

LASSEN TRANSIT SERVICE AGENCY

Audited Financial Statements
and Compliance Reports

June 30, 2020

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LASSEN TRANSIT SERVICE AGENCY

Audited Financial Statements
and Compliance Reports

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lassen Transit Service Agency
Susanville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Lassen Transit Service Agency (LTSA), which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
Lassen Transit Service Agency

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LTSA as of June 30, 2020 and 2019 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2021 on our consideration of LTSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters including the Transportation Development Act and PTMISEA guidelines. 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 LTSA's internal control over financial reporting and compliance.

Richardson & Company, LLP

April 1, 2021

LASSEN TRANSIT SERVICE AGENCY

BALANCE SHEETS

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and investments	\$ 146,779	\$ 361,180
Restricted cash	623,036	307,631
Accounts receivable	5,635	8,848
Due from other governments	893,877	54,346
Capital assets:		
Not depreciated	74,861	43,951
Depreciated, net	<u>1,724,337</u>	<u>1,008,649</u>
TOTAL ASSETS	<u><u>\$ 3,468,525</u></u>	<u><u>\$ 1,784,605</u></u>
LIABILITIES		
Accounts payable	\$ 56,157	\$ 74,192
Due to other governments	6,388	33,564
Unearned revenue	1,403,504	452,672
Accrued payroll		3,731
Compensated absences, due within one year	2,582	846
Reimbursements payable to County - pension	108,528	108,528
Reimbursements payable to County - other postemployment benefits (OPEB)	<u>51,746</u>	<u>51,746</u>
TOTAL LIABILITIES	<u><u>1,628,905</u></u>	<u><u>725,279</u></u>
NET POSITION		
Net investment in capital assets	1,799,198	1,052,600
Unrestricted	<u>40,422</u>	<u>6,726</u>
TOTAL NET POSITION	<u><u>1,839,620</u></u>	<u><u>1,059,326</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,468,525</u></u>	<u><u>\$ 1,784,605</u></u>

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

LASSEN TRANSIT SERVICE AGENCY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION

For the Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Charges for services	\$ 181,042	\$ 176,626
Low carbon transit operations program subsidy for fares		10,246
TOTAL OPERATING REVENUES	181,042	186,872
OPERATING EXPENSES		
Professional fees	922,093	904,942
Salaries and benefits	114,973	114,489
Administrative costs	27,233	45,364
Transportation and travel	77,291	96,732
Utilities	23,250	21,607
Insurance	22,728	21,983
Depreciation	307,213	304,726
Other expense	3,806	3,350
TOTAL OPERATING EXPENSES	1,498,587	1,513,193
OPERATING LOSS	(1,317,545)	(1,326,321)
NONOPERATING REVENUES (EXPENSES)		
Local transportation fund allocation	207,488	612,605
State transit assistance fund allocation	335,083	216,425
State of good repair allocation	46,452	
Federal transit administration grants	421,309	192,565
Interest income	9,219	
Other revenues	23,677	
Gain on sale of assets	800	756
TOTAL NONOPERATING REVENUES (EXPENSES)	1,044,028	1,022,351
LOSS BEFORE CAPITAL CONTRIBUTIONS	(273,517)	(303,970)
CAPITAL CONTRIBUTIONS		
Local transportation fund allocation	56,594	
State transit assistance fund allocation	29,639	
Federal transit administration grants	618,486	
LCTOP	15,940	20,063
PTMISEA	333,152	6,250
TOTAL CAPITAL CONTRIBUTIONS	1,053,811	26,313
CHANGE IN NET POSITION	780,294	(277,657)
Net position, beginning of year	1,059,326	1,336,983
NET POSITION, END OF YEAR	\$ 1,839,620	\$ 1,059,326

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

LASSEN TRANSIT SERVICE AGENCY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passengers	\$ 184,255	\$ 176,626
Operating grants and subsidies		1,398
Cash paid to suppliers for goods and services	(1,121,612)	(1,056,785)
Cash paid to employees for services	(116,968)	(115,329)
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,054,325)</u>	<u>(994,090)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants and other receipts	1,133,406	
Non-operating grants and subsidies	23,677	1,245,363
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,157,083</u>	<u>1,245,363</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants received for capital acquisitions	1,042,038	302,250
Acquisition of capital assets	(1,053,811)	(26,313)
Proceeds from disposal of capital assets	800	756
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,973)</u>	<u>276,693</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	9,219	
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,219</u>	
INCREASE IN CASH AND CASH EQUIVALENTS	<u>101,004</u>	<u>527,966</u>
Cash and cash equivalents, beginning of year	<u>668,811</u>	<u>140,845</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 769,815</u>	<u>\$ 668,811</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINING BALANCE SHEET		
Cash and investments	\$ 146,779	\$ 361,180
Restricted cash	623,036	307,631
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 769,815</u>	<u>\$ 668,811</u>

(Continued)

LASSEN TRANSIT SERVICE AGENCY
STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30, 2020 and 2019

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (1,317,545)	\$ (1,326,321)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	307,213	304,726
Changes in operating assets and liabilities:		
Accounts receivable	3,213	(8,848)
Accounts payable	(18,035)	3,629
Due to other governments	(27,176)	33,564
Accrued payroll	(3,731)	(337)
Compensated absences	1,736	(503)
NET CASH USED BY OPERATING ACTIVITIES	\$ (1,054,325)	\$ (994,090)

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

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lassen Transit Service Agency (LTSA) have been prepared in conformity with generally accepted accounting principles (GAAP) 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. LTSA follows Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of LTSA's accounting policies are described below.

Description of Reporting Entity: LTSA 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 LTSA were reported in the Rural Bus Fund of the County of Lassen. Effective July 1, 2002, LTSA became a separate legal entity and is no longer considered part of Lassen County. LTSA provides public transit services to the County of Lassen and the City of Susanville.

In addition to fare revenues, LTSA receives funds under the provisions of the Transportation Development Act from the Lassen County Transportation Commission's Local Transportation Fund, State Transit Assistance Fund and State of Good Repair Fund. LTSA also receives revenue from federal and state grantor agencies.

All significant activities on which LTSA exercise oversight responsibility have been included in the financial statements. Although LTSA has the same Board as the Lassen County Transportation Commission, there is no financial benefit or burden relationship, so LTSA is not considered a component unit of the Commission.

Basis of Presentation: LTSA's resources are allocated to and accounted for in these financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of LTSA are included on the balance sheet. Net position is segregated into amounts invested in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

LTSA uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Non-exchange revenues are recognized when all eligibility requirements have been met. Cost reimbursement grant revenues are recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received before eligibility requirements are met they are recorded as deferred revenues until earned.

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish 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 a proprietary fund's principal ongoing operations. The principal operating revenues of LTSA are charges to passengers for public transit services. Operating expenses for LTSA 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 resources are available for use, it is LTSA's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: For purposes of the statement of cash flows, LTSA considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including bank deposits. LTSA considers all amounts held in the County's Treasury pool to be cash equivalents.

Due from Other Governments: Amounts due from other governments consist mostly of amounts due from operating and capital grants. Management believes its amounts due from other governments to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

Capital Assets: Capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. 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. 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. Provision is made for depreciation by the straight-line method over the estimated useful lives of these assets which range from five to twenty-five years. Depreciation is recorded on the full-year convention whereby a full year of depreciation is taken in the year the asset is placed into service. 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Compensated Absences: LTSA's policy allows employees to accumulate earned but unused vacation that will be paid to employees upon separation from LTSA's service, subject to a vesting policy. The cost of vacation is recorded in the period accrued.

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 position. 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. Lassen Transit Services Agency had no restricted net position as of June 30, 2020.

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

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE B – CASH AND INVESTMENTS

Investment in the County of Lassen Investment Pool: LTSA'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 LTSA 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. LTSA follows the investment policy of the County of Lassen.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2020 and 2019, the weighted average maturity of the investments contained in the County of Lassen investment pool was approximately 588 and 520 days, respectively.

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).

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE C – CAPITAL ASSETS

Capital assets consisted of the following at June 30 2020 and 2019:

	Balance at June 30, 2019	Additions	Retirements	Balance at June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 43,951			\$ 43,951
Construction in progress		\$ 30,910		30,910
Total capital assets, not being depreciated	<u>43,951</u>	<u>30,910</u>	<u>-</u>	<u>74,861</u>
Capital assets, being depreciated:				
Buildings and infrastructure	1,510,395	15,940		1,526,335
Vehicles and equipment	2,502,054	1,006,961	\$ (254,463)	3,254,552
Total capital assets, being depreciated	<u>4,012,449</u>	<u>1,022,901</u>	<u>(254,463)</u>	<u>4,780,887</u>
Less accumulated depreciation				
Buildings and infrastructure	(1,061,612)	(73,229)		(1,134,841)
Vehicles and equipment	(1,942,188)	(233,984)	254,463	(1,921,709)
Total accumulated depreciation	<u>(3,003,800)</u>	<u>(307,213)</u>	<u>254,463</u>	<u>(3,056,550)</u>
Total capital assets being depreciated, net	<u>1,008,649</u>	<u>715,688</u>	<u>-</u>	<u>1,724,337</u>
Total capital assets, net	<u>\$ 1,052,600</u>	<u>\$ 746,598</u>	<u>\$ -</u>	<u>\$ 1,799,198</u>
	Balance at June 30, 2018	Additions	Transfers	Balance at June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 43,951			\$ 43,951
Total capital assets, not being depreciated	<u>43,951</u>	<u>-</u>	<u>-</u>	<u>43,951</u>
Capital assets, being depreciated:				
Buildings and infrastructure	1,484,082	\$ 26,313		1,510,395
Vehicles and equipment	2,711,071		\$ (209,017)	2,502,054
Total capital assets, being depreciated	<u>4,195,153</u>	<u>26,313</u>	<u>(209,017)</u>	<u>4,012,449</u>
Less accumulated depreciation:				
Buildings and infrastructure	(989,977)	(71,635)		(1,061,612)
Vehicles and equipment	(1,918,114)	(233,091)	209,017	(1,942,188)
Total accumulated depreciation	<u>(2,908,091)</u>	<u>(304,726)</u>	<u>209,017</u>	<u>(3,003,800)</u>
Total capital assets being depreciated, net	<u>1,287,062</u>	<u>(278,413)</u>	<u>-</u>	<u>1,008,649</u>
Total capital assets, net	<u>\$ 1,331,013</u>	<u>\$ (278,413)</u>	<u>\$ -</u>	<u>\$ 1,052,600</u>

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE D – LONG-TERM LIABILITIES

Long-term liability activity consisted of the following for the years ended June 30 2020 and 2019:

	Balance at June 30, 2019	Additions	Retirements	Balance at June 30, 2020	Due Within One Year
Compensated absences	\$ 846	\$ 1,736		\$ 2,582	\$ 2,582
	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019	Due Within One Year
Compensated absences	\$ 1,349	\$ 2,285	\$ (2,788)	\$ 846	\$ 846

NOTE E – UNEARNED REVENUE

The Local Transportation Fund (LTF) and State Transit Assistance Fund (STAF) allocates monies to the transit system to support operations and for capital expenditures. LTF and STAF allocations are considered earned when they are properly spent for operations by the transit system. Allocations in excess of this amount are recorded as unearned revenue.

A schedule of changes in unearned revenue for the year ended June 30, 2020 is as follows:

	LTF- Operating	LTF- Capital	STA- Operating	STA- Capital	Other Grants (Note F)	Total
Beginning balance, July 1, 2019	\$ 145,041	\$ 296,000		\$ 11,631		\$ 452,672
Allocations	635,137	254,000	\$ 335,083	18,008	\$ 732,952	1,975,180
Maximum eligibility						
Operating	(207,488)		(335,083)		(42,678)	(585,249)
Capital		(56,594)		(29,639)		(86,233)
Expenses incurred					(352,866)	(352,866)
Ending balance, June 30, 2020	\$ 572,690	\$ 493,406	\$ -	\$ -	\$ 337,408	\$ 1,403,504

NOTE F – OTHER STATE PROGRAMS

PTMISEA: In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Other State Programs. 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. As of June 30, PTMISEA funds allocated and expended were verified in the course of the audit as follows:

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – OTHER STATE PROGRAMS (Continued)

	<u>2020</u>	<u>2019</u>
PTMISEA allocated	\$ 486,659	\$ 6,250
Expenses incurred:		
Bus purchases	(333,152)	
Bus bay expansion		(6,250)
	<u> </u>	<u> </u>
Unexpended proceeds	<u>\$ 153,507</u>	<u>\$ -</u>

LCTOP: The Low Carbon Transit Operations Program (LCTOP) was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants. Projects approved for LCTOP will support bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. As of June 30, LCTOP funds allocated and expended were verified in the course of the audit as follows:

	<u>2020</u>	<u>2019</u>
LCTOP allocated	\$ 174,653	\$ 20,063
Expenses incurred:		
Bus Shelters	(15,940)	(20,063)
	<u> </u>	<u> </u>
Unexpended proceeds	<u>\$ 158,713</u>	<u>\$ -</u>

California Office of Emergency Services (CalOES): As approved by the voters in the November 2006 general elections, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects. CalOES has been charged with administering the following Prop 1B California Transit Security Grant Program (CTSGP). As of June 30, CalOES funds allocated and expended were verified in the course of the audit as follows:

	<u>2020</u>
CalOES allocated	<u>\$ 25,188</u>
Unexpended proceeds	<u>\$ 25,188</u>

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – OTHER STATE PROGRAMS (Continued)

State of Good Repair: The State of Good Repair (SGR) program was established by the California Legislature in 2017 by Senate Bill 1. SGR is a program that provides public transportation agencies with a consistent and dependable revenue source to invest in the upgrade, repair and improvement of the transportation infrastructure and improve transportation services. As of June 30, SGR funds allocated and expended were verified in the course of the audit as follows:

	<u>2020</u>
SGR allocated	\$ 46,452
Expenses incurred:	
Maintenance	<u>(46,452)</u>
Unexpended proceeds	<u><u>\$ -</u></u>

NOTE G – FARE REVENUE RATIO

LTSA is required to maintain a fare revenue to operating expense ratio in accordance with the Transportation Development Act. The fare revenue to operating expenses ratio for LTSA is calculated as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Fare revenues	\$ 181,042	\$ 186,872
Add: local support	10,019	
Less: charter revenue	<u>(349)</u>	<u>(4,808)</u>
Fare revenues excluding charter service	190,712	182,064
Operating expenses	1,498,587	1,513,193
Less allowable exclusions:		
Depreciation and amortization	(307,213)	(304,726)
Charter service expenses	<u>(1,017)</u>	<u>(2,820)</u>
Net operating expenses	<u><u>\$ 1,190,357</u></u>	<u><u>\$ 1,205,647</u></u>
Fare revenue ratio	<u><u>16.02%</u></u>	<u><u>15.10%</u></u>

LTSA was in compliance with the required 10% fare revenue for the years ended June 30, 2020 and 2019.

NOTE H – PENSION PLAN

LTSA's employees are covered under the County's cost sharing multiple-employer defined benefit pension plan. Pension expense allocated to LTSA for the years ended June 30, 2020 and 2019 was \$9,407 and \$6,975, respectively, and is reported as part of salaries and benefits. Information on contributions, net pension liability, deferred outflows and deferred inflows for LTSA employees only is not available so no amounts are recorded in the LTSA financial statements. Information is available about the County's pension plans in the County's Audited Financial Statements.

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE I – OTHER POST EMPLOYMENT BENEFITS

LTSA's employees are covered under the County of Lassen's CalPERS Health Program to provide health benefits to eligible retirees and their eligible family members. The contribution requirements are based upon actuarial valuations and are expensed to LTSA as payroll benefits via an allocation percentage. The amount allocated to LTSA during the years ended June 30, 2020 and 2019 totaled \$2,002 and \$879, respectively. Information on the County's contributions, member contributions, other postemployment benefit obligations and net assets available for benefits for LTSA employees only is not available, so no amounts are recorded in the LTSA financial statements. See the County's Audited Financial Statements for more information on other postemployment benefits.

NOTE J – INSURANCE COVERAGE

LTSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. LTSA has insurance coverage through the County of Lassen, who participates in the Trindel Insurance Fund. Information on insurance coverage can be obtained from the County's Audited Financial Statements.

NOTE K – CONCENTRATIONS

LTSA 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 LTSA's activities.

NOTE L – COMMITMENTS AND CONTINGENCIES

The Agency has extended the software and support subscription for bus operations for the period September 1, 2018 through August 31, 2023. The contract is for \$16,200 per year with a total amount not to exceed \$81,000. On March 9, 2020, the Agency expanded the agreement for providing GPS hardware for the busses for an additional \$60,000.

The Agency has an ongoing contract for transit operations and maintenance for the period beginning July 1, 2016 through June 30, 2019. LTSA has exercised an option to extend through June 30, 2021. The maximum amounts payable for fiscal year 2020/21 is \$771,728.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Agency's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

LTSA receives funding for specific purposes that are subject to review and audit by the granting agencies of the 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 audits.

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE M – REIMBURSEMENT PAYABLE TO COUNTY

County employees performed various functions related to transit activities since 1972 but only salaries and certain benefits were charged to LTSA. The County quantified the amount of unfunded pension and OPEB liabilities and invoiced the Commission for these liabilities. Since a portion of these liabilities related to LTSA, the County provided a breakdown of the liabilities between Commission and LTSA employees. The unfunded liability and OPEB for LTSA employees include active and retired employees based upon 1) an employee's years of service for LTSA, 2) annual full time equivalent (FTE) of work for LTSA. The unfunded pension liability attributed to LTSA was \$108,528 and the unfunded OPEB liability attributed to LTSA was \$51,746. These amounts will be repaid with additional allocations from the Local Transportation Fund starting in fiscal year 2020/21.

NOTE N – SUBSEQUENT EVENTS

LTSA's Board of Directors approved the purchase of a Ford Transit Van for \$78,349 on August 10, 2020. The purchase will be funded by local funds. The van is expected to be delivered in mid-2021.

The Agency has been awarded \$424,493 in CARES Act funding to be used to support operating expenses half being used for the year ended June 30, 2021 and the remaining half being used for the year ended June 30, 2022.

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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, THE TRANSPORTATION DEVELOPMENT ACT
AND OTHER STATE PROGRAM GUIDELINES

To the Board of Directors
Lassen Transit Service Agency
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 Lassen Transit Service Agency (LTSA) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LTSA's basic financial statements, and have issued our report thereon dated April 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LTSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LTSA's internal control. Accordingly, we do not express an opinion on the effectiveness of LTSA'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 LTSA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2020-001 and 2020-002 that we consider to be material weaknesses.

To the Board of Directors
Lassen Transit Service Agency

Compliance and Other Matters (including other State program guidelines)

As part of obtaining reasonable assurance about whether LTSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act Funds allocated and received by LTSA were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act and Section 6667 of the California Code of Regulations and other state program guidelines. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of performing these tasks disclosed instances of noncompliance with the applicable statutes, rules and regulations of the Transportation Development Act that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2020-003 and 2020-004.

LTSA's Response to Findings

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

Richardson & Company, LLP

April 1, 2021



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Lassen Transit Service Agency
Susanville, California

Report on Compliance for Each Major Federal Program

We have audited Lassen Transit Service Agency's (LTSA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LTSA's major federal programs for year ended June 30, 2020. LTSA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LTSA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LTSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LTSA's compliance.

Opinion on Each Major Federal Program

In our opinion, LTSA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-004. Our opinion on each major federal program is not modified with respect to these matters.

LTSA's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. LTSA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of LTSA is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LTSA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LTSA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented and, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-003 and 2020-004, that we consider to be significant deficiencies.

LTSA's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. LTSA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

To the Board of Directors
Lassen Transit Service Agency

Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on LTSA financial statements. The schedule of expenditures of federal awards (SEFA) is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Richardson & Company, LLP

April 1, 2021

LASSEN TRANSIT SERVICE AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Noncompliance material to financial statements under <i>Government Auditing Standards</i> noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR Section 200.516(a)? | Yes |
| 4. Identification of major programs: | |

CFDA Number

20.526

Name of Federal Program

Bus and Bus Facilities

- | | |
|---|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)? | No |

LASSEN TRANSIT SERVICE AGENCY

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

June 30, 2020

B. FINDINGS – FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR FINDINGS

Finding 2020-001 – Material Weakness

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

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

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

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

Recommendation: LTSA needs to prepare a claim for Local Transportation Funds to the Commission requesting the \$160,274 to pay the pension and OPEB liabilities of LTSA.

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

Finding 2020-002 – Material Weakness

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

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

Effect: Audit adjustments were needed to report the financial statements in accordance with generally accepted accounting principles, including entries posted to roll forward equity, transfer activity related to LTSA operations, record additional payables, record activity in the correct accounts for their specific purposes, record pension and OPEB liabilities and record restricted resources in separate restricted cash and fund balance accounts.

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

LASSEN TRANSIT SERVICE AGENCY

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

June 30, 2020

Recommendation: We recommend the County ensure transactions are reported in the proper period. If this separate tracking cannot be done within the County's accounting system, the Agency needs to consider establishing its own internal accounting system to track these various funding sources.

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

INTERNAL CONTROL OVER COMPLIANCE AND OTHER MATTERS

CURRENT YEAR FINDINGS

Finding 2020-003- Significant Deficiency

Criteria: Public Utility Code (PUC) Section 99314.6 requires that for State Transit Assistance (STA) Funds to be used for operating purposes, the transit operator must meet one of two efficiency standards.

Condition: LTSA claimed STA Funds for operating purposes, but a calculation to determine whether the efficiency standards were met was not included with the claim. A calculation to determine the efficiency standards was subsequently prepared and amounts used for capital versus operating in these financial statements reflect limitations in the efficiency standard.

Effect: LTSA may have improperly used STA Funds for operating purposes if the efficiency standards were not met.

Cause: Efficiency standard calculations were not prepared and submitted with the claim.

Recommendation: LTSA needs to ensure that when STA Funds are claimed and used for operating purposes, a computation is performed to determine compliance with PUC Section 99314.6. This computation needs to be included in the claim packet.

Management's Response: Management will strive to submit claims with all required information.

PRIOR YEAR FINDINGS

Finding 2019-001 – Material Weakness

Condition: The administrative costs and some revenues of LTSA have been combined with those of the Lassen County Transportation Commission (Commission) in one single fund (Fund 128). While these costs were segregated by a business unit code starting in fiscal year 2017/18, this segregation was not done retroactively. Thus, it was not possible to determine how much of the remaining \$430,000 cash balance in Fund 128, after audit adjustments to reclassify fiscal year 2017/18 activity related to LTSA, related to LTSA and how much related to the Commission. Currently, this \$430,000 of cash is included in the financial statements of the Commission.

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

LASSEN TRANSIT SERVICE AGENCY

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

June 30, 2020

Finding 2019-002 – Material Weakness

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

Current Status: The counties closing process did not identify required closing entries to report the financial statements on accrual basis. See finding 2020-002 which is a continuation of this finding.

Finding 2019-003 – Significant Deficiency

Condition: LTSA claimed STA Funds for operating purposes, but a calculation to determine whether the efficiency standards were met has not been performed.

Current Status: LTSA claimed STA funds for operating purposes. See finding 2020-003 which is a continuation of this finding.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAM

Finding 2020-004 – Significant Deficiency

CFDA: 20.509 Formula Grants and 20.526, Federal Transit Cluster

Federal Grantor: U.S. Department of Transportation, Federal Transit Formula Grants

Passed-through: Cal Trans

Compliance Requirement: Reporting

Condition: Schedule of Expenditures of Federal Awards (SEFA) was not prepared, and expenditures reported on the SEFA were revised during the single audit.

Criteria: Internal controls should be in place that provide reasonable assurance that the SEFA is prepared prior to the single audit and is complete and accurate.

Cause: Internal controls over financial reporting did not detect federal awards greater than \$750,000 and the SEFA was not fully reconciled and finalized until after the single audit began.

Effect: The expenses included on the SEFA were revised during the single audit, which could have resulted in the auditor not selecting the correct expenses for testing and could have resulted in the single audit not satisfying the requirements of the Uniform Guidance.

Recommendation: We recommend additional review procedures be implemented to ensure the SEFA are complete and accurate when the single audit begins.

Management's Response: Management will ensure that amounts reported on the SEFA are correct prior to the audit.

LASSEN TRANSIT SERVICE AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title/Pass-Through Number	Federal CFDA Number	Program or Award Amount	Expenditures
<u>U.S. Department of Transportation</u>			
Passed through California State Transportation Agency, Department of Transportation, Division of Mass Transportation Bus and Bus Facilities Formula Program 64GC17-00489	20.526	\$ 618,486	\$ 618,486
Federal Transit Cluster Total		<u>618,486</u>	<u>618,486</u>
Passed through California State Transportation Agency, Department of Transportation, Division of Mass Transportation 64BO19-00964	20.509	199,901	199,901
64VO020-01038	20.509	221,408	221,408
Formulas Grants for Rural Areas Total		<u>421,309</u>	<u>421,309</u>
TOTAL FEDERAL AWARDS		<u>\$ 1,039,795</u>	<u>\$ 1,039,795</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

LASSEN TRANSIT SERVICE AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Lassen Transit Service Agency (LTSA) under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of LTSA's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of LTSA.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – PROGRAM/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal and state grant portion of the program costs. Entire program costs, including LTSA's portion, may be more than shown.

NOTE D – INDIRECT COST ALLOCATION PLAN

LTSA did not elect to use the 10 percent de minimus indirect cost rate as covered in 2 CFR §200.414.

NOTE E – SUBRECIPIENTS

There were no subrecipients of LTSA's programs during the year ended June 30, 2020.

CORRECTIVE ACTION PLAN

Finding 2020-001 – Material Weakness

Condition: The administrative costs and some revenues of LTSA have been combined with those of the Lassen County Transportation Commission (Commission) in one single fund (Fund 128).

Recommendation: LTSA needs to prepare a claim for Local Transportation Funds to the Commission requesting the \$160,274 to pay the pension and OPEB liabilities of LTSA.

Corrective Action: Management will submit a claim to the Commission to repay the County for the pension and OPEB liability.

Person Responsible: Peter Heimbigner, Executive Director; pheimbigner@co.lassen.ca.us

Timeframe for Completion: This recommendation will be implemented for the fiscal year ending June 30, 2021.

Finding 2020-002 – Material Weakness

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

Recommendation: We recommend the County ensure transactions are reported in the proper period. If this separate tracking cannot be done within the County's accounting system, the Agency needs to consider establishing its own internal accounting system to track these various funding sources.

Corrective Action: Management will ensure all required entries are posted during the closing process in the future.

Person Responsible: County Auditor

Timeframe for Completion: This recommendation will be implemented for the fiscal year ending June 30, 2021.

Finding 2020-003- Significant Deficiency

Condition: LTSA claimed STA Funds for operating purposes, but a calculation to determine whether the efficiency standards were met was not included with the claim. A calculation to determine the efficiency standards was subsequently prepared and amounts used for capital versus operating in these financial statements reflect limitations in the efficiency standard.

Recommendation: LTSA needs to ensure that when STA Funds are claimed and used for operating purposes, a computation is performed to determine compliance with PUC Section 99314.6. This computation needs to be included in the claim packet.

Corrective Action: Management will strive to submit claims with all required information.

Person Responsible: Peter Heimbigner, Executive Director; pheimbigner@co.lassen.ca.us

Timeframe for Completion: This recommendation will be implemented for the fiscal year ending June 30, 2021.

Finding 2020-004: Significant Deficiency- Schedule of Expenditures of Federal Awards

Condition: Schedule of Expenditures of Federal Awards (SEFA) was not prepared prior to the start of the single audit and expenditures reported on the SEFA were revised during the single audit.

Recommendation: That additional review procedures be implemented to ensure the expenditures reported on the SEFA are complete and accurate when the single audit begins.

Corrective Action: LCTC accepts the recommendation as stated.

Person Responsible: County Auditor

Timeframe for Completion: This recommendation will be implemented for the fiscal year ending June 30, 2021.