

LASSEN TRANSIT SERVICE AGENCY

Audited Financial Statements
and Compliance Reports

June 30, 2023

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LASSEN TRANSIT SERVICE AGENCY

Audited Financial Statements
and Compliance Reports

June 30, 2023

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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, 2023 and 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LTSA as of June 30, 2023 and 2022 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LTSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LTSA's ability to continue as going concern for a reasonable period of time.

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

Required Supplementary Information

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 May 7, 2024 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 other state guidelines. The purpose of that report is to describe

To the Board of Directors
Lassen Transit Service Agency

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

May 7, 2024

LASSEN TRANSIT SERVICE AGENCY

BALANCE SHEETS

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and investments	\$ 203,325	
Restricted cash	575,540	\$ 599,454
Accounts receivable		7,130
Due from other governments	279,270	467,755
Capital assets:		
Not depreciated	43,951	405,537
Depreciated, net	<u>1,803,134</u>	<u>1,536,134</u>
TOTAL ASSETS	<u>\$ 2,905,220</u>	<u>\$ 3,016,010</u>
LIABILITIES		
Accounts payable	\$ 128,475	\$ 143,801
Due to other governments	16,144	
Due to the County of Lassen for cash deficit		122,439
Unearned revenue	1,109,652	1,023,235
Accrued payroll	3,295	5,047
Compensated absences, due within one year	2,284	2,284
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>1,420,124</u>	<u>1,457,080</u>
NET POSITION		
Net investment in capital assets	1,847,085	1,941,671
Restricted for capital purchases	321,301	313,597
Unrestricted	<u>(683,290)</u>	<u>(696,338)</u>
TOTAL NET POSITION	<u>1,485,096</u>	<u>1,558,930</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,905,220</u>	<u>\$ 3,016,010</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Charges for services	\$ 180,477	\$ 156,954
TOTAL OPERATING REVENUES	<u>180,477</u>	<u>156,954</u>
OPERATING EXPENSES		
Professional fees	1,204,698	1,250,936
Salaries and benefits	150,349	143,005
Administrative costs	83,577	48,987
Transportation and travel	147,212	117,216
Utilities	30,023	23,656
Insurance	33,343	38,276
Depreciation	317,654	264,234
Other expense	22,871	20,500
TOTAL OPERATING EXPENSES	<u>1,989,727</u>	<u>1,906,810</u>
OPERATING LOSS	(1,809,250)	(1,749,856)
NONOPERATING REVENUES (EXPENSES)		
Local transportation fund allocation	525,630	512,782
State transit assistance fund allocation	386,096	254,492
Federal transit administration grants	579,870	431,582
Interest income	(815)	3,455
Other revenues	21,567	2,416
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,512,348</u>	<u>1,204,727</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(296,902)	(545,129)
CAPITAL CONTRIBUTIONS		
Local transportation fund allocation	149,074	210,210
State transit assistance fund allocation		4,299
State of good repair allocation	48,731	44,573
LCTOP	25,263	161,979
PTMISEA		153,507
CalOES		14,238
TOTAL CAPITAL CONTRIBUTIONS	<u>223,068</u>	<u>588,806</u>
CHANGE IN NET POSITION	(73,834)	43,677
Net position, beginning of year	<u>1,558,930</u>	<u>1,515,253</u>
NET POSITION, END OF YEAR	<u>\$ 1,485,096</u>	<u>\$ 1,558,930</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passengers	\$ 187,607	\$ 149,824
Cash paid to suppliers for goods and services	(1,643,345)	(1,359,148)
Cash paid to employees for services	(152,101)	(142,652)
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,607,839)</u>	<u>(1,351,976)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants and other receipts	2,125,141	1,080,017
Non-operating grants and subsidies	21,567	2,416
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,146,708</u>	<u>1,082,433</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants received for capital acquisitions	(135,575)	135,544
Acquisition of capital assets	(223,068)	(588,806)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(358,643)</u>	<u>(453,262)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	(815)	3,455
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(815)</u>	<u>3,455</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	179,411	(719,350)
Cash and cash equivalents, beginning of year	<u>599,454</u>	<u>1,318,804</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 778,865</u>	<u>\$ 599,454</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINING BALANCE SHEET		
Cash and investments	\$ 203,325	\$ -
Restricted cash	<u>575,540</u>	<u>599,454</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 778,865</u>	<u>\$ 599,454</u>

(Continued)

LASSEN TRANSIT SERVICE AGENCY
STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30, 2023 and 2022

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (1,809,250)	\$ (1,749,856)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	317,654	264,234
Changes in operating assets and liabilities:		
Accounts receivable	7,130	(7,130)
Accounts payable	(15,326)	17,984
Due to County of Lassen	(106,295)	122,439
Accrued payroll	(1,752)	353
	\$ (1,607,839)	\$ (1,351,976)
NET CASH USED BY OPERATING ACTIVITIES	\$ (1,607,839)	\$ (1,351,976)

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

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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, 2023

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.

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, 2023

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, 2023 and 2022, the weighted average maturity of the investments contained in the County of Lassen investment pool was approximately 782 and 783 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, 2023

NOTE C – CAPITAL ASSETS

Capital assets consisted of the following at June 30 2023 and 2022:

	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 43,951			\$ 43,951
Construction in progress	361,586		\$ (361,586)	-
Total capital assets, not being depreciated	<u>405,537</u>	<u>-</u>	<u>(361,586)</u>	<u>43,951</u>
Capital assets, being depreciated:				
Buildings and infrastructure	1,671,531		361,586	2,033,117
Vehicles and equipment	3,156,517	\$ 223,068		3,379,585
Total capital assets, being depreciated	<u>4,828,048</u>	<u>223,068</u>	<u>361,586</u>	<u>5,412,702</u>
Less accumulated depreciation				
Buildings and infrastructure	(1,238,156)	(58,833)		(1,296,989)
Vehicles and equipment	(2,053,758)	(258,821)		(2,312,579)
Total accumulated depreciation	<u>(3,291,914)</u>	<u>(317,654)</u>	<u>-</u>	<u>(3,609,568)</u>
Total capital assets being depreciated, net	<u>1,536,134</u>	<u>(94,586)</u>		<u>1,803,134</u>
Total capital assets, net	<u>\$ 1,941,671</u>	<u>\$ (94,586)</u>	<u>\$ (361,586)</u>	<u>\$ 1,847,085</u>
	Balance at June 30, 2021	Additions	Transfers	Balance at June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 43,951			\$ 43,951
Construction in progress		\$ 361,586		361,586
Total capital assets, not being depreciated	<u>43,951</u>	<u>361,586</u>	<u>-</u>	<u>405,537</u>
Capital assets, being depreciated:				
Buildings and infrastructure	1,526,335	145,196		1,671,531
Vehicles and equipment	3,092,672	82,024	\$ (18,179)	3,156,517
Total capital assets, being depreciated	<u>4,619,007</u>	<u>227,220</u>	<u>(18,179)</u>	<u>4,828,048</u>
Less accumulated depreciation:				
Buildings and infrastructure	(1,206,242)	(31,914)		(1,238,156)
Vehicles and equipment	(1,839,617)	(232,320)	18,179	(2,053,758)
Total accumulated depreciation	<u>(3,045,859)</u>	<u>(264,234)</u>	<u>18,179</u>	<u>(3,291,914)</u>
Total capital assets being depreciated, net	<u>1,573,148</u>	<u>(37,014)</u>	<u>-</u>	<u>1,536,134</u>
Total capital assets, net	<u>\$ 1,617,099</u>	<u>\$ 324,572</u>	<u>\$ -</u>	<u>\$ 1,941,671</u>

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE D – LONG-TERM LIABILITIES

Long-term liability activity consisted of the following for the years ended June 30 2023 and 2022:

	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023	Due Within One Year
Compensated absences	\$ 2,284			\$ 2,284	
	Balance at June 30, 2021	Additions	Retirements	Balance at June 30, 2022	Due Within One Year
Compensated absences	\$ 2,582		\$ (298)	\$ 2,284	\$ 2,284

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, 2023 is as follows:

	LTF- Operating	LTF- Capital	STA- Operating	Other Grants (Note F)	Total
Beginning balance, July 1, 2022	\$ 723,140	\$ 272,356		\$ 27,739	\$ 1,023,235
Allocations	697,752		\$ 386,096	48,731	1,132,579
Proceeds Received		77,466			77,466
Interest Earnings		11,041		125	11,166
Maximum eligibility					
Operating	(525,630)		(386,096)		(911,726)
Capital		(149,074)			(149,074)
Expenses incurred				(73,994)	(73,994)
Ending balance, June 30, 2023	\$ 895,262	\$ 211,789	\$ -	\$ 2,601	\$ 1,109,652

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, 2023

NOTE F – OTHER STATE PROGRAMS (Continued)

	<u>2022</u>
Beginning balance	\$ 153,507
Expenses incurred:	
Bus shelters	<u>(153,507)</u>
Unexpended proceeds	<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>2023</u>	<u>2022</u>
Beginning balance	\$ 27,739	\$ 158,713
LCTOP allocated		31,005
Interest Earnings	125	
Expenses incurred:		
Bus Stop Improvements	<u>(25,263)</u>	<u>(161,979)</u>
Unexpended proceeds	<u>\$ 2,601</u>	<u>\$ 27,739</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>2022</u>
Beginning balance	\$ 14,238
Expenses incurred:	
Vault construction	<u>(14,238)</u>
Unexpended proceeds	<u>\$ -</u>

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2023

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>2023</u>	<u>2022</u>
SGR allocated	\$ 48,731	\$ 44,573
Expenses incurred:		
Facility roof		(30,000)
Service vehicle		(14,573)
Capital	<u>(48,731)</u>	<u> </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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Fare revenues	\$ 180,477	\$ 156,954
Add: local support		3,455
Add: Federal funds	<u>579,870</u>	<u>431,582</u>
Fare revenues excluding charter service	760,347	591,991
Operating expenses	1,989,727	1,906,810
Less allowable exclusions:		
Depreciation and amortization	(317,654)	(264,234)
Charter service expenses		<u>(34)</u>
Net operating expenses	<u>\$ 1,672,073</u>	<u>\$ 1,642,542</u>
Fare revenue ratio	<u>45.47%</u>	<u>36.04%</u>

LTSA was in compliance with the required 10% fare revenue for the years ended June 30, 2023 and 2022. Assembly Bill (AB) 149 permits the inclusion of federal funds as local support, which allows LTSA to meet its fare revenue ratio.

LASSEN TRANSIT SERVICE AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2023

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, 2023 and 2022 was \$19,593 and \$12,483, 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.

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, 2023 and 2022 totaled \$1,169 and \$1,169, 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

LTSA 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, LTSA expanded the agreement for providing GPS hardware for the busses for an additional \$60,000.

LTSA has an ongoing contract for transit operations and maintenance for the period beginning July 1, 2021, through June 30, 2026. The maximum amounts payable for per fiscal year is \$1,044,560 to \$1,175,590. LTSA has the option to extend the contract through June 30, 2030.

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, 2023

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. On August 8, 2022, LTSA Board adopted a payment plan for the aforementioned unfunded pension and OPEB liabilities. No amounts were repaid in fiscal year 2021/22 or in fiscal year 2022/2023.

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, 2023, and the related notes to the financial statements, which collectively comprise LTSA's basic financial statements, and have issued our report thereon dated May 7, 2024.

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) as a basis for designing 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.

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

To the Board of Directors
Lassen Transit Service Agency

financial statements. 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*.

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

May 7, 2024

LASSEN TRANSIT SERVICE AGENCY
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2023

COMPLIANCE AND OTHER MATTERS

None

INTERNAL CONTROL OVER FINANCIAL REPORTING

None

PRIOR YEAR FINDINGS

None

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