

**LASSEN COUNTY
TRANSPORTATION COMMISSION**

Audited Financial Statements
Supplementary Information and Compliance Report

June 30, 2023

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LASSEN COUNTY TRANSPORTATION COMMISSION

Audited Financial Statements,
Supplementary Information and Compliance Report

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Lassen County Transportation Commission
Susanville, California

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lassen County Transportation Commission (the Commission) as of and for the year ended June 30, 2023 and the related notes to the financial statements which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2023, the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Commission has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statement sin an appropriate operational, economic, or

historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and the Transportation Development Act. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Richardson & Company, LLP

March 27, 2024

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 158,750
Restricted cash	1,501,922
Due from other governmental agencies	<u>730,134</u>
TOTAL ASSETS	<u>2,390,806</u>
LIABILITIES	
Accounts payable	84,895
Due to other governmental agencies	<u>865,272</u>
TOTAL LIABILITIES	<u>950,167</u>
NET POSITION	
Restricted:	
Transportation/transit	1,367,791
Pedestrian/bicycle	30,413
State of Good Repair (SGR) projects	<u>42,435</u>
TOTAL NET POSITION	<u><u>\$ 1,440,639</u></u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	<u>Governmental Activities</u>
PROGRAM EXPENSES	
Planning and administration	\$ 536,476
Transportation claimants	1,132,579
Other	10,144
	<u>1,679,199</u>
PROGRAM REVENUES	
Operating grants and contributions	675,917
	<u>675,917</u>
	<u>NET PROGRAM EXPENSE (1,003,282)</u>
GENERAL REVENUES	
State shared revenue - sales tax	1,337,846
Interest income	27,183
	<u>1,365,029</u>
	CHANGE IN NET POSITION 361,747
Net position, beginning of year	<u>1,078,892</u>
	<u>NET POSITION, END OF YEAR \$ 1,440,639</u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2023

	General Fund Planning and Administration	Major Special Transportation Fund	Revenue Funds State Transit Assistance Fund	Nonmajor Special Revenue Fund		Total Governmental Funds
				Other Grants Fund	State of Good Repair Fund	
ASSETS						
Cash and investments	\$ 158,750					\$ 158,750
Restricted cash and investments Due from other governmental agencies		\$ 782,717	\$ 19,010	\$ 657,186	\$ 43,009	1,501,922
	237,810	159,968	107,669	216,379	8,308	730,134
TOTAL ASSETS	<u>\$ 396,560</u>	<u>\$ 942,685</u>	<u>\$ 126,679</u>	<u>\$ 873,565</u>	<u>\$ 51,317</u>	<u>\$ 2,390,806</u>
LIABILITIES						
Accounts payable	\$ 84,895					\$ 84,895
Due to other governmental agencies	81,783	\$ 694,227	\$ 80,380		\$ 8,882	865,272
TOTAL LIABILITIES	<u>166,678</u>	<u>694,227</u>	<u>80,380</u>		<u>8,882</u>	<u>950,167</u>
DEFERRED INFLOWS						
Unavailable revenue				\$ 216,379		\$ 216,379
TOTAL DEFERRED INFLOWS				<u>216,379</u>		<u>216,379</u>
FUND BALANCE						
Restricted for transportation/transit	229,882	218,045	46,299	\$ 657,186		1,151,412
Restricted for predestrian/bicycle		30,413				30,413
Restricted for SGR Projects					42,435	42,435
TOTAL FUND BALANCE	<u>229,882</u>	<u>248,458</u>	<u>46,299</u>	<u>657,186</u>	<u>42,435</u>	<u>1,224,260</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 396,560</u>	<u>\$ 942,685</u>	<u>\$ 126,679</u>	<u>\$ 873,565</u>	<u>\$ 51,317</u>	<u>\$ 2,390,806</u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

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

June 30, 2023

Fund balance - governmental funds, June 30, 2023	\$ 1,224,260
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Certain receivables are not available to pay current period expenditures and therefore deferred in the governmental funds.	<u>216,379</u>
Net position - governmental activities, June 30, 2023	<u><u>\$ 1,440,639</u></u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

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

For the Year Ended June 30, 2023

	General Fund	Major Special Revenue Funds		Nonmajor Special Revenue Funds		Total Governmental Funds
	Planning and Administration	Local Transportation Fund	State Transit Assistance Fund	Other Grants Fund	State of Good Repair Fund	
REVENUES:						
State Rural Planning Assistance	\$ 395,528					\$ 395,528
Federal grants	15,431					15,431
Sales Tax		\$ 923,156	\$ 414,690			1,337,846
State of Good Repair					\$ 48,579	48,579
Interest income		13,946	457	\$ 12,101	679	27,183
TOTAL REVENUES	410,959	937,102	415,147	12,101	49,258	1,824,567
EXPENDITURES:						
Transportation planning and related expenditures	514,588					514,588
Allocation - Lassen Transit Agency Administration	21,888	697,752	386,096		48,731	1,132,579
Other	10,144					10,144
TOTAL EXPENDITURES	546,620	697,752	386,096		48,731	1,679,199
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(135,661)	239,350	29,051	12,101	527	145,368
OTHER FINANCING SOURCES (USES)						
Transfers in	253,634					253,634
Transfers out		(253,634)				(253,634)
TOTAL OTHER FINANCING SOURCES (USES)	253,634	(253,634)				
CHANGE IN FUND BALANCE	117,973	(14,284)	29,051	12,101	527	145,368
Fund balance, beginning of year	111,909	262,742	17,248	645,085	41,908	1,078,892
FUND BALANCE, END OF YEAR	\$ 229,882	\$ 248,458	\$ 46,299	\$ 657,186	\$ 42,435	\$ 1,224,260

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

LASSEN COUNTY TRANSPORTATION COMMISSION

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

For the Year Ended June 30, 2023

Net change in fund balance - governmental fund	\$ 145,368
Amounts reported for governmental activities in the Statement of Activities are different because:	
Some receivable are deferred in the governmental funds in the prior year because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities	
Unavailable revenue recognized	<u>216,379</u>
Change in net position - governmental activities	<u><u>\$ 361,747</u></u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Lassen County Transportation Commission (Commission) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

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

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

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

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

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

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

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Commission reports the following major governmental funds:

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

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

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

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

The Commission reports the following nonmajor governmental funds:

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

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

Regional Surface Transportation program (RSTP): The RSTP fund represents an apportionment under the Federal Transportation Bill whereby the Agency allocates funds to agencies for projects included in the adopted Federal Statewide Transportation Improvement Project.

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Surface Transportation Block Grant Program Fund – The Surface Transportation Block Grant Program Fund represents an apportionment under the Federal Transportation Bill whereby the Commission allocates funds to agencies for projects included in the adopted Federal Statewide Transportation Improvement Program.

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

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

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

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

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

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

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

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

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

NOTE B – CASH AND CASH EQUIVALENTS

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

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

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2023

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2023, the weighted average maturity of the investments contained in the County of Lassen investment pool was approximately 782 days.

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

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

NOTE C– CONTINGENCIES

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

NOTE D – RISK FINANCING

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

NOTE E – INTERFUND TRANSFERS/DUE TO AND FROM OTHER FUNDS

Interfund transfers are used to move revenues from a fund that is required by statute to receive them to a fund that statute or budget requires to expend them. During the year ended June 30, 2023, the Local Transportation Fund transferred \$253,634 to the Planning and Administration Fund as part of the annual allocation of local transportation funds.

LASSEN COUNTY TRANSPORTATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2023

NOTE F – REIMBURSEMENT PAYABLE TO COUNTY

From 1972 to 2016, the Commission had relied upon the County employees to perform the operations of the Commission. The Commission, as controlled by the Board of Supervisors, provided appropriation and staffing to help the Commission perform its duties expressly mandated pursuant to the Transportation Act of 1971. Over those 44 years, approximately 14 County employees received salaries and benefits from the Commission for work performed in their various roles, responsibilities and functions. The County quantified the amount of unfunded pension and OPEB liabilities and invoiced the Commission for these liabilities for a total of \$442,057. Since a portion of these liabilities related to transit services, the County provided a breakdown of the liabilities between the Commission and LTSA employees. The unfunded pension and OPEB liabilities for Commission employees include active and retired employees based upon 1) an employee's years of service for the Commission, 2) annual full time equivalent (FTE) of work for the Commission. The unfunded pension and OPEB liabilities attributed to the Commission was \$281,783 and the unfunded pension and OPEB liabilities attributed to LTSA was \$160,274. The Commission approved repaying the County \$100,000 per year beginning in fiscal year 2020/21 using cash balances transferred from a Commission/LTSA commingled fund to the Local Transportation Fund that will be subject to the TDA allocation process. No payments were made during the year ended June 30, 2023. The remaining balance owed by the Commission to the County as of June 30, 2023 was \$81,783.

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SUPPLEMENTARY INFORMATION

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LASSEN COUNTY TRANSPORTATION COMMISSION

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

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES:				
State Rural Planning Assistance	\$ 313,080	\$ 481,342	\$ 395,528	\$ (85,814)
Federal Grants	21,600	15,431	15,431	-
TOTAL REVENUES	<u>334,680</u>	<u>496,773</u>	<u>410,959</u>	<u>(85,814)</u>
EXPENDITURES:				
Transportation planning and related expenditures	531,163	693,256	514,588	178,668
Admininstration	9,400	9,400	21,888	(12,488)
Other			10,144	(10,144)
TOTAL EXPENDITURES	<u>540,563</u>	<u>702,656</u>	<u>546,620</u>	<u>166,180</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(205,883)	(205,883)	(135,661)	80,366
OTHER FINANCING SOURCES (USES)				
Transfers in	205,883	205,883	253,634	47,751
TOTAL OTHER FINANCING SOURCES (USES)	<u>205,883</u>	<u>205,883</u>	<u>253,634</u>	<u>47,751</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>117,973</u>	<u>128,117</u>
Fund balance, beginning of year	<u>111,909</u>	<u>111,909</u>	<u>111,909</u>	
FUND BALANCE, END OF YEAR	<u>\$ 111,909</u>	<u>\$ 111,909</u>	<u>\$ 229,882</u>	<u>\$ 128,117</u>

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

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF ALLOCATIONS AND EXPENDITURES – LOCAL TRANSPORTATION FUNDS

For the Year Ended June 30, 2023

California Code of Regulations Article 5, Subchapter 2, Section 6661 related to the Transportation Development Act requires supplementary information for the County of Lassen Local Transportation Fund regarding expenditures made by the Fund. The net amount allocated and expended for each of the allocation purposes specified in Public Utilities Code (PUC) Chapter 4 of the Act were as follows for the year ended June 30, 2023:

<u>Section</u>	<u>Purpose</u>	<u>Allocated</u>	<u>Disbursed</u>	<u>Undisbursed</u>
99233.1	Administration			
	Lassen County Transportation Commission	\$ 253,634	\$ 253,634	
99262	Public transportation			
	Lassen Transit Service Agency	<u>697,752</u>	<u>523,314</u>	\$ 174,438
		<u>\$ 951,386</u>	<u>\$ 776,948</u>	174,438
Unclaimed/Undisbursed-Prior Year Apportionments:				
	City of Susanville - Streets and Roads			185,586
	County of Lassen - Streets and Roads			305,382
	City of Susanville - Pedestrian and Bicycle			6,325
	County of Lassen - Pedestrian and Bicycle			<u>22,496</u>
				<u>519,789</u>
	Total allocations payable			<u>\$ 694,227</u>

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF ALLOCATIONS AND EXPENDITURES – STATE TRANSIT ASSISTANCE FUNDS

For the Year Ended June 30, 2023

California Code of Regulations, Subchapter 2.5, Article 5, Section 6751 related to the Transportation Development Act requires supplementary information for the STA Fund regarding fund balances maintained and expenditures made by the Fund. No portion of the fund balance was apportioned to operators pursuant to Section 6721 of the Code as of June 30, 2023. The amounts allocated and expended for each of the allocation purposes specified in Section 6730 and 6731 of the Code were as follows for the year ended June 30, 2023:

<u>PUC</u> <u>Section</u>	<u>Purpose</u>	<u>Allocated</u>	<u>Disbursed</u>	<u>Undisbursed</u>
6730(a)	Rural Bus Operation			
	Lassen Transit Service Agency	<u>\$ 386,096</u>	<u>\$ 289,572</u>	<u>\$ 96,524</u>
		<u>\$ 386,096</u>	<u>\$ 289,572</u>	\$ 96,524
	Overdisbursed-Prior Year Apportionments:			<u>(16,144)</u>
	Total allocations payable			<u>\$ 80,380</u>

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF ALLOCATIONS AND EXPENDITURES – STATE OF GOOD REPAIR FUNDS

For the Year Ended June 30, 2023

California Code of Regulations, Chapter 5, Statutes of 2017 known as the Road Repair and Accountability Act of 2017 requires supplementary information for the SGR Fund regarding fund balances maintained and expenditures made by the Fund. The amounts allocated and expended for each of the allocation purposes specified in Section 99312.1(a) of the Code were as follows for the year ended June 30, 2023:

<u>PUC Section</u>	<u>Purpose</u>	<u>Allocated</u>	<u>Disbursed</u>	<u>Undisbursed</u>
99313	Contributions to vehicle replacement fund Lassen Transit Service Agency	\$ 48,731	\$ 40,423	\$ 8,308
		<u>\$ 48,731</u>	<u>\$ 40,423</u>	<u>\$ 8,308</u>

COMPLIANCE REPORTS

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

Lassen County Transportation Commission
Susanville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Lassen County Transportation Commission (the Commission) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated _____, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

To the Commission
Lassen County Transportation Commission

Report on Compliance and Other Matters (including other State program guidelines)

As part of obtaining reasonable assurance about whether the Commission’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Our audit was further made to determine that Transportation Development Act Funds allocated and received by the Commission were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act and Section 6659, 6661 and 6662 of the California Code of Regulations and other state program guidelines. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of performing these tasks disclosed instances of noncompliance with the applicable statutes, rules and regulations of the Transportation Development Act that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2023-003 and 2023-004.

Lassen County Transportation Commission’s Response to Findings

The Commission’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Richardson & Company, LLP

March 27, 2024

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2023

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2023-001 – Material Weakness

Condition: The Commission’s internal records of allocations are not reconciled to the amounts recorded in the general ledger maintained by the County of Lassen for allocations payable to claimants and reserves for pedestrian/bicycle. In addition, accrual entries to reflect allocations to claimants for the year are not being made.

Criteria: Management of the Commission is responsible for ensuring internal controls and processes are in place to ensure that amounts reflected in the general ledger that are used for the preparation of the financial statements are complete and accurate.

Cause: The Commission’s accounting is performed by the County of Lassen Auditor Controller Office (the County) and activity is not regularly reviewed by the Commission. The Commission maintains internal record keeping that is not compared to the County records on a periodic basis.

Effect: Material misstatement of allocations payable to the claimants may exist.

Recommendation: The Commission should request to review the general ledger maintained by the County on a monthly basis to ensure that all transactions have been approved and accounted for correctly based on the internal records of allocations maintained by Commission management. The Commission should develop procedures to track amounts that are due to claimants that are reconciled to County records on accrual basis. Reconciliations should be made to ensure all activity has been properly recorded and included in the general ledger and trial balance prior to these items to being provided to the auditor. Management needs to work with the County to ensure that any adjustments to the balances in the County’s accounting system are correct and properly reflect the financial activity of the Commission and its funds prior to the start of the audit.

Finding 2023-002– Material Weakness

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

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

Effect: Audit adjustments were needed to report the financial statements in accordance with generally accepted accounting principles, including entries posted to roll forward fund balances from prior year audit adjustments, record additional payables and record restricted resources in separate restricted cash and fund balance accounts.

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

Recommendation: We recommend the County ensure transactions are reported in the proper period. The Commission needs to consider establishing its own internal accounting system to track these various funding sources, so that more timely and accurate information is available.

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2023

COMPLIANCE AND OTHER MATTERS

CURRENT YEAR FINDINGS

Finding 2023-003 – Noncompliance

Criteria: PUC § 99233.1 of the Transportation Development Act allows the Commission make allocations for administrative purposes using Local Transportation Funds (LTF). Management of the Commission is responsible for preparing the budget and Overall Work Program (OWP) for the fiscal year of the general fund which includes all expected expenditures during the fiscal year.

Condition: Management approved transfer of LTF monies to the general fund for the purpose of paying the County of Lassen for administrative overhead costs without a Commission-approved allocation and resolution.

Cause: Management did not include County overhead costs as part of the OWP.

Effect: The Commission was not in compliance with PUC § 99233.1 and administrative costs were not included in the General Fund Budget.

Recommendation: We recommend that the County of Lassen administrative overhead costs be included in the development and approval of the OWP and LTF funds be allocated and approved by the Commission for the overhead costs.

Finding 2023-004 – Noncompliance

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

Condition: Claimants were allocated funds after the March 1 deadline and no allocation instructions were provided to the County auditor.

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

Cause: The Commission passed the resolution of allocations on October 17, 2022 and did not submit a memorandum of allocations accompanied by certified resolution to the County auditor for the final allocation amounts.

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

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2023

PRIOR YEAR FINDINGS

Finding 2022-001 – Material Weakness

Condition: The Commission's internal records of allocations are not reconciled to the amounts recorded in the general ledger maintained by the County of Lassen for allocations payable to claimants and reserves for pedestrian/bicycle. In addition, accrual entries to reflect allocations to claimants for the year are not being made.

Current Status: See finding 2023-001 as a continuation of this finding.

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