

# **LASSEN COUNTY TRANSIT AGENCY,**

**LASSEN COUNTY CALIFORNIA**

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

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**LASSEN COUNTY TRANSIT AGENCY  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2017**

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# **INTRODUCTORY SECTION**

**Commission Officials**

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**LASSEN COUNTY TRANSIT AGENCY  
COMMISSIONERS  
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

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# **FINANCIAL SECTION**

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**Independent Auditor's Report  
Basic Financial Statements  
Supplementary Information**

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# *Donald R. Reynolds*

Certified Public Accountant

## **INDEPENDENT AUDITOR'S REPORT**

Members of the Commission  
Lassen County Transportation Commission  
Susanville, California

Board of Directors  
Lassen Transit Service Agency  
Susanville, California

I have audited the accompanying financial statements of the business-type activities and each major fund of the Transportation Development Act and the Lassen Transit Service Agency (LTSA) as of and for the years ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Agency'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 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 Agency'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 Agency'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 Transit Agency  
Susanville, California

Board of Directors  
Lassen Transit Service Agency  
Susanville, California

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

### **Basis for Qualified Opinion**

As discussed in Note 1, the financial statements present only Transportation Development Act funds, Federal Grants, bus fares and other revenues of the Lassen Transit Service Agency and are not intended to present fairly the financial position and results of operations of the Lassen Transit Service Agency in conformity with accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In my opinion, except for the matters discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Lassen Transit Service Agency as of June 30, 2017 and the changes in financial position and 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 certain supplementary information 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. Standards require certain limited procedures be applied 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.

Members of the Commission  
Lassen County Transit Agency  
Susanville, California

Board of Directors  
Lassen Transit Service Agency  
Susanville, California

***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lassen County Transit Agency'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 introductory has 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 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 Agency'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 Agency's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section has 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

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# **BASIC FINANCIAL STATEMENTS**

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## **Government-Wide Financial Statements**

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**LASSEN COUNTY TRANSIT AGENCY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

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



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

	<u>Lassen Transit Service (Fund 570)</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 165,544
Total Operating Revenues	<u>165,544</u>
<b>OPERATING EXPENSES</b>	
Professional fees	863,863
Administrative costs	5,062
Transportation and travel	75,691
Utilities	24,456
Insurance	4,000
Depreciation	302,652
Other expense	5,921
Total Operating Expenses	<u>1,281,645</u>
Operating Income (Loss)	<u>(1,116,101)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	1,732
Intergovernmental revenues	1,390,115
Other revenues	60
Loss on disposal	(11,945)
Total Non-Operating Revenues (Expenses)	<u>1,379,962</u>
Income (Loss) Before Transfers	<u>263,861</u>
Transfers in	138,176
Transfers out	<u>-</u>
Change in Net Position	402,037
Total Net Position - Beginning	1,485,509
Prior period adjustment	<u>-</u>
Total Net Position - Beginning, Restated	1,485,509
Total Net Position - Ending	<u>\$ 1,887,546</u>

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

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

	<u>Transit Service Capital Reserve</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 165,544
Payments to suppliers	(116,160)
Payments to employees	<u>(863,863)</u>
Net Cash Provided (Used) by Operating Activities	<u>(814,479)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Grants and other receipts	1,390,115
Transfers to other funds	<u>138,176</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,528,291</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(389,169)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(401,114)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends and other	<u>1,792</u>
Net Cash Provided (Used) by Investing Activities	<u>1,792</u>
Net Increase (Decrease) in Cash and Cash Equivalents	314,490
Balances - Beginning of the Year	<u>70,923</u>
Balances - End of the Year	\$ <u><u>385,413</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used by Operating Activities)</b>	
Operating income (loss)	\$ (1,116,101)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	302,652
Decrease (increase) in:	
Increase (decrease) in:	
Accounts payable	(1,030)
Due to other governments	<u>-</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(814,479)</u></u>

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

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# **BASIC FINANCIAL STATEMENTS**

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## **Notes to Basic Financial Statements**

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**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Lassen Transit Service Agency Transportation Development Act Funds are prepared in conformity with U.S. generally accepted accounting principles. Lassen Transit Services Agency (the Agency) applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary Funds apply Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

***A. Reporting Entity***

The financial statements are intended to present the financial position and results of operations of only those transactions attributable to Lassen Transit Service Agency. The Agency was created as a joint powers agreement (JPA) between Lassen County and the City of Susanville, on July 17, 2002, under provision of Article 1, Chapter 5, Division 7, Title 1 of the California Government Code section 6500. Formerly, all the transactions of the Agency were reported in the Rural Bus Fund of the County of Lassen. Effective July 1, 2002, the Agency became a separate legal entity and is no longer considered part of Lassen County.

The Agency received Local Transportation Fund and State Transit assistance allocation from Lassen County Transit Agency to operate and provide public transit services to the County of Lassen and the City of Susanville.

The Agency includes all activities (operations of its administrative staff and commission officers) considered to be a part of the Agency. The Agency reviewed the criteria developed by GASB in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether the Agency is financially accountable for other entities. The Agency has determined that no other outside entity meets the above criteria, and therefore, no entity has been included as a component unit in the financial statements.

The Agency, although a legally separate entity from Lassen County Transit Agency (the Agency), is a blended component unit of the Commission because the Agency's governing board is the same as that of the Commission. The Commission is also responsible for approving the Agency's Transportation Development Act revenue allocations.

***B. Fund Accounting***

The Agency uses funds to report on its financial position and on the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

(Continued on the following page)

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Fund Accounting (Continued)***

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

The Agency makes use of an enterprise fund type (of the proprietary fund category) to account for the majority of the Agency's activity. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful, to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies (internal service funds).

***C. Basis of Accounting***

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Nonexchange transactions, in which the Agency give (or receives) value without directly receiving (or giving) equal value in exchange, included grants, entitlements and donations. On the accrual basis, revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. The principal operating revenues of the Agency are charges to passengers for public transit services. Operating expenses for the Agency include the cost of transit services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted net positions are available, unrestricted resources are used only after restricted resources are depleted.

***D. Capital Assets***

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair

(Continued on the following page)

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Capital Assets (Continued)**

market value as the date received. The Agency's capitalization threshold is \$5,000. 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.

Depreciation of buildings, equipment and vehicles in the proprietary fund is computed using the straight-line method over the following useful lives:

Buildings	40
Improvements	25
Vehicles	5-10
Equipment	3-10

The Agency has acquired certain capital assets with funding provided by federal assistance from various grant programs. The Agency holds title to these assets; however, the federal government retains an interest in these assets should the asset no longer be used for transit purposes.

**E. 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.

**F. Receivable and Payable Balances**

The Agency 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.

**G. Use of Estimates**

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, 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.

(Continued on the following page)

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Budgets and Expenses in Excess of Budget**

The Agency adopts an annual budget on the cash flow basis of accounting. This budget was modified to the accrual basis by eliminating capital outlay expenses from the budget. Changes in beginning and ending accruals were insignificant.

The Agency does not budget for depreciation, so all depreciation costs will be in excess of budget.

**I. Subsequent Event Evaluation**

Management has evaluated subsequent events through February 28, 2018, the date the financial statements were available to be issued.

**NOTE 2 CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical costs is 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 July 1, 2016</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Transfers</u>	<u>Balance June 30, 2017</u>
<b><i>Business-Type activities:</i></b>					
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>

(Continued on the following page)



**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 CAPITAL ASSETS Continued)**

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

Depreciation Expense - Transit	\$ <u><u>302,652</u></u>
--------------------------------	--------------------------

**NOTE 3 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>	<u>Passenger Fare Revenues</u>	<u>Operating Expenses</u>	<u>Less Depreciation</u>	<u>Net Operating Costs</u>	<u>Ratio</u>
Lassen Transit	\$ 165,544	\$ 1,281,645	\$ (302,652)	\$ 978,993	16.90%

**NOTE 4 CASH**

The Agency's cash is maintained with Lassen County. Lassen County allocates interest to the various funds based upon the average monthly cash balances. The Agency's cash on deposit with the Lassen County Treasury at June 30, 2016 was \$70,923, and \$602,713 at June 30, 2015.

***Credit Risk, Carrying Amount and Market Value of Investments***

The Agency maintains specific cash deposits with Lassen County and involuntarily participates in external investment pool of Lassen County. Lassen County is restricted by state code in the types of investments it can make. The Lassen County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than the state code as to terms of maturity and type of investment. Lassen County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134.

Lassen County's investment policy authorizes Lassen County to invest in obligations of the U.S. Treasury, its agencies and 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's investment pool. 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.

(Continued on the following page)

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 CASH (Continued)**

See Lassen County's basic financial statements for disclosures related to cash and investments and the related custodial risk categorization.

**NOTE 5 RISK MANAGEMENT**

The Agency 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 Agency 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 are 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 claims-servicing or account pool, wherein Lassen County retains the risk of loss and is considered self-insured with regard to liability coverage.

**NOTE 6 CONCENTRATIONS**

The Agency receives a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund created by the Transportation Development Act. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Agency's activities.

**NOTE 7 CONTINGENCIES**

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

**NOTE 8 NET POSITION**

Net position, which is measured on the full accrual basis, is the excess of all the Agency's assets over all its liabilities. Net position is divided into caption under GASB Statement No. 34. These captions apply only to net position, which are described below:

(Continued on the following page)

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 NET POSITION (Continued)**

*Net Investment in Capital Assets*, describes the portion of net assets that is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Net Investment in Capital Assets*, describes the portion of net assets that is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted Net Position* describes the portion of net position that is legally restricted for certain purposes.

*Unrestricted* describes the portion of net assets that is not restricted to use.

**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, 2016, \$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.

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>132,856</u>

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# **SUPPLEMENTARY INFORMATION**

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**Unaudited**

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**LASSEN COUNTY TRANSIT AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
TRANSPORTATION 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>
<b>OPERATING REVENUES</b>				
Charges for services	135,000	135,000	\$ 165,544	30,544
Total Operating Revenues	<u>135,000</u>	<u>135,000</u>	<u>165,544</u>	<u>30,544</u>
<b>OPERATING EXPENSES</b>				
Professional fees	943,500	943,500	863,863	79,637
Administrative costs	15,000	15,000	5,062	9,938
Transportation and travel	150,000	150,000	75,691	74,309
Utilities	26,500	26,500	24,456	2,044
Insurance	-	-	4,000	(4,000)
Depreciation	-	-	302,652	(302,652)
Other expense	46,000	46,000	5,921	40,079
Total Operating Expenses	<u>1,181,000</u>	<u>1,181,000</u>	<u>1,281,645</u>	<u>100,645</u>
Operating Income (Loss)	<u>(1,046,000)</u>	<u>(1,046,000)</u>	<u>(1,116,101)</u>	<u>(70,101)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	-	-	1,732	1,732
Intergovernmental revenues	600,878	600,878	1,390,115	789,237
Other revenues	-	-	60	60
Loss on disposal	-	-	(11,945)	(11,945)
Total Non-Operating Revenues (Expenses)	<u>600,878</u>	<u>600,878</u>	<u>1,379,962</u>	<u>779,084</u>
Income (Loss) Before Transfers	<u>(310,122)</u>	<u>(310,122)</u>	<u>263,861</u>	<u>573,983</u>
Transfers in	-	-	138,176	138,176
Transfers out	-	-	-	-
Change in Net Position	<u>(445,122)</u>	<u>(445,122)</u>	<u>402,037</u>	<u>847,159</u>
Total Net Position - Beginning	1,485,509	1,485,509	1,485,509	-
Prior period adjustment	-	-	-	-
Total Net Position - Beginning, Restated	<u>1,485,509</u>	<u>1,485,509</u>	<u>1,485,509</u>	<u>-</u>
Total Net Position - Ending	<u>1,040,387</u>	<u>1,040,387</u>	<u>\$ 1,887,546</u>	<u>847,159</u>

See the accompanying notes to the required supplementary information.

**LASSEN COUNTY TRANSIT AGENCY  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**BUDGETARY BASIS OF ACCOUNTING**

The approved Agency 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.



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# **OTHER REPORTS AND SCHEDULES**

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

**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 TRANSIT AGENCY**

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# *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 AND THE TRANSPORTATION DEVELOPMENT ACT**

Members of the Commission  
Lassen County Transportation Commission  
Susanville, California

Board of Directors  
Lassen Transit Service Agency  
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 Transit Agency (Agency), as of and for the year ended June 30, 2017, which collectively comprise the Agency'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 Transit Agency'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 Transit Agency's internal control. Accordingly, I do not express an opinion on the effectiveness of the Lassen County Transit Agency'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.

Members of the Commission  
Lassen County Transportation Commission  
Susanville, California

Board of Directors  
Lassen Transit Service Agency  
Susanville, California

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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 TRANSIT AGENCY**

Members of the Commission  
Lassen County Transportation Commission  
Susanville, California

Board of Directors  
Lassen Transit Service Agency  
Susanville, California

I have audited the basic financial statements of the Lassen County Transit Agency 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 Transit Agency, including those TDA expenditures made by the Cities of Susanville and Susanville, were made in accordance with the rules and regulations of the Lassen County Transit Agency 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 Transit Agency'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 Transit Agency 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 Transit Agency.

Members of the Commission  
Lassen County Transportation Commission  
Susanville, California

Board of Directors  
Lassen Transit Service Agency  
Susanville, California

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. 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, 2016, \$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.

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>132,856</u>

This Report is intended solely for the information and use of the Lassen County Transit Agency, 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