

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SUSANVILLE, CALIFORNIA**

**AUDIT REPORT  
FOR THE YEARS ENDED  
JUNE 30, 2016 and 2015**

**LASSEN TRANSIT SERVICE AGENCY  
AUDIT REPORT  
JUNE 30, 2016 and 2015**

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**FINANCIAL SECTION**

Independent Auditors' Report on Financial Statements

Board of Commissioners  
Lassen County Transportation Commission  
Susanville, California

Board of Directors  
Lassen Transit Service Agency  
Susanville, California

We have audited the accompanying financial statements of the business-type activities and each major fund of the Transportation Development Act and the Lassen Transit Service Agency (LTSA) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Agency 's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

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 Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

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

### **Qualified Opinion**

In our opinion, except for the matters discussed in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Lassen Transit Service Agency as of June 30, 2016 and 2015 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Required Supplementary Information

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2017, on our consideration of Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agencies' internal control over financial reporting and compliance.

Respectfully submitted,



SingletonAuman PC  
Susanville, CA  
January 15, 2017

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
STATEMENTS OF NET POSITION  
PROPRIETARY FUND  
TRANSIT FUND  
JUNE 30, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 70,923	\$ 602,713
Total Current Assets	70,923	602,713
Property, Plant & Equipment, Net	1,485,489	1,598,546
 Total Assets	 \$ 1,556,412	 \$ 2,201,259
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 65,426	\$ 64,454
Due to Other Governments	5,477	
Total Current Liabilities	70,903	64,454
 Total Liabilities	 \$ 70,903	 \$ 64,454
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 1,485,489	\$ 1,598,546
Unrestricted	20	538,259
Total Net Position	\$ 1,485,509	\$ 2,136,805

The accompanying notes are an integral part of this statement.

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND-TRANSIT FUND  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Fare Revenues	\$ 206,085	\$ 200,700
Total Operating Revenue	<u>206,085</u>	<u>200,700</u>
Expenses:		
Transportation and Travel	74,963	116,534
Equipment Maintenance	995	4,300
Insurance	4,000	4,000
Utilities	20,904	21,608
Professional Services	907,989	883,080
Special Department	5,314	3,252
Office Expense	154	3,489
Depreciation	296,784	289,447
Total Operating Expenses	<u>1,311,103</u>	<u>1,325,710</u>
Operating Income (Loss)	<u>(1,105,018)</u>	<u>(1,125,010)</u>
Non-Operating Revenues and (Expenses):		
Federal Grant Revenue	219,903	234,482
Intergovernmental Revenue	1,749	664,710
Transfers In	232,070	353,155
Total Non-Operating Revenues and (Expenses)	<u>453,722</u>	<u>1,252,347</u>
Change in Net Assets	<u>(651,296)</u>	<u>127,337</u>
Net Position, Beginning of the Period	<u>2,136,805</u>	<u>2,009,468</u>
Net Position, End of the Period	<u>\$ 1,485,509</u>	<u>\$ 2,136,805</u>

The accompanying notes are an integral part of this statement.



**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUND- TRANSIT FUND  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

	2016	2015
Cash Flows from Operating Activities:		
Cash Received From Passengers	\$ 206,085	\$ 200,700
Cash Payments to Suppliers for Goods and Services	(1,007,870)	(1,048,404)
Net Cash Provided (Used) by Operating Activities	(801,785)	(847,704)
Cash Flows from Non-Capital Financing Activities:		
Received from Other Governmental Agencies	221,652	899,188
Other Financing Sources (Uses)	232,070	353,155
Net Cash Provided (Used) by Non-Capital Financing Activities	453,722	1,252,343
Cash Flows from Capital and Related Financing Activities:		
Purchases of Property and Equipment	(183,727)	(167,213)
Net Cash Provided (Used) by Capital Financing Activities	(183,727)	(167,213)
Net Increase (Decrease) in Cash and Cash Equivalents	(531,790)	237,426
Cash and Cash Equivalents:		
Balance - July 1	602,713	365,287
Balance - June 30	\$ 70,923	\$ 602,713
Reconciliation:		
Operating Income (Loss)	\$ (1,105,018)	\$ (1,125,010)
Depreciation and Amortization	296,784	289,447
Increase/(Decrease) in Accounts Payable and Due to other Agencies	6,449	(12,141)
Net Cash Provided (Used) by Operating Activities	\$ (801,785)	\$ (847,704)

The accompanying notes are an integral part of this statement.

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND JUNE 30, 2015**

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

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

**A. Reporting Entity**

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

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

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

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

**B. Fund Accounting**

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

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND JUNE 30, 2015**

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

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

**C. Basis of Accounting**

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

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

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

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

**D. Capital Assets**

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value as the date received. The Agency's capitalization threshold is \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND JUNE 30, 2015**

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	25
Vehicles	5-10
Equipment	3-10

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

**E. Cash and Cash Equivalents**

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

**F. Receivable and Payable Balances**

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

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

**G. Use of Estimates**

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

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

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

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

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND JUNE 30, 2015**

**I. Subsequent Event Evaluation**

Management has evaluated subsequent events through January 15, 2017, the date the financial statements were available to be issued.

**NOTE 2 – CAPITAL ASSETS**

A capital assets summary of the Agency is shown below:

	<u>6/30/2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>6/30/2015</u>
Land and Improvements	\$ 43,951	\$ -	\$ -	\$ 43,951
Buildings and Structures	1,187,816	4,198		1,192,014
Vehicles and Other Equipment	2,435,688	167,213	92,250	2,510,651
Construction in Progress	4,198		4,198	-
Total	<u>3,671,653</u>	<u>171,411</u>	<u>92,250</u>	<u>3,746,616</u>
Accumulated Depreciation	<u>(1,950,877)</u>	<u>(289,447)</u>	<u>(92,254)</u>	<u>(2,148,070)</u>
Property, Plant and Equipment, Net	<u>\$ 1,507,679</u>	<u>\$ (118,036)</u>	<u>\$ (4)</u>	<u>\$ 1,598,546</u>

Depreciation and amortization was charged to functions as follows:

Transit \$ 289,447

	<u>6/30/2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>06/30/16</u>
Land and Improvements	\$ 43,951	\$ -	\$ -	\$ 43,951
Buildings and Structures	1,192,014			\$ 1,192,014
Vehicles and Other Equipment	2,510,651	183,727		\$ 2,694,378
Construction in Progress	-			\$ -
Total	<u>3,746,616</u>	<u>183,727</u>	<u>-</u>	<u>3,930,343</u>
Accumulated Depreciation	<u>(2,148,070)</u>	<u>(296,784)</u>		<u>(2,444,854)</u>
Property, Plant and Equipment, Net	<u>\$ 1,598,546</u>	<u>\$ (113,057)</u>	<u>\$ -</u>	<u>\$ 1,485,489</u>

Depreciation and amortization was charged to functions as follows:

Transit \$ 296,784

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND JUNE 30, 2015**

**NOTE 3 – FARE REVENUE RATIO**

The Agency is required under the Transportation Development Act to maintain a fare revenue to operating expenses ratio of 10%. The calculation of the fare revenue ratio for the years ended June 30, 2016 and 2015, are as follows:

	6/30/2016	6/30/2015
Fare Revenue	\$ 206,085	\$ 200,700
Operating Expenses	\$ 1,311,103	\$ 1,325,710
Less Depreciation	(296,784)	(289,447)
	\$ 1,014,319	\$ 1,036,263
Fare Revenue Ratio	20.3%	19.4%

**NOTE 4 – CASH**

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

Credit Risk, Carrying Amount and Market Value of Investments

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

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

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

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND JUNE 30, 2015**

**NOTE 5 – RISK MANAGEMENT**

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

The Agency is included within the terms of Lassen County's insurance coverage. Lassen County participates in a joint powers authority (JPA) called Trindel Insurance, to provide coverage for workers' compensation and general liability exposure and to pay for the administration of the program. Primary and excess workers' compensation insurance, as well as excess property and general liability insurance are reinsured through CSAC Excess Insurance Authority. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past fiscal years. At June 30, 2016, Trindel Insurance Fund was classified as a claims-servicing or account pool, wherein Lassen County retains the risk of loss and is considered self-insured with regard to liability coverage.

**NOTE 6 – CONCENTRATIONS**

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

**NOTE 7 – CONTINGENCIES**

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

**NOTE 8 – NET POSITION**

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

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

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

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

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND JUNE 30, 2015**

**NOTE 9 - PTMISEA**

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the fiscal year ended June 30, 2016, \$183,886 of PTMISEA funds were used for bus maintenance bay expansion. The balance of \$533,550 remains in the state transit fund. Qualifying expenditures must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

As of June 30, 2016, PTMISEA funds received and expended were verified in the course of our audit as follows:

Balance at June 30, 2015	\$ 715,458
Interest Earned	1,978
Program expenditures:	<u>(183,886)</u>
Unexpended funds at June 30, 2016	<u><u>\$ 533,550</u></u>



**OTHER SUPPLEMENTARY  
INFORMATION**

**LASSEN TRANSIT SERVICE AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
TRANSIT FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Fare Revenues	\$ 135,000	\$ 135,000	\$ 206,085	\$ 71,085
Total Operating Revenue	<u>135,000</u>	<u>135,000</u>	<u>206,085</u>	<u>71,085</u>
Expenses:				
Transportation and Travel	150,000	150,000	74,963	75,037
Equipment Maintenance	42,000	42,000	995	41,005
Insurance	8,000	8,000	4,000	4,000
Utilities	26,500	26,500	20,904	5,596
Professional and Special	965,295	965,295	907,989	57,306
Special Departmental	15,000	15,000	5,314	9,686
Office Expense	4,000	4,000	154	3,846
Depreciation	-	-	296,784	(296,784)
Total Operating Expenses	<u>1,210,795</u>	<u>1,210,795</u>	<u>1,311,103</u>	<u>(100,308)</u>
Operating Income (Loss)	<u>(1,075,795)</u>	<u>(1,075,795)</u>	<u>(1,105,018)</u>	<u>(29,223)</u>
Non-Operating Revenue (Expense):				
Federal Grant Revenue	196,394	196,394	219,903	23,509
Intergovernmental Revenue	-	-	1,749	1,749
Transfers In	1,563,150	1,563,150	232,070	(1,331,080)
Total Non-Operating Revenues (Expense):	<u>1,759,544</u>	<u>1,759,544</u>	<u>453,722</u>	<u>(1,305,822)</u>
Change in Net Position	<u>\$ 683,749</u>	<u>\$ 683,749</u>	<u>\$ (651,296)</u>	<u>\$ (1,335,045)</u>

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

Board of Commissioners  
Lassen County Transportation Committee  
Susanville, California

Board of Directors  
Lassen Transit Service Agency  
Susanville, California

**Report on State Compliance**

We have audited the financial statements of the Transportation Development Act Funds of the Lassen Transit Service Agency as of and for the years ended June 30, 2016 and June 30, 2015, and have issued a report thereon dated January 15, 2017.

**Management's Responsibility for State Compliance**

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

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also audited the Agency's compliance with the California Code of Regulations Sections 6664 and 6667 that are applicable to Lassen Transit Service Agency. Additionally, we performed tests to determine that expenditures paid by Lassen Transit Service Agency were made in accordance with the allocation instructions and resolutions of Lassen County Transportation Commission and in conformance with the California Transportation Development Act. Also as part of our audit, we performed test of compliance to determine whether certain state bond funds were received and expended in accordance with applicable bond act and state accounting requirements. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items above occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

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**Opinion on State Compliance**

In our opinion, the Lassen Transit Service Agency complied, in all material respects, with the statutes, rules, and regulations of the California Transportation Development Act, the allocation instructions and resolutions of the local transportation commission, and the with applicable bond act and state accounting requirements.

**Purpose of this Report**

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

Respectfully submitted,



SingletonAuman PC  
Susanville, CA  
January 15, 2017

**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**

Board of Commissioners  
Lassen County Transportation Commission  
Susanville, California

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 the Transportation Development Act Funds of the Lassen Transit Service Agency as of and for the year ended June 30, 2016 and June 30, 2015 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated January 15, 2017.

**Internal Control over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and

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corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-1 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Agency's Response to Findings**

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

### **Purpose of the Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



**SingletonAuman PC**  
Susanville, CA  
January 15, 2017

**LASSEN TRANSIT SERVICE AGENCY  
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**EXECUTIVE SUMMARY**

The Agency collects and redistributes state and local transportation funding to the Lassen County Transportation Commission to provide public transit services to the County of Lassen and the City of Susanville.

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

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

**LASSEN TRANSIT SERVICE AGENCY  
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**YELLOW BOOK SECTION  
Significant Deficiency**

**Finding 2016-1 Financial Reporting**

**Criteria Upon Which Audit Finding is Based (Legal Citation)**

Statement on Auditing Standards No. 122.

**Finding (Condition)**

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

**Amount of Questioned Cost, How Computed and Prevalence**

None.

**Effect**

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

**Cause**

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

**Recommendation**

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

**Agency's Response**

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



**LASSEN TRANSIT SERVICE AGENCY  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
(FINDINGS FROM THE JUNE 30, 2015 AUDIT REPORT)  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Finding</u>	<u>Status</u>
<u>Finding 2015-1 Financial Reporting</u>	Not implemented. See Current Year Finding 2016-1.

**LASSEN TRANSIT SERVICE AGENCY  
CORRECTIVE ACTION PLAN  
JUNE 30, 2016**

**Person Monitoring Corrective Action Plan**

Larry Millar, Executive Director

**Finding 2016-1 Financial Reporting**

Finding (Condition)

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

Corrective Action Planned

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

Expected Completion Date

Ongoing.

# California Public Utilities Commission Safety and Enforcement Division Rail Crossings Engineering Branch Rail Crossings Safety Section

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## Northern California

SENIOR ENGINEER:  
TBD

