

LASSEN COUNTY TRANSPORTATION COMMISSION,

LASSEN COUNTY CALIFORNIA

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2017**

**LASSEN COUNTY TRANSPORTATION COMMISSION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Commission Officials	I
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities and Changes in Net Position	5-6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet and reconciliation of the Governmental Fund Balances to the Government-Wide Statement of Net Position - Governmental Activities	7
Statement of Revenues, Expenditures, and Changes in Fund Balances and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities -Governmental Activities ...	8
Proprietary Funds:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Fiduciary Funds:	
Statement of Fiduciary Net Position	12
Statement of Changes in Fiduciary Net Position	13
Notes to Basic Financial Statements	14-25
Required Supplementary Information (Unaudited):	
Budgetary Comparison Schedule - Budgetary Basis - General Fund	26
Notes to Required Supplementary Information	
Other Report and Schedules:	
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	27-28
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	29-30

**LASSEN COUNTY TRANSPORTATION COMMISSION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

Page

Supporting Schedules:

SCHEDULE ONE - Local Transportation Funds Schedule of Allocations and Expenditures.	31
SCHEDULE TWO - State Transit Assistance Fund Schedule of Allocations and Expenditures.	32
SCHEDULE THREE - Public Transportation, Modernization, Improvement and Service Enhancement Account (Ptmisea), Schedule of Proceeds and Expenditures	33

INTRODUCTORY SECTION

Commission Officials

THIS PAGE INTENTIONALLY LEFT BLANK

**LASSEN COUNTY TRANSPORTATION COMMISSION
CITY OFFICIAL
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Name</u>	<u>Office</u>
Kathie Garnier, Chair (City Council)	Commissioner
Jeff Hemphill, Vice Chair (Co. Supervisor)	Commissioner
Brian Wilson (City Council)	Commissioner
David Teeter (Co. Supervisor)	Commissioner
Joe Franco (City Council)	Commissioner
Aaron Albaugh (Co. Supervisor)	Commissioner

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

Independent Auditor's Report
Management Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Combining Nonmajor Fund Statements

THIS PAGE INTENTIONALLY LEFT BLANK

Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Members of the Commission
Lassen County Transportation Commission
Susanville, California

Report On the Financial Statements

I have audited the accompanying consolidated financial statements of Lassen County Transportation Commission (the Commission), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, I 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 consolidated financial statements.

Members of the Commission
Lassen County Transportation Commission
Susanville, California

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Lassen County Transportation Commission as of June 30, 2017, and the changes in their net assets and their cash flows 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 required supplementary information and budgetary comparison information on pages 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Management has elected to omit the Management Discussion and Analysis.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lassen County Transportation Commission's basic financial statements. The introductory section, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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

Lassen County Transportation Commission
Susanville, California

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 Members of the Commission procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 28, 2018, on my consideration of the Commission's internal control over financial reporting and on my 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 my 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* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. The introductory section and the combining non-major fund statements, unaudited, on pages 49 through 59 are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory sectional not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Donald R. Reynolds, CPA
Redding, California
February 28, 2018

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 541,029	\$ 385,413	\$ 926,442
Other receivables	-	-	-
Due from other governmental agencies	107,992	-	107,992
Capital assets:			
Non-depreciable	-	43,951	43,951
Depreciable, net	-	1,528,055	1,528,055
Total capital assets	-	1,572,006	1,572,006
Total Assets	\$ 649,021	\$ 1,957,419	\$ 2,606,440
LIABILITIES			
Accounts payable	\$ 12,515	\$ 69,873	\$ 82,388
Due to other governmental agencies	135,777	-	135,777
Total Liabilities	\$ 148,292	\$ 69,873	\$ 218,165
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	\$ 4,172	\$ -	\$ 4,172
	\$ 4,172	\$ -	\$ 4,172
NET POSITION			
Invested in capital assets, net of related debt	\$ -	\$ 1,572,006	\$ 1,572,006
Unrestricted	496,557	315,540	812,097
Total Net Position	\$ 496,557	\$ 1,887,546	\$ 2,384,103

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

**LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Transportation planning related expenditure	\$ 615,031	\$ -	\$ 202,214
Allocation: Lassen Transit Agency	404,995	-	133,751
Allocation: Streets and Roads	40,270	-	-
Administration and other	-	-	-
Total Governmental Activities	<u>1,060,296</u>	<u>-</u>	<u>335,965</u>
Business-type activities:			
Public transit	<u>1,248,129</u>	<u>132,028</u>	<u>-</u>
Total Business-Type Activities	<u>1,248,129</u>	<u>132,028</u>	<u>-</u>
Total	<u>\$ 2,308,425</u>	<u>\$ 132,028</u>	<u>\$ 335,965</u>

General revenues:
 Grants and contributions - unrestricted
 Interest and investment earnings
 Miscellaneous
 Loss on disposal
 Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior period adjustment

Net Position - Beginning, Restated

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position			
Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
\$ -	\$ (412,817)	\$ -	\$ (412,817)
-	(271,244)	-	(271,244)
-	(40,270)	-	(40,270)
-	-	-	-
-	(724,331)	-	(724,331)
-	-	(1,116,101)	(1,116,101)
-	-	(1,116,101)	(1,116,101)
\$ -	(724,331)	(1,116,101)	(1,840,432)
	-	1,390,115	1,390,115
	7,987	1,732	9,719
	-	60	60
	-	(11,945)	-
	195,804	138,176	333,980
	203,791	1,518,138	1,733,874
	(520,540)	402,037	(106,558)
	1,017,097	1,485,509	2,502,606
	-	-	-
	1,017,097	1,485,509	2,502,606
	\$ 496,557	\$ 1,887,546	\$ 2,396,048

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

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

LASSEN COUNTY TRANSPORTATION COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

ASSETS	General Fund (Fund 308)	Local Transportation Funds (Fund 573)	Total
Cash and investments	\$ 395,517	\$ 145,512	\$ 541,029
Due from other governmental agencies	63,282	44,710	107,992
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u>458,799</u>	\$ <u>190,222</u>	\$ <u>649,021</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 12,515	\$ -	\$ 12,515
Due to other governmental agencies	135,777	-	135,777
Due to other funds	-	-	-
Unearned revenue	<u>4,172</u>	<u>-</u>	<u>4,172</u>
Total Liabilities	<u>152,464</u>	<u>-</u>	<u>152,464</u>
 FUND BALANCES			
Designated	-	-	-
Undesignated	306,335	-	306,335
Special revenue funds Undesignated	<u>-</u>	<u>190,222</u>	<u>190,222</u>
Total Fund Balances	<u>306,335</u>	<u>190,222</u>	<u>496,557</u>
Total Liabilities and Fund Balances	\$ <u>458,799</u>	\$ <u>190,222</u>	\$ <u>649,021</u>

**LASSEN COUNTY TRANSPORTATION COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF
NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2017**

Total Fund Balance - Total Governmental Funds	\$	496,557
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.		-
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds. Deferred inflows and outflows of resources		-
Net Position of Governmental Activities:	\$	<u>496,557</u>

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

**LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES	General		Local		Total
	Fund	(Fund	Funds	(Fund	
	308)	573)	573)	573)	
State Rural Planning Assistance	\$ 202,214	\$ -	\$ -	\$ -	\$ 202,214
State funds, other	89,041	-	-	-	89,041
Local Transportation Funds	-	44,710	44,710	-	44,710
Use of money	3,687	4,300	4,300	-	7,987
Other revenues	-	-	-	-	-
Total Revenues	294,942	49,010	49,010	-	343,952
EXPENDITURES					
Current:					
Transportation planning and related expenditures	615,031	-	-	-	615,031
Allocation - Lassen Transit Agency	-	404,995	404,995	-	404,995
Administration	40,270	-	-	-	40,270
Other	-	-	-	-	-
Total Expenditures	655,301	404,995	404,995	-	1,060,296
Excess of Revenues Over (Under) Expenditures	(360,359)	(355,985)	(355,985)	-	(716,344)
OTHER FINANCING SOURCES (USES)					
Transfers in	220,745	34,712	34,712	-	255,457
Transfers out	-	(59,653)	(59,653)	-	(59,653)
Total Other Financing Sources (Uses)	220,745	(24,941)	(24,941)	-	195,804
Net Change in Fund Balances	(139,614)	(380,926)	(380,926)	-	(520,540)
Fund Balances - Beginning	445,949	\$ 571,148	\$ 571,148	\$ -	\$ 1,017,097
Prior period adjustment	-	-	-	-	-
Fund Balances - Beginning, Restated	445,949	571,148	571,148	-	1,017,097
Fund Balances - Ending	\$ 306,335	\$ 190,222	\$ 190,222	\$ -	\$ 496,557

**LASSEN COUNTY TRANSPORTATION COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds. \$ (520,540)

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

Governmental funds report capital outlays as expenditures. However, in the statement of
activities the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense. None

Debt proceeds provide current financial resources to governmental funds, but issuing
debt increases long-term liabilities in the statement of Net Position. Repayment of
principal is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of Net Position. None

Some revenues reported in the statement of activities will not be collected for several
months after the City's year end and do not provide current financial resources and
therefore are not reported as revenues in the governmental funds. None

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the
governmental funds. None

Change In Net Position of Governmental Activities \$ (520,540)

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

LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	<u>Business-Type Activities -</u>	
	Lassen Transit Service (Fund 570)	Total
ASSETS		
Cash and investments	\$ 385,413	\$ 385,413
Capital assets:		
Non-depreciable	43,951	43,951
Depreciable, net	1,528,055	1,528,055
Total Assets	<u>\$ 1,957,419</u>	<u>\$ 1,957,419</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 69,873	\$ 69,873
Accrued Interest	-	-
Due to other governmental agencies	-	-
Deposits payable	-	-
Due to other funds	-	-
Total Liabilities	<u>69,873</u>	<u>69,873</u>
NET POSITION		
Invested in capital assets, net of related debt	1,572,006	1,572,006
Restricted for:		
Energy scheduling services	-	-
Unrestricted	315,540	315,540
Total Net Position	<u>\$ 1,887,546</u>	<u>\$ 1,887,546</u>

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

**LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities -	
	Lassen Transit Service (Fund 570)	Total
OPERATING REVENUES		
Charges for services	\$ 132,028	\$ 132,028
Total Operating Revenues	<u>132,028</u>	<u>132,028</u>
OPERATING EXPENSES		
Professional fees	830,347	830,347
Administrative costs	5,062	5,062
Transportation and travel	75,691	75,691
Utilities	24,456	24,456
Insurance	4,000	4,000
Depreciation	302,652	302,652
Other expense	5,921	5,921
Total Operating Expenses	<u>1,248,129</u>	<u>1,248,129</u>
Operating Income (Loss)	<u>(1,116,101)</u>	<u>(1,116,101)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,732	1,732
Intergovernmental revenues	1,390,115	1,390,115
Other revenues	60	60
Loss on disposal	(11,945)	(11,945)
Total Non-Operating Revenues (Expenses)	<u>1,379,962</u>	<u>1,379,962</u>
Income (Loss) Before Transfers	<u>263,861</u>	<u>263,861</u>
Transfers in	138,176	138,176
Transfers out	-	-
Change in Net Position	<u>402,037</u>	<u>402,037</u>
Total Net Position - Beginning	1,485,509	1,485,509
Prior period adjustment	-	-
Total Net Position - Beginning, Restated	<u>1,485,509</u>	<u>1,485,509</u>
Total Net Position - Ending	<u>\$ 1,887,546</u>	<u>\$ 1,887,546</u>

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

**LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activities -</u>	
	<u>Transit Service Capital Reserve</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 132,028	\$ 132,028
Payments to suppliers	(116,160)	(116,160)
Payments to employees	<u>(830,347)</u>	<u>(830,347)</u>
Net Cash Provided (Used) by Operating Activities	<u>(814,479)</u>	<u>(814,479)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants and other receipts	1,390,115	1,390,115
Transfers to other funds	<u>138,176</u>	<u>138,176</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,528,291</u>	<u>1,528,291</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(389,169)</u>	<u>(389,169)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(401,114)</u>	<u>(401,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends and other	<u>1,792</u>	<u>1,792</u>
Net Cash Provided (Used) by Investing Activities	<u>1,792</u>	<u>1,792</u>
Net Increase (Decrease) in Cash and Cash Equivalents	314,490	314,490
Balances - Beginning of the Year	<u>70,923</u>	<u>70,923</u>
Balances - End of the Year	\$ <u><u>385,413</u></u>	\$ <u><u>385,413</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ (1,116,101)	\$ (1,116,101)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	302,652	302,652
Decrease (increase) in:		
Increase (decrease) in:		
Accounts payable	(1,030)	(1,030)
Due to other governments	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(814,479)</u></u>	\$ <u><u>(814,479)</u></u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Local Transportation Fund (Fund 571)	State Transit Assistance Fund (Fund 572)	Totals
ASSETS			
Cash and investments	\$ 941,483	\$ 9,334	950,817
Due from other governmental agencies	<u>113,400</u>	<u>31,508</u>	<u>144,908</u>
Total Assets	<u>\$ 1,054,883</u>	<u>\$ 40,842</u>	<u>\$ 1,095,725</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Unreserved:			
Undesignated	<u>1,054,883</u>	<u>40,842</u>	<u>1,095,725</u>
Total Fund Balances	<u>1,054,883</u>	<u>40,842</u>	<u>1,095,725</u>
Total Liabilities and Fund Balances	<u>\$ 1,054,883</u>	<u>\$ 40,842</u>	<u>\$ 1,095,725</u>

LASSEN COUNTY TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Local Transportation Fund (Fund 571)	State Transit Assistance Fund (Fund 572)	Totals
REVENUES			
Sales tax	\$ 879,208	\$ -	\$ 879,208
State funds, other	-	115,058	115,058
Use of money	10,744	60	10,804
Other revenues	-	-	-
Total Revenues	<u>889,952</u>	<u>115,118</u>	<u>1,005,070</u>
EXPENDITURES			
Current:			
Allocation - Lassen Transit Agency	788,727	-	788,727
Other	-	-	-
Total Expenditures	<u>788,727</u>	<u>-</u>	<u>788,727</u>
Excess of Revenues Over(Under) Expenditures	<u>101,225</u>	<u>115,118</u>	<u>216,343</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	59,654	-	59,654
Transfers out	<u>(255,457)</u>	<u>(138,176)</u>	<u>(393,633)</u>
Total Other Financing Sources (Uses)	<u>(195,803)</u>	<u>(138,176)</u>	<u>(333,979)</u>
Net Change in Fund Balances	(94,578)	(23,058)	(117,636)
Fund Balances - Beginning	1,149,461	63,900	1,213,361
Prior period adjustment	-	-	-
Fund Balances - Beginning, Restated	<u>1,149,461</u>	<u>63,900</u>	<u>1,213,361</u>
Fund Balances - Ending	<u>\$ 1,054,883</u>	<u>\$ 40,842</u>	<u>\$ 1,095,725</u>

See the accompanying notes
to the required supplementary
information.

BASIC FINANCIAL STATEMENTS

Notes to Basic Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 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 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, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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 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.

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.

**LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets (Continued)

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:

1. The County Auditor-Controller works with the Lassen County Transportation Commission to prepare annual budgets.
2. 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.
3. 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.

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:

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Local Transportation Fund (LTF) - This fund is utilized by the Commission, as trustee, to receive the 1/4 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, 2017, 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.

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.

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2017 totaled \$1,951,540, with \$784,456 in the Planning Fund, \$70,923 in the Transit Fund, and \$1,096,161 in the Fiduciary Funds.

A. 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 instrumentalities, certificates of deposit, commercial

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 CASH (Continued)

A. Credit Risk, Carrying Amount and Market Value of Investments (Continued)

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

The following equity classifications describe the relative strength of the spending constraints:

1. ***Nonspendable fund balance*** - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
2. ***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.
3. ***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.
4. ***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.
5. ***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

**LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 EQUITY CLASSIFICATIONS (Continued)

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).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. 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.

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

1. 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.
2. 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.
3. Unrestricted Net Position consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

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, 2017

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.

Capital assets activity for the year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
<i>Governmental activities:</i>					
Capital assets, being depreciated:					
Vehicles and other equipment	\$ 46,481	\$ -	\$ -	\$ -	\$ 46,481
Total capital assets, being depreciated	<u>46,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,481</u>
Less accumulated depreciation	<u>(46,481)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,481)</u>
Total capital assets, Being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Business-Type activities:</i>					
Capital assets, not being depreciated:					
Land	\$ 43,951	\$ -	\$ -	\$ -	\$ 43,951
Construction in progress - Water	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets not being depreciated	<u>43,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,951</u>
Capital assets, being depreciated:					
Buildings and Infrastructure	1,192,014	292,068	-	-	1,484,082
Vehicles and Equipment	<u>2,694,378</u>	<u>292,759</u>	<u>(201,143)</u>	<u>-</u>	<u>2,785,994</u>
Total capital assets, being depreciated	<u>3,886,392</u>	<u>584,827</u>	<u>(201,143)</u>	<u>-</u>	<u>4,270,076</u>
Accumulated Depreciation	<u>(2,444,854)</u>	<u>(302,652)</u>	<u>189,034</u>	<u>-</u>	<u>(2,558,472)</u>
Less accumulated depreciation	<u>(1,441,538)</u>	<u>282,175</u>	<u>(12,109)</u>	<u>-</u>	<u>(1,711,604)</u>
Total capital assets, being depreciated, net	<u>1,441,538</u>	<u>282,175</u>	<u>(12,109)</u>	<u>-</u>	<u>1,711,604</u>
Total business-type activities, net	<u>\$ 1,485,489</u>	<u>\$ 282,175</u>	<u>\$ (12,109)</u>	<u>\$ -</u>	<u>\$ 1,755,555</u>

Depreciation expense was charged to business-type functions as follows:

Depreciation Expense - Transit \$ 302,652

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets with a value of \$5,000 or more and with a useful life of one year or more are capitalized.

LASSEN COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 CAPITAL ASSETS (Continued)

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 \$1,622 in lease costs during the fiscal year ended June 30, 2017.

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, 2017, \$404,994 of PTMISEA funds were used for bus maintenance bay expansion. The balance of \$132,856 remains in the state transit 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, 2017, PTMISEA funds received and expended were verified in the course of our audit as follows:

Following is a recap of PTMISEA activity for the year ended June 30, 2017:

Beginning Balance, July 1, 2016	\$ 533,550
PTMISEA Proceeds Received	-
Investment Earnings	<u>4,300</u>
Subtotal	537,850
PTMISEA Funds Expended	<u>(404,994)</u>
Unexpended PTMISEA proceeds, June 30, 2017	\$ <u><u>132,856</u></u>

**LASSEN COUNTY TRANSPORTATION COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

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, 2017 is as follows:

<u>Program:</u>	Passenger Fare <u>Revenues</u>	Operating <u>Expenses</u>	Less <u>Depreciation</u>	Net Operating <u>Costs</u>	<u>Ratio</u>
Lassen Transit	\$ 132,028	\$ 1,260,074	\$ (302,652)	\$ 957,422	13.79%

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, February 28, 2017.

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, 2017.

Excess of Expenses and Expenditures over Budget

As of June 30, 2017, expenses and expenditures exceeded budget as follows:

Planning Fund — Expenditures exceeded budget due to unanticipated expenditures.
 Transit Fund — The Commission did not budget for depreciation.

Unearned Revenue:

At June 30, 2017, the components of unearned revenue reported were as follows:
 Unearned revenue \$ None

Operating Leases

Rental expenses incurred under operating leases are not considered material.

**LASSEN COUNTY TRANSPORTATION COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 12 COMPLIANCE AND ACCOUNTABILITY

Interfund Transactions

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds.

In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds.

There were no due from or due to balances as of June 30, 2017.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various Commission operations and re-allocations of special revenues. The following are the interfund transfers for fiscal year ended June 30, 2017:

	<u>Transfer-Out</u>	<u>Transfer-In</u>
General Fund (Fund 128/573)	\$ 59,654	\$ 255,457
State Transit Assistance Fund (Fund 571)	255,457	59,654
Local Transportation Trust (Fund 572)	138,176	-
Planning Fund (Fund 570)	-	138,176
Total	<u>\$ 453,287</u>	<u>\$ 453,287</u>

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited

THIS PAGE INTENTIONALLY LEFT BLANK

**LASSEN COUNTY TRANSPORTATION COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ 202,214	\$ 202,214
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	89,041	89,041
Use of money	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	3,687	3,687
Other revenues	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>294,942</u>	<u>294,942</u>
EXPENDITURES				
Current:				
Transportation planning and related exper	325,477	325,477	615,031	(289,554)
Allocation - Glenn County Transit	-	-	-	-
Allocations - Other entities	-	-	40,270	(40,270)
Other	-	-	-	-
Capital outlay	<u>19,500</u>	<u>19,500</u>	<u>-</u>	<u>19,500</u>
Total Expenditures	<u>344,977</u>	<u>344,977</u>	<u>655,301</u>	<u>(310,324)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(344,977)</u>	<u>(344,977)</u>	<u>(360,359)</u>	<u>(15,382)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	347,477	347,477	220,745	(126,732)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>347,477</u>	<u>347,477</u>	<u>220,745</u>	<u>(126,732)</u>
Net Change in Fund Balance	2,500	2,500	(139,614)	(142,114)
Fund Balance -Beginning	<u>23,503</u>	<u>23,503</u>	<u>445,949</u>	<u>422,446</u>
Fund Balance - Ending	<u>\$ 26,003</u>	<u>\$ 26,003</u>	<u>\$ 306,335</u>	<u>\$ 280,332</u>

The City of Biggs budgets for debt service principal and interest expenditures as a single item. For purposes of the budgetary comparison schedule, the debt service principal and interest expenditures have been combined as one item, debt service.

See the accompanying notes to the required supplementary information.

**LASSEN COUNTY TRANSPORTATION COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

BUDGETARY BASIS OF ACCOUNTING

The approved Commission procedures for establishing the budgetary data reflected in the financial statements is as follows:

In May of each year, the Finance Department is to submit to the Agency Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.

Public hearings are to be conducted to obtain taxpayer comments.

Generally by the first of July, after adjustment as appropriate by the Board of Directors, the budget is to be legally enacted through Board motion.

Board approval is required for transfers between funds, or for an increase in total appropriations. Therefore, the level of budgetary responsibility is by total appropriations.

Formal budgetary integration is employed as a management control device during the year for the non business-type funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant adjustments.

All unused appropriations for budgeted amounts lapse at the end of the year.

Individual fund budgetary comparisons are not presented at the detail budget unit level due to their excessive length.

The Agency does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER REPORTS AND SCHEDULES

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

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

THIS PAGE INTENTIONALLY LEFT BLANK

Donald R. Reynolds

Certified Public Accountant

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

Members of the Commission
Lassen County Transportation Commission
Susanville, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lassen County Transportation Commission (Commission), as of and for the year ended June 30, 2017, which collectively comprise the Commission's basic financial statements and have issued my report thereon dated February 28, 2018. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Lassen County Transportation Commission's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lassen County Transportation Commission's internal control. Accordingly, I do not express an opinion on the effectiveness of the Lassen County Transportation 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.

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

Members of the Commission
Lassen County Transportation Commission
Susanville, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald R. Reynolds, CPA
Redding, California
February 28, 2018

Donald R. Reynolds

Certified Public Accountant

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

The Honorable Commission Council
Lassen County Transportation Commission
Susanville, California

I have audited the basic financial statements of the Lassen County Transportation Commission as of and for the year ended June 30, 2017, and have issued my report thereon dated February 28, 2018. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. I also performed tests and procedures to determine that allocations made to and expenditures made by the Lassen County Transportation Commission, including those TDA expenditures made by the Cities of Orland and Susanville, were made in accordance with the rules and regulations of the Lassen County Transportation Commission and in conformity with the Minimum Audit Requirements for California Special Districts, as outlined in Article 5.5, section 6662 of the Transportation Development Act.

Compliance

As part of obtaining reasonable assurance about whether the Lassen County Transportation Commission's financial statements are free of material misstatement, I performed tests of its compliance with Sections 6661, 6662, 6664, 6666, 6667 and 6751 of Article 5.5 of the Statutes as Amended and Related Sections of the California Code of Regulations and adopted by the Department of Transportation, issued by the State of California Business, Transportation and Housing Agency, Department of Transportation and Division of Mass Transportation (the regulations). The results of my tests disclosed that the funds allocated to and received by the Lassen County Transportation Commission pursuant to the Act were expended in conformance with the applicable statutes, rules and regulations of the Act and the allocation instructions and resolutions of the Lassen County Transportation Commission.

Findings

None

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

P.O. Box 994508, Redding, California 96099-4508 . (530) 246-2834 . FAX (530) 244-0331

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, funds were 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 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, 2017, the Commission received no proceeds from the State's PTMISEA account intended to fund phase 1 of a Bus Barn Construction. During the fiscal year ended June 30, 2017, \$41,318 in PTMISEA funds were expended.

Following is a recap of PTMISEA activity for the year ended June 30, 2017:

Beginning Balance, July 1, 2016	\$ 533,550
PTMISEA Proceeds Received	-
Investment Earnings	<u>4,300</u>
Subtotal	537,850
PTMISEA Funds Expended	<u>(404,994)</u>
Unexpended PTMISEA proceeds, June 30, 2017	\$ <u><u>132,856</u></u>

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

Donald R. Reynolds
 Certified Public Accountant
 February 28, 2018

SUPPORTING SCHEDULES

**LASSEN COUNTY TRANSPORTATION COMMISSION
 LOCAL TRANSPORTATION FUNDS
 SCHEDULE OF ALLOCATIONS AND EXPENDITURES
 FOR THE YEAR ENDING JUNE 30, 2017**

	Public Utilities Code Section			Prior Year Comparative Totals
	99233.1	99400(a)	Total	
ALLOCATIONS				
County of Lassen Department of Public Works	\$ 8,729	\$ 870,479	\$ 879,208	\$ 744,805
TOTAL ALLOCATIONS	8,729	870,479	879,208	744,805
EXPENDITURES:				
Lassen County Transportation Commission (Admin.)	8,729	-	8,729	11,210
County of Lassen Transit Services Agency	-	870,479	870,479	733,595
TOTAL EXPENDITURES	8,729	870,479	879,208	744,805
UNEXPENDED/(OVEREXPENDED) ALLOCATIONS	\$ -	\$ -	\$ -	\$ -

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

SCHEDULE TWO

**LASSEN COUNTY TRANSPORTATION COMMISSION
STATE TRANSIT ASSISTANCE FUND
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
FOR THE YEAR ENDING JUNE 30, 2017**

	572 PUC Code Section General Public 6731	Prior Year Comparative Totals
ALLOCATIONS:		
Glenn Transit System	\$ 115,058	\$ 120,838
TOTAL ALLOCATIONS	115,058	120,838
 EXPENDITURES:		
Transit Expenditures (Glenn Ride)	115,058	120,838
TOTAL EXPENDITURES	115,058	120,838
 UNEXPENDED/(OVEREXPENDED) ALLOCATIONS	\$ -	\$ -

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

**LASSEN COUNTY TRANSPORTATION COMMISSION
PUBLIC TRANSPORTATION, MODERNIZATION, IMPROVEMENT
AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)
SCHEDULE OF PROCEEDS AND EXPENDITURES
FOR THE YEAR ENDING JUNE 30, 2017**

	Total	Prior Year Comparative Totals
UNEXPENDED PTMISEA PROCEEDS, BEGINNING OF YEAR	\$ 533,550	\$ 715,458
Prior Period Adjustment	<u>-</u>	<u>-</u>
UNEXPENDED PTMISEA PROCEEDS, BEGINNING OF YEAR, As Adjusted	533,550	715,458
PTMISEA Proceeds Received:		
Glenn Transit System	-	-
Investment Earnings	<u>4,300</u>	<u>1,978</u>
TOTAL PROCEEDS	<u>4,300</u>	<u>1,978</u>
EXPENDITURES:		
Capital Outlay	<u>404,994</u>	<u>183,886</u>
TOTAL EXPENDITURES	<u>404,994</u>	<u>183,886</u>
UNEXPENDED/(OVER EXPENDED) PTMISEA PROCEEDS, END OF YEAR	<u>\$ 132,856</u>	<u>\$ 533,550</u>

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