \$ 429,068 | \$ 65,551 | \$ 46,694 |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the Commission as a whole is reflected in the communication between the Board of Commissioners and the Commission employees as they all work together in providing the best quality of service to its customers. As the Commission completed the year, its proprietary fund reported a net position of \$2,009,468, which is above last year's ending net assets of \$1,595,020. The Commission's governmental fund reported a net position of \$98,992, which is below last year's ending net assets of \$103,227.

Budgetary Highlights

Over the course of the year, the Commission does not revise its annual budget to reflect unexpected changes in revenues and expenditures. The budget was approved by July 8th 2013 for the 2013-2014 fiscal year. A schedule of the Commission's original and final budget amounts compared with actual revenues and expenses are provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014 the Commission had invested in a broad range of capital assets, including land, equipment and the sewer system. See Table 4. More detailed information about the Commission's capital assets is presented in the notes to the financial statements. During the year the Commission invested in three buses and updates to the bus yard flooring.

Table 4
Capital Assets Business-Type Activities

| | Business-Type Activities | | Total Percentage |
|--------------------------------|--------------------------|---------------------|---------------------|
| | 2014 | 2013 | Change 2014-2013 |
| Land | \$ 43,951 | \$ 43,951 | 0.00% |
| Buildings and Infrastructure | 1,187,816 | 1,176,813 | 0.93% |
| Vehicles and Other Equipment | 2,439,886 | 1,981,398 | 23.14% |
| Totals at Historical Cost | 3,671,653 | 3,202,162 | |
| Total Accumulated Depreciation | (1,950,877) | (1,694,483) | 15.13% |
| NET CAPITAL ASSETS | \$ 1,720,776 | \$ 1,507,679 | |

Capital Assets Governmental Activities

| | Governmental Activities | | Total Percentage |
|--------------------------------|-------------------------|-----------------|---------------------|
| | 2014 | 2013 | Change 2014-2013 |
| Vehicles and Other Equipment | \$ 46,481 | \$ 46,481 | 0.00% |
| Totals at Historical Cost | 46,481 | 46,481 | |
| Total Accumulated Depreciation | (46,480) | (42,001) | 10.66% |
| NET CAPITAL ASSETS | \$ 1 | \$ 4,480 | |

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Commission’s financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various communities served by the Commission.

During the 2014/2015 fiscal year the commission has budgeted for \$1,100,898 in capital assets and expenditures.

The economic condition of the Commission as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The Commission continues to be encouraged by development throughout its boundaries. The Commission will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to citizens of the area.

CONTACTING THE COMMISSION’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, participants, investors and creditors with a general overview of the Commission’s finances and to demonstrate the Commission’s accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Larry Millar, Executive Director
 Lassen County Transportation Commission
 707 Nevada Street, Suite 4
 Susanville, CA 96130

LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2014

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Investments | \$ 70,549 | \$ 365,287 | \$ 435,836 |
| Due from other Governments | 38,241 | - | 38,241 |
| Total Current Assets | <u>108,790</u> | <u>365,287</u> | <u>474,077</u> |
| Property, Plant & Equipment, Net | <u>1</u> | <u>1,720,776</u> | <u>1,720,777</u> |
| Total Assets | <u>\$ 108,791</u> | <u>\$ 2,086,063</u> | <u>\$ 2,194,854</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accrued Liabilities | \$ 9,799 | \$ 76,595 | \$ 86,394 |
| Total Current Liabilities | <u>9,799</u> | <u>76,595</u> | <u>86,394</u> |
| Total Liabilities | <u>\$ 9,799</u> | <u>\$ 76,595</u> | <u>\$ 86,394</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ 1 | \$ 1,720,776 | \$ 1,720,777 |
| Unrestricted | <u>98,991</u> | <u>288,692</u> | <u>387,683</u> |
| Total Net Position | <u>\$ 98,992</u> | <u>\$ 2,009,468</u> | <u>\$ 2,108,460</u> |

The accompanying notes are an integral part of this statement.

**LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

| | Program Revenue | | Net (Expense) Revenue and Changes in Net Assets | Net (Expense) Revenue and Changes in Net Assets | Net (Expense) Revenue and Changes in Net Assets Total |
|---------------------------------|----------------------------|--|---|---|--|
| | Charges For Services | Operating Grants and Contributions | | | |
| Governmental Activities | | | | | |
| General Government | | | | | |
| Planning and Administration | | | | | |
| Total Governmental Activities | \$ 459,643 | \$ - | \$ 394,092 | \$ (65,551) | \$ (65,551) |
| Business Type Activities | | | | | |
| Transit | | | | | |
| Total Business Type Activities | 1,319,842 | 207,265 | 888,820 | - | (223,757) |
| Total Primary Government | <u>\$ 1,319,842</u> | <u>\$ 207,265</u> | <u>\$ 1,282,912</u> | <u>\$ (65,551)</u> | <u>\$ (289,308)</u> |
| General Revenues: | | | | | |
| Sales and Gas Taxes | | | | 60,000 | 687,168 |
| Other Income | | | | 1,316 | 12,353 |
| Total General Revenue | | | | 61,316 | 699,521 |
| Change in Net Position | | | | (4,235) | 410,213 |
| Net Position Beginning | | | | 103,227 | 1,698,247 |
| Net Position Ending | | | | <u>\$ 98,992</u> | <u>\$ 2,108,460</u> |

The accompanying notes are an integral part of this statement.

**LASSEN COUNTY TRANSPORTATION COMMISSION
BALANCE SHEET-GOVERNMENTAL FUND
JUNE 30, 2014**

| | Planning Fund |
|---|-------------------|
| <u>ASSETS</u> | |
| Cash in the County Treasury | \$ 70,549 |
| Due from other Governments | 38,241 |
| | 38,241 |
| TOTAL ASSETS | \$ 108,790 |
| | 108,790 |
| <u>LIABILITIES AND FUND EQUITY</u> | |
| Liabilities: | |
| Accrued Liabilities | \$ 9,799 |
| Total Liabilities | 9,799 |
| | 9,799 |
| Fund Equity: | |
| Unassigned Fund Equity | 98,991 |
| Total Fund Equity | 98,991 |
| | 98,991 |
| | 98,991 |
| <u>TOTAL LIABILITIES AND FUND EQUITY</u> | \$ 108,790 |
| | 108,790 |

The accompanying notes are an integral part of this statement.

**LASSEN COUNTY TRANSPORTATION COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014**

| | |
|---|------------------|
| Total Fund Balances - Governmental Funds | \$ 98,991 |
| Reconciling Items: | |
| Capital Assets are not recorded in the governmental funds | <u>1</u> |
| Total Net Position - Governmental Activities | <u>\$ 98,992</u> |

The accompanying notes are an integral part of this statement.

**LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

| | <u>Planning Fund</u> |
|---|----------------------|
| Revenues | |
| Local Transportation Funds | \$ 60,000 |
| Intergovernmental | 394,092 |
| Other Income | 1,316 |
| Total Revenues | 455,408 |
| Expenditures | |
| Salaries and Benefits | 144,097 |
| Professional Services | 139,691 |
| Special Departmental | 107,952 |
| Insurance | 2,682 |
| Office | 8,116 |
| Dues | 2,230 |
| Rent and Leases | 3,864 |
| County Wide Cost Allocation | 41,836 |
| Other Expenses | 4,696 |
| Total Expenditures | 455,164 |
| Excess Of Revenues Over (Under) Expenditures | 244 |
| Fund Balances - July 1 | 98,747 |
| Fund Balances - June 30 | \$ 98,991 |

The accompanying notes are an integral part of this statement.

**LASSEN COUNTY TANSPORTATION COMMISSION
RECONCILIATION OF THE THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

| | |
|--|-------------------|
| Net Changes in fund balances - total governmental funds | \$ 244 |
| Reconciling Items: | |
| The depreciation of capital assets is not recorded in the funds | <u>(4,479)</u> |
| Changes in net position of governmental activities - statement of activities | <u>\$ (4,235)</u> |

The accompanying notes are an integral part of this statement.

**LASSEN COUNTY TRANSPORTATION COMMISSION
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

| | 2014 | 2013 |
|---------------------------------------|-----------------|-----------------|
| ASSETS | Transit Fund | Transit Fund |
| Current Assets: | | |
| Cash | \$ 365,287 | \$ 141,084 |
| Total Current Assets | 365,287 | 141,084 |
| Property, Plant & Equipment, Net | 1,720,776 | 1,507,679 |
| Total Assets | \$ 2,086,063 | \$ 1,648,763 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Expenses | \$ 76,595 | \$ 53,743 |
| Total Liabilities | \$ 76,595 | \$ 53,743 |
| NET POSITION | | |
| Net Investment in Capital Assets | \$ 1,720,776 | \$ 1,507,679 |
| Unrestricted | 288,692 | 87,341 |
| Total Net Position | \$ 2,009,468 | \$ 1,595,020 |

The accompanying notes are an integral part of this statement.

**LASSEN COUNTY TRANSPORTATION COMMISSION
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FISCAL YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| | Transit Fund | Transit Fund |
| Operating Revenues: | | |
| Fare Revenues | \$ 207,265 | \$ 215,557 |
| Total Operating Revenue | <u>207,265</u> | <u>215,557</u> |
| Expenses: | | |
| Transportation and Travel | 128,009 | 138,352 |
| Maintenance | 10,205 | 13,269 |
| Insurance | 4,000 | 4,000 |
| Utilities | 22,292 | 17,249 |
| Professional Services | 892,300 | 900,723 |
| Special Department | 4,359 | 8,544 |
| Office Expense | 2,283 | 1,356 |
| Depreciation | 256,394 | 211,392 |
| Total Operating Expenses | <u>1,319,842</u> | <u>1,294,885</u> |
| Operating Income (Loss) | <u>(1,112,577)</u> | <u>(1,079,328)</u> |
| Non-Operating Revenues and (Expenses): | | |
| Federal Grant Revenue | 229,298 | 138,997 |
| Intergovernmental | 638,205 | 917,502 |
| Transfers In | 659,522 | 344,603 |
| Total Non-Operating Revenues and (Expenses) | <u>1,527,025</u> | <u>1,401,102</u> |
| Change in Net Position | <u>414,448</u> | <u>321,774</u> |
| Net Position, Beginning of Period | <u>1,595,020</u> | <u>1,273,246</u> |
| Net Position, End of Period | <u>\$ 2,009,468</u> | <u>\$ 1,595,020</u> |

The accompanying notes are an integral part of this statement.

**LASSEN COUNTY TRANSPORTATION COMMISSION
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

| | 2014 | 2013 |
|---|---------------------|---------------------|
| | Transit Fund | Transit Fund |
| Cash Flows from Operating Activities: | | |
| Cash Received From Passengers | \$ 207,265 | \$ 215,557 |
| Cash Payments to Suppliers for Goods and Services | <u>(1,040,596)</u> | <u>(1,093,067)</u> |
| Net Cash Provided (Used) by Operating Activities | (833,331) | (877,510) |
| Cash Flows from Non-Capital Financing Activities: | | |
| Received from Other Governmental Agencies | 867,503 | 1,056,499 |
| Other Financing Sources (Uses) | <u>659,522</u> | <u>344,603</u> |
| Net Cash Provided by Non- Capital Financing Activities | 1,527,025 | 1,401,102 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Purchases of Property and Equipment | <u>(469,491)</u> | <u>(452,890)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>(469,491)</u> | <u>(452,890)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 224,203 | 70,702 |
| Cash and Cash Equivalents: | | |
| Balance - July 1 | <u>141,084</u> | <u>70,382</u> |
| Balance - June 30 | <u>\$ 365,287</u> | <u>\$ 141,084</u> |
| Reconciliation: | | |
| Operating Income (Loss) | \$ (1,112,577) | \$ (1,079,328) |
| Depreciation and Amortization | 256,394 | 211,392 |
| Increase/(Decrease) in Accounts Payable | <u>22,852</u> | <u>(9,574)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (833,331)</u> | <u>\$ (877,510)</u> |

The accompanying notes are an integral part of this statement.

LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

| | <u>2014</u> Expendable Trust Funds | <u>2013</u> Expendable Trust Funds |
|-------------------------------------|--|--|
| <u>ASSETS</u> | | |
| Cash in the County Treasury | \$ 1,409,611 | \$ 744,288 |
| Due from other Governments | 99,667 | 100,478 |
| TOTAL ASSETS | <u><u>\$ 1,509,278</u></u> | <u><u>\$ 844,766</u></u> |
| <u>LIABILITIES AND NET POSITION</u> | | |
| Liabilities: | | |
| Deferred Revenue | \$ 60,311 | \$ 60,311 |
| TOTAL LIABILITIES | <u><u>\$ 60,311</u></u> | <u><u>\$ 60,311</u></u> |
| Net Position: | | |
| Held in Trust | \$ 1,448,967 | \$ 784,455 |
| TOTAL NET POSITION | <u><u>\$ 1,448,967</u></u> | <u><u>\$ 784,455</u></u> |

The accompanying notes are an integral part of this statement.

**LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

| | 2014 Expendable Trust Funds | 2013 Expendable Trust Funds |
|---|-----------------------------------|-----------------------------------|
| | <u> </u> | <u> </u> |
| Revenues | | |
| Sales Tax | \$ 628,768 | \$ 618,984 |
| Intergovernmental | 1,395,385 | 201,950 |
| Other Local Income | <u>1,352</u> | <u>1,172</u> |
| Total Revenues | <u>2,025,505</u> | <u>822,106</u> |
| Expenditures | | |
| Lassen County Transportation Commission | 60,000 | 60,000 |
| Lassen County Transit Services Agency | <u>1,300,993</u> | <u>1,243,071</u> |
| Total Expenditures | <u>1,360,993</u> | <u>1,303,071</u> |
| Excess Of Revenues Over (Under) | | |
| Expenditures | <u>664,512</u> | <u>(480,965)</u> |
| Net Position - July 1 | <u>784,455</u> | <u>1,265,420</u> |
| Net Position - June 30 | <u>\$ 1,448,967</u> | <u>\$ 784,455</u> |

The accompanying notes are an integral part of this statement.

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – REPORTING ENTITY

Lassen County Transportation Commission (the Commission) was created pursuant to California Government Code Section 67910, 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 does not exercise control over any other governmental commission or authority. Criteria used in determining the reportable entity was based on control or dependence determined on the basis of budget adoption, funding, and appointment of the respective governing board.

The Lassen County Transportation Commission accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Commission conform to U.S. generally accepted accounting principles and are applicable to governments. The following is a summary of the significant policies:

A. Description of Blended Component Unit

The Commission 's combined financial statements include the accounts of all its operations. The Commission evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Commission's reporting entity are set forth in GASB Statement No. 14 “The Financial Reporting Entity” and GASB Statement No. 39 “Determining Whether Certain Organizations Are Component Units.”

The Lassen Transit Service Agency, although a legally separate entity, is reported as if it were part of the primary government because the Board of Directors of the Commission is that component unit’s governing body, or appoints the majority of representatives to the unit’s governing board, or the unit provides services entirely to the Commission. Under the blended method of inclusion, the component unit’s balances and transactions are reported in a manner similar to the balances and transactions of the Commission itself.

As a result, the basic financial statements of the Commission include the Lassen Transit Service Agency (LTSA). The LTSA is a separate legal entity established to provide transit services within Lassen County. The financial operations of the LTSA are closely related, and members of the Board of Directors have continuing oversight responsibility.

Complete financial statements of the above component unit may be obtained directly from the Lassen Transit Service Agency, 707 Nevada Street, Ste. 4, Susanville, CA 96130.

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different governmental and business-type activities of the Commission. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Commission's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, grants, entitlements and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major Governmental and Proprietary Funds:

The Planning Fund is the operating fund of the Commission. The major revenue sources for this fund are state grants and local transportation funds. Expenditures are made for administration, as well as local and regional planning projects.

The Transit Fund collects fares from operating transportation services, as well as receiving local and state transit assistance, to operate and provide public transit services to the County of Lassen and the City of Susanville.

C. Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, entitlements, donations, and other miscellaneous income. On an accrual

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Commission considers revenues collected after its year-end to be available if they are collected within sixty days after year-end. Revenues from local sources consist primarily of taxes and charges for services. Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are received. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB standards.

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

D. Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the Special Revenue Fund.

Planning Fund – The Commission annually adopts a budget through the preparation of an overall work program. This work program describes the projects, or work elements, that are to be funded, and the type of funds that will pay for the expenditures, such as Rural Planning Assistance, Local Transportation, or Federal Transit Administration.

The work program, in draft form, is prepared by the Commission, submitted and approved by the Commission, and submitted to the State of California, Department of Transportation (Caltrans) in March and the final is approved by June 30. Caltrans, as the grantor of Rural Planning assistance and FTA funds, approves the work program, which then becomes part of the budget for the operating fund of the Commission.

Fiduciary Funds – There are two expendable trust funds, the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA). The LTF funds are available for transit, streets and roads, pedestrian and bicycle, administration of the Transportation Development Act (TDA), and the transportation planning. The STA funds are available for transit purposes.

The process for delivering the LTF and STA funds to the various recipients is as follows:

- The County Auditor-Controller works with the Lassen County Transportation Commission to prepare annual budgets.
- The Commission determines how much funding it will need for the planning work program and administration of the TDA, as well as how much of the funds will be reserved for pedestrian and bicycle facilities. The Commission then determines the split of LTF funds between the County and the Cities based upon the population amounts provided by the State of California Department of Finance. Each recipient is then notified of the amount of LTF funds available in its area of apportionment (apportionment being the process of dividing the funds based upon population). The County of Lassen then submits a claim for LTF funds as a joint power of eligible claimants, with transit needs required to be met before any streets and roads funds can be claimed.
- The Commission acts upon the one annual transit claim, adopting resolutions, and preparing allocation instructions that notify the recipient of the funds approved, and notifies the County Auditor-Controller of what expenditures are approved, and when they are to be paid.

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The STA process is similar, except that the estimate is made by the State of California Controller's Office, and the funds cannot be used for administration, streets and roads or pedestrian and bicycle facilities.

E. Fiduciary Fund Types

These funds account for assets held by the Commission as a trustee or agent for other units of governments. Private purpose trust funds are used by the Commission for the following purposes:

Local Transportation Fund (LTF) – This fund is utilized by the Commission, as trustee, to receive the ¼ of 1% retail sales tax that is returned to each county by the State Board of Equalization. These funds are apportioned and allocated by the Commission to eligible claimants for transit, transportation planning, and for administration of the TDA. While it is legal to allocate LTF fund for street and road purposes under certain conditions, the Commission has adopted a Local Transportation Reserve Fund policy that precludes any street and road allocations.

State Transit Assistance Fund (STA) – This fund is utilized by the Commission, as trustee, to receive sales tax derived from statewide sales of gasoline and diesel fuel. Each county receives its share of these funds based upon a population and operator revenue formula. These funds are allocated by the Commission to transit operators.

F. Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United State of America, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

G. Risk Management

The Commission is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The Commission is included within the terms of Lassen County's insurance coverage. Lassen County participates in a joint powers authority (JPA) called Trindel Insurance, to provide coverage for workers' compensation and general liability exposure and to pay for the administration of the program. Primary and excess workers' compensation insurance, as well as excess property and general liability insurance and reinsured through CSAC excess Insurance Authority. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past fiscal years. At June 30, 2014, Trindel Insurance Fund was classified as a claim-servicing or account pool, wherein Lassen County retains the risk of loss and is considered self-insured with regard to liability coverage.

**LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

H. Internal Balances

Internal balances are presented in the government-wide financial statement only. They represent the net interfund receivables and payable remaining after the elimination of all such balances within governmental activities and business-type activities.

I. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

J. Cash and Cash Equivalents

The cash that is maintained in the County of Lassen Treasury is considered a highly liquid demand account and as such meets the definition of cash or cash equivalent for purposes of the statement of cash flows.

K. Receivable and Payable Balances

The Commission believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

NOTE 3 –CASH AND INVESTMENTS

The Commission maintains a cash and investment pool with the County of Lassen for the Planning Fund and Fiduciary Funds. The County of Lassen allocates interest to the various funds based upon the average monthly cash balances. The Commission's cash on deposit with the Lassen County Treasury at June 30, 2013 totaled \$1,845,447, with \$70,549 in the Planning Fund, \$365,287 in the Transit Fund, and \$1,409,611 in the Fiduciary Funds.

Credit Risk, Carrying Amount and Market Value of Investments

The Commission maintains specific cash deposits with the County of Lassen and involuntarily participates in the external investment pool of the County of Lassen. The County of Lassen is restricted by state code in the types of investments it can make. Furthermore, the County of Lassen Treasurer has written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, the County of Lassen has an investment committee that performs regulatory oversight for its pool as required by California Government Code Section 27134. The County of Lassen's investment policy authorized the County of Lassen to invest in obligations of the U. S. Treasury, its agencies and

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer. These pooled funds are carried at cost, which closely approximates fair market value as determined by the pooled fund manager. Therefore, no adjustment has been made to reflect the current market value in the financial statements.

NOTE 4 –COMPENSATED ABSENCES

The Commission's labor is contracted out to the Lassen County Public Works Department. County of Lassen employees are entitled to certain compensated absences based on their length of employment. Compensated absences accumulate and are accrued when they are earned.

NOTE 5 –EQUITY CLASSIFICATIONS

Beginning with fiscal year ending June 30, 2011, the Commission implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Commission intends to use for a specific purpose. Intent can be expressed by the Commission or by an official or body to which the Commission delegates the authority. The Commission has chosen not to delegate this authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as obligated for future contracts). Assigned fund balance is established by the Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

**LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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.

For Government-Wide Financial Statements, equity is classified in three components as follows:

- Net Investment in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position consists of net assets with restrictions placed on their use either by external groups such as contributors, grantors or regulations of other governments, or law through constitutional provisions or enabling legislation.
- Unrestricted Net Position consists of all other net assets that do not meet the definition of in capital assets, net of “restricted” or “invested related debt.”

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.

NOTE 6 – CONTINGENCIES

The Commission receives revenue from Federal, State and Local agencies that have requirements to be followed when expending these revenues. If the requirements are not followed, the unauthorized expenditures would be a liability to be refunded to the appropriate agency.

The Commission is involved in various claims and litigation arising in the ordinary course of business. Commission management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a materially adverse effect on the Commission’s financial position or results of operations.

**LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical costs are not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

A summary of changes in fixed assets of the Governmental Fund follows:

| | Balance <u>06/30/13</u> | <u>Additions</u> | <u>Dispositions</u> | Balance <u>06/30/14</u> |
|------------------------------------|----------------------------|-------------------|---------------------|----------------------------|
| Vehicles and Other Equipment | \$ 46,481 | \$ - | \$ - | \$ 46,481 |
| Total | <u>46,481</u> | <u>-</u> | <u>-</u> | <u>46,481</u> |
| Accumulated Depreciation | <u>(42,001)</u> | <u>(4,479)</u> | <u>-</u> | <u>(46,480)</u> |
| Property, Plant and Equipment, Net | <u>\$ 4,481</u> | <u>\$ (4,479)</u> | <u>\$ -</u> | <u>\$ 1</u> |

A summary of changes in fixed assets of the Business-Type Fund follows:

| | Balance <u>06/30/13</u> | <u>Additions</u> | <u>Dispositions</u> | Balance <u>06/30/14</u> |
|------------------------------------|----------------------------|-------------------|---------------------|----------------------------|
| Land and Improvements | \$ 43,951 | \$ - | \$ - | \$ 43,951 |
| Buildings and Structures | 1,176,813 | 11,003 | - | 1,187,816 |
| Vehicles and Other Equipment | 1,981,226 | 454,462 | - | 2,435,688 |
| Construction in Progress | <u>-</u> | <u>4,198</u> | <u>-</u> | <u>4,198</u> |
| Total | <u>3,201,990</u> | <u>469,663</u> | <u>-</u> | <u>3,671,653</u> |
| Accumulated Depreciation | <u>(1,694,483)</u> | <u>(256,394)</u> | <u>-</u> | <u>(1,950,877)</u> |
| Property, Plant and Equipment, Net | <u>\$ 1,507,679</u> | <u>\$ 213,269</u> | <u>\$ -</u> | <u>\$ 1,720,776</u> |

Depreciation and amortization was charged to functions as follows:

| | |
|-----------------------------|-------------------|
| Planning and Administration | <u>\$ 4,479</u> |
| Transit | <u>\$ 256,394</u> |

**LASSEN COUNTY TRANSPORTATION COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the assets' useful life ranging between 3-10 years.

NOTE 8 – TRANSACTIONS WITH RELATED ENTITY

The Commission subleases office space from the Lassen County Road Fund, a related entity. The Commission paid \$3,864 in lease costs during the fiscal year ended June 30, 2014

The Commission has an informal agreement with the County of Lassen to assist in the managing its operations. The County also provides professional services to the Commission upon request.

NOTE 9 – 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 the 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.

During the fiscal year ended June 30, 2014, the Commission received \$1,203,051 from the State's PTMISEA account. As of June 30, 2014, \$454,462 of PTMISEA funds were used for bus purchases and \$11,003 was used for structure improvements. The balance of \$737,586 remains in the state transit trust fund. Qualifying expenditures must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

As of June 30, 2014, PTMISEA funds received and expended were verified in the course of our audit as follows:

| | |
|-----------------------------------|-------------------|
| Balance at June 30, 2013 | \$ - |
| Interest Earned | - |
| PTMISEA funding received: | 1,203,051 |
| Program expenditures: | <u>(465,465)</u> |
| Unexpended funds at June 30, 2014 | <u>\$ 737,586</u> |

**LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

| | |
|-----------------------------------|-------------------|
| Balance at June 30, 2013 | \$ - |
| Interest Earned | - |
| PTMISEA funding received: | 1,203,051 |
| Program expenditures: | <u>(465,465)</u> |
| Unexpended funds at June 30, 2014 | <u>\$ 737,586</u> |

NOTE 10 – FARE REVENUE RATIO

The System is required under the Transportation Development Act to maintain a fare revenue to operating expenses ratio of 10%. The calculation of the fare revenue ratio for the year ended June 30, 2014, is as follows:

| | |
|--------------------|---------------------|
| Fare Revenue | \$ <u>207,265</u> |
| Operating Expenses | \$ 1,319,842 |
| Less Depreciation | <u>(256,394)</u> |
| | <u>\$ 1,063,448</u> |
| Fare Revenue Ratio | 19.5% |

NOTE 11- SUBSEQUENT EVENTS

In preparing these financial statements, the Lassen County Transportation Commission has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

NOTE 12 – COMPLIANCE AND ACCOUNTABILITY

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, should be reported, along with actions taken to address such violations:

No violations of finance-related legal and contractors provision, or deficit Fund Net Assets existed at June 30, 2014.

**LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

3. Excess of Expenses and Expenditures over Budget

As of June 30, 2014, expenses and expenditures exceeded budget as follows:

| <u>Budget Category</u> | <u>Amount</u> |
|----------------------------|--------------------|
| Planning Fund: | |
| Special Department Expense | <u>\$ 469</u> |
| Transit Fund: | |
| Depreciation | <u>\$ 256,394</u> |

Planning Fund – Expenditures exceeded budget due to unanticipated expenditures.

Transit Fund – The Commission did not budget for depreciation.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**LASSEN COUNTY TRANSPORTATION COMMISSION
 PLANNING FUND BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014**

| | Planning Fund | | | Variance Favorable (Unfavorable) |
|---|--------------------|--------------------|------------------|--|
| | Budget Amounts | | Actual | |
| | Original | Final | | |
| Revenues | | | | |
| Local Transportation Funds | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ - |
| Intergovernmental | 461,483 | 461,483 | 394,092 | (67,391) |
| Interest | 100 | 100 | 1,316 | 1,216 |
| Total Revenues | <u>521,583</u> | <u>521,583</u> | <u>455,408</u> | <u>(66,175)</u> |
| Expenditures | | | | |
| Salaries and Benefits | 170,133 | 170,133 | 144,097 | 26,036 |
| Professional Services | 198,250 | 198,250 | 139,691 | 58,559 |
| Special Department | 107,483 | 107,483 | 107,952 | (469) |
| Insurance | 2,682 | 2,682 | 2,682 | - |
| Office | 9,500 | 9,500 | 8,116 | 1,384 |
| Dues | 2,500 | 2,500 | 2,230 | 270 |
| Rent and Leases | 4,730 | 4,730 | 3,864 | 866 |
| County Wide Cost Allocation | 46,995 | 46,995 | 41,836 | |
| Other Expenses | 9,848 | 9,848 | 4,696 | 5,152 |
| Total Expenditures | <u>552,121</u> | <u>552,121</u> | <u>455,164</u> | <u>96,957</u> |
| Excess of Revenues Over (Under) Expenditures | <u>\$ (30,538)</u> | <u>\$ (30,538)</u> | 244 | <u>\$ 30,782</u> |
| Fund Balance - July 1 | | | <u>98,747</u> | |
| Fund Balance - June 30 | | | <u>\$ 98,991</u> | |

**LASSEN COUNTY TRANSPORTATION COMMISSION
TRANSIT FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

| | Budget Amounts | | Actual | Variance |
|---|---------------------|---------------------|--------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Operating Revenues: | | | | |
| Fare Revenues | \$ 200,000 | \$ 200,000 | \$ 207,265 | \$ 7,265 |
| Total Operating Revenue | <u>200,000</u> | <u>200,000</u> | <u>207,265</u> | <u>7,265</u> |
| Expenses: | | | | |
| Transportation and Travel | 150,000 | 150,000 | 128,009 | 21,991 |
| Equipment & Building Maintenance | 42,000 | 42,000 | 10,205 | 31,795 |
| Insurance | 8,000 | 8,000 | 4,000 | 4,000 |
| Utilities | 26,500 | 26,500 | 22,292 | 4,208 |
| Professional and Special Services | 1,032,831 | 1,032,831 | 892,300 | 140,531 |
| Special Departmental | 15,000 | 15,000 | 4,359 | 10,641 |
| Office Expense | 4,000 | 4,000 | 2,283 | 1,717 |
| Depreciation | - | - | 256,394 | (256,394) |
| | <u>1,278,331</u> | <u>1,278,331</u> | <u>1,319,842</u> | <u>(41,511)</u> |
| Operating Income (Loss) | <u>(1,078,331)</u> | <u>(1,078,331)</u> | <u>(1,112,577)</u> | <u>(34,246)</u> |
| Non-Operating Revenue (Expense): | | | | |
| Federal Grant Revenue | 229,298 | 229,298 | 229,298 | - |
| Intergovernmental | 940,650 | 940,650 | 638,205 | (302,445) |
| Operating Transfers In | 1,339,352 | 1,339,352 | 659,522 | (679,830) |
| Total Non-Operating Revenues (Expenses) | <u>2,509,300</u> | <u>2,509,300</u> | <u>1,527,025</u> | <u>(982,275)</u> |
| Change in Net Position | <u>\$ 1,430,969</u> | <u>\$ 1,430,969</u> | <u>\$ 414,448</u> | <u>\$ (1,016,521)</u> |

**OTHER SUPPLEMENTARY
INFORMATION**

**LASSEN COUNTY TRANSPORTATION COMMISSION
 COMBINING BALANCE SHEET
 EXPENDABLE TRUST FUNDS
 JUNE 30, 2014**

| | <u>Local Transportation Trust Fund</u> | <u>State Transit Assistance Fund</u> | <u>Total</u> |
|---|--|--|---------------------|
| <u>ASSETS</u> | | | |
| Cash in County Treasury | \$ 609,182 | \$ 800,429 | \$ 1,409,611 |
| Due from other Governments | 47,300 | 52,367 | 99,667 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$ 656,482</u> | <u>\$ 852,796</u> | <u>\$ 1,509,278</u> |
| <u>LIABILITIES AND NET POSITION</u> | | | |
| Liabilities: | | | |
| Unearned Revenue | \$ - | \$ 60,311 | \$ 60,311 |
| Total Liabilities | <u>\$ -</u> | <u>\$ 60,311</u> | <u>\$ 60,311</u> |
| Net Position: | | | |
| Held in Trust | <u>656,482</u> | <u>792,485</u> | <u>1,448,967</u> |
| Total Net Position | <u>656,482</u> | <u>792,485</u> | <u>1,448,967</u> |
| <u>TOTAL LIABILITIES AND NET POSITION</u> | <u>\$ 656,482</u> | <u>\$ 792,485</u> | <u>\$ 1,448,967</u> |

**LASSEN COUNTY TRANSPORTATION COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FIDUCIARY NET POSITION
 EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014**

| | Local Transportation Trust Fund | State Transit Assistance Fund | Total |
|---|---------------------------------------|-------------------------------------|-------------------------|
| Revenues | | | |
| Sales Tax | \$ 628,768 | \$ - | \$ 628,768 |
| Intergovernmental | - | 1,395,385 | 1,395,385 |
| Other Local Income | <u>1,252</u> | <u>100</u> | <u>1,352</u> |
| Total Revenues | <u>630,020</u> | <u>1,395,485</u> | <u>2,025,505</u> |
| Expenditures | | | |
| Lassen County Transportation Commission | 60,000 | | 60,000 |
| Lassen County Transit Services Agency | <u>641,371</u> | <u>659,622</u> | <u>1,300,993</u> |
| Total Expenditures | <u>701,371</u> | <u>659,622</u> | <u>1,360,993</u> |
| Excess Of Revenues Over (Under) Expenditures | <u>(71,351)</u> | <u>735,863</u> | <u>664,512</u> |
| Net Position - July 1 | <u>727,833</u> | <u>56,622</u> | <u>784,455</u> |
| Net Position - June 30 | <u>\$ 656,482</u> | <u>\$ 792,485</u> | <u>\$ 1,448,967</u> |

**LASSEN COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATION AND EXPENDITURES
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2014**

| | Public Utilities Code Section | | | Total |
|--|-------------------------------|-------------------------------|---|------------|
| | Administration 99233.1 | Streets and Roads 99234 | Contracted Transit Services 99400 (c) | |
| Allocations | | | | |
| Sales Tax | \$ 13,616 | \$ - | \$ 615,152 | \$ 628,768 |
| Total Allocations | 13,616 | - | 615,152 | 628,768 |
| Expenditures | | | | |
| Lassen County Transportation Commission | 13,616 | - | - | 13,616 |
| Lassen County Transit Services Agency | - | - | 615,152 | 615,152 |
| Total Expenditures | 13,616 | - | 615,152 | 628,768 |
| Excess Of Allocations Over (Under) Expenditures | \$ - | \$ - | \$ - | \$ - |

**LASSEN COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

| | Public Utilities Code Section General Public <u>6731</u> |
|--|---|
| Allocation | |
| State Transit Assistance | \$ <u>191,946</u> |
| Total Allocations | <u>191,946</u> |
| Expenditures | |
| Lassen Transit Services Agency | <u>191,946</u> |
| Total Expenditures | <u>191,946</u> |
| Excess Of Allocations Over (Under) Expenditures | \$ <u>-</u> |

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS OF THE
CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION
INSTRUCTIONS AND RESOLUTIONS OF THE LOCAL TRANSPORTATION COMMISSION**

Board of Commissioners
Lassen County Transportation Commission
Susanville, California

Report on State Compliance

We have audited the financial statements of the Transportation Development Act Funds of the Lassen County Transportation Commission as of and for the year ended June 30, 2014 and have issued a report thereon dated November 15, 2014.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulation, contracts, and grant applicable to its state programs.

Auditor's Responsibility

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. We have also audited the Commission's compliance with the California Code of Regulations Sections 6661, 6662, 6666 and 6751 that are applicable to Lassen County Transportation Commission. Additionally, we performed tests to determine that expenditures paid by the Lassen Transit Service Agency were made in accordance with the allocation instructions and resolutions of Lassen County Transportation Commission and in conformance with the California Transportation Development Act. Also as part of our audit, we performed test of compliance to determine whether certain state bond funds were received and expended in accordance with applicable bond act and state accounting requirements. Compliance with the requirements referred to above is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items above occurred. An audit includes examining, on a test basis, evidence about the Commission'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. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

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Opinion on State Compliance

In our opinion, the Lassen County Transportation Commission complied, in all material respects, with the statutes, rules, and regulations of the California Transportation Development Act, the allocation instructions and resolutions, and the with applicable bond act and state accounting requirements.

Purpose of This Report

The report is intended solely for the information and use of Lassen County Transportation Commission, the California Department of Transportation, and the State Controller's Office and should not be used by anyone other than these specified parties.

Respectfully submitted,


Singleton Auman PC
November 15, 2014

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

Board of Commissioners
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, business-type activities, each major fund, and the aggregate remaining fund information of the Lassen County Transportation Commission as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 15, 2014.

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 opinions 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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in

internal control over financial reporting that we consider to be a material weakness, as defined above.

A significant deficiency is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Commission’s financial statements are free of 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. 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 that are required to be reported under *Government Auditing Standards*.

Also as part of our audit, we performed tests of compliance to determine whether certain state bond funds were received and expended in accordance with the applicable bond act and state accounting requirements.

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 replacements.

As of June 30, 2014, PTMISEA funds received and expended were verified in the course of our audit is as follows:

Schedule of PTMISEA Bond 1B Funds
For the Year Ended June 30, 2014

| Description | Amount |
|---------------------------------|-------------------|
| Balance - Beginning of the Year | \$ - |
| Revenue: PTMISEA Funds Received | 1,203,051 |
| Expenses: Program Expenditures | (465,465) |
| Balance - End of the Year | <u>\$ 737,586</u> |

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 the Report

This 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 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "SingletonAuman PC", with a stylized flourish at the end.

SingletonAuman PC
Susanville, CA
November 15, 2014

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**LASSEN COUNTY TRANSPORTATION COMMISSION
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

EXECUTIVE SUMMARY

The Commission provides regional transportation planning activities for the area of Lassen County.

The quality of the Commission's internal controls is dependent upon oversight by the Board Members. A summary of the auditors' results follows:

1. **Type of Auditors' Report on Financial Statements:** Unmodified.
2. **Internal Control Findings:** 1 Significant Deficiency, No Material Weaknesses
3. **Material Noncompliance Noted:** None.

**LASSEN COUNTY TRANSPORTATION COMMISSION
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

**YELLOW BOOK SECTION
Significant Deficiency**

Finding 2014-1 Financial Reporting

Criteria Upon Which Audit Finding is Based (Legal Citation)

Statement on Auditing Standards No. 122.

Finding (Condition)

Similar to many other small governmental agencies, the Commission does not have policies and procedures in place to ensure that complete and accurate financial statements, MD&A and footnote disclosures are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Amount of Questioned Cost, How Computed and Prevalence

None.

Effect

There is a risk that a material financial statement misstatement may exist and not be prevented or detected by the Agency's system of internal control.

Cause

This condition has always existed at the Commission, due to lack of personnel.

Recommendation

We recommend that the Commission consider the cost benefit of hiring an accountant familiar with GAAP or contracting with an independent CPA firm to compile financial statements in conformity with GAAP.

Commission's Response

The Commission will continue to rely on the independent auditor to prepare its annual financial statements.

**LASSEN COUNTY TRANSPORTATION COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
(FINDINGS FROM THE JUNE 30, 2013 AUDIT REPORT)
FOR THE YEAR ENDED JUNE 30, 2014**

Finding

Status

Finding 2013-1 Financial Reporting

Not Implemented. See
Year Finding 2014-1.

**LASSEN COUNTY TRANSPORTATION COMMISSION
CORRECTIVE ACTION PLAN
JUNE 30, 2014**

Person Monitoring Corrective Action Plan

Larry Millar, Executive Director

Finding 2014-1 Financial Reporting

Finding (Condition)

Similar to many other small governmental agencies, the Commission does not have policies and procedures in place to ensure that complete and accurate financial statements, MD&A and footnote disclosures are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Corrective Action Planned

The Commission has determined that the costs of correcting this control weakness outweigh the benefits to be received. The Commission will continue to rely on the independent auditor to prepare its annual financial statements.

Expected Completion Date

Ongoing.