

LASSEN TRANSIT SERVICE AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS

SUSANVILLE, CALIFORNIA

AUDIT REPORT

JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

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 Transportation Development Act Funds of Lassen Transit Service Agency as of June 30, 2009, for the fiscal year then ended, as listed in the table of contents. These financial statements are the responsibility of the management of Lassen Transit Service Agency. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information was derived from Lassen County Transportation Commission's 2008 financial statements and, in our report dated June 5, 2009 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Transportation Development Act Funds of Lassen Transit Service Agency and are not intended to present fairly the financial position and results of operations of Lassen Transit Service Agency in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lassen Transit Service Agency Transportation Development Act Funds as of June 30, 2009, and the changes in its financial position and cash flows for the fiscal year then ended, in conformity with U.S. generally accepted accounting principles.



R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
March 23, 2010

Lassen Transit Service Agency
Transportation Development Act Funds
STATEMENTS OF NET ASSETS
Proprietary Fund
Transit Fund
June 30, 2009
(With Comparative Totals for June 30, 2008)

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 6,750	\$ 52,173
Due from other agencies	-	58,223
Total current assets	<u>6,750</u>	<u>110,396</u>
Fixed assets, net of accumulated depreciation	<u>956,415</u>	<u>1,076,182</u>
Total assets	<u>963,165</u>	<u>1,186,578</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	6,750	48,485
Due to other agencies	-	61,912
Total current liabilities	<u>6,750</u>	<u>110,397</u>
<u>NET ASSETS</u>		
Invested in capital assets	956,415	1,076,182
Unrestricted	-	(1)
Total net assets	<u>\$ 956,415</u>	<u>\$ 1,076,181</u>

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

Lassen Transit Service Agency
Transportation Development Act Funds
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
Proprietary Fund
Transit Fund
For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
<u>OPERATING REVENUE:</u>		
Fare revenues	\$ 187,102	\$ 198,705
<u>OPERATING EXPENSES:</u>		
Transportation and travel	62,271	99,108
Equipment maintenance	7,418	37,036
Insurance	5,058	10,414
Utilities	21,111	28,793
Professional and special	711,137	791,179
Special department	5,723	6,420
Office expense	210	439
Depreciation	147,724	146,632
Total operating expenses	<u>960,652</u>	<u>1,120,021</u>
Net income (loss) from operations	<u>(773,550)</u>	<u>(921,316)</u>
<u>NON-OPERATING REVENUES:</u>		
Governmental Agency Revenue	111,106	103,663
Federal Revenue	143,713	132,793
LCTC - Other Revenue	129,304	732,199
Interest income	-	16,702
Total non-operating revenues	<u>384,123</u>	<u>985,357</u>
Net income (loss) before operating transfers	(389,427)	64,041
<u>TRANSFERS</u>		
Transfers in	<u>269,661</u>	-
<u>CHANGE IN NET ASSETS</u>	<u>(119,766)</u>	<u>64,041</u>
Net assets, beginning of period	<u>1,076,181</u>	<u>1,012,140</u>
Net assets, end of period	<u>\$ 956,415</u>	<u>\$ 1,076,181</u>

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

Lassen Transit Service Agency
Transportation Development Act Funds
STATEMENTS OF CASH FLOWS
Proprietary Fund
Transit Fund
For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	2009	2008
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from passengers	\$ 187,102	\$ 198,705
Cash payment to suppliers	(854,663)	(985,892)
Net cash used by operating activities	(667,561)	(787,187)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Cash received from other governmental agencies	384,123	635,327
Cash received (used) from operating transfers in (out)	265,972	-
Net cash provided (used) by non-capital financing activities	650,095	635,327
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of capital assets	(27,957)	(210,674)
Net cash provided by capital and related financing activities	(27,957)	(210,674)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest earned	-	16,702
Net cash (used) by investing activities	-	16,702
Net cash increase (decrease) for the fiscal period	(45,423)	(345,832)
Cash and equivalents, beginning of period	52,173	398,005
Cash and equivalents, end of period	\$ 6,750	\$ 52,173
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ (773,550)	\$ (921,316)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	147,724	146,632
Change in operating assets and liabilities:		
Increase (decrease) in accounts payable	(41,735)	(12,503)
Net cash used by operating activities	\$ (667,561)	\$ (787,187)

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

Lassen Transit Service Agency
Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 Service Agency (the Agency) applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary Funds apply Financial Accounting Standards 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 provisions of Article 1, Chapter 5, Division 7, Title 1 of the California Government Code section 6500. Formally, all of 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 receives Local Transportation Fund and State Transit Assistance allocations from Lassen County Local 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. In addition, the Agency is not aware of any entity that would be financially accountable for the Agency that would result in the Agency being considered a component unit of that entity.

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.

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).

Lassen Transit Service Agency
Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 gives (or receives) value without directly receiving (or giving) equal value in exchange, include 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 assets 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 of the date received. Depreciation for the year ended June 30, 2009 was \$146,632. The Agency's capitalization threshold is \$5,000. 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.

Depreciation of buildings, equipment and vehicles in the proprietary fund types 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.

Lassen Transit Service Agency
Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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 as a cash or cash equivalent for purposes of the statement of cash flows.

NOTE 2 - CAPITAL ASSETS

A capital assets summary of the Agency is shown below:

	Balance at 6/30/08	Additions	Deletions	Balance at 6/30/09
Assets not being depreciated:				
Land	\$ 43,951	\$ -	\$ -	43,951
Construction in progress	-	22,496	-	22,496
Structures and improvements	1,033,778	-	-	1,033,778
Equipment	1,765,808	5,461	(372,199)	1,399,070
Subtotal	<u>2,843,537</u>	<u>\$ 27,957</u>	<u>\$ (372,199)</u>	2,499,295
Less accumulated depreciation	1,767,355			1,542,880
Net fixed assets	<u>\$ 1,076,182</u>			<u>\$ 956,415</u>

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 year ended June 30, 2009, is as follows:

Fare revenue	<u>\$ 187,102</u>
Operating expense	\$ 960,652
Less depreciation	(147,724)
Total	<u>\$ 812,928</u>
Fare revenue ratio	23.0%

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, 2009 was \$6,750.

Lassen Transit Service Agency
Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 4 - CASH (concluded)

Credit Risk, Carrying Amount and Market Value of Investments

The Agency maintains specific cash deposits with Lassen County and involuntarily participates in the external investment pool of Lassen County. Lassen County is restricted by state code in the types of investments it can make. Furthermore, the Lassen County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, 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. At June 30, 2009, the Agency's cash with the Lassen County Treasurer is stated at fair value. However, the value of the pool shares in the County of Lassen that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Agency's position in the pool.

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

NOTE 5 - USE OF ESTIMATES

The financial statements of the Agency 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 estimates.

NOTE 6 - 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. There is a self-insured retention of \$100,000 for general liability and of \$25,000 for property, respectively. Above the self-insured retention, excess insurance coverage is up to a limit of \$15,000,000 for liability and \$300,000,000 for workers' compensation. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past fiscal years. At June 30, 2007, 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 7 - 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.

Lassen Transit Service Agency
Transportation Development Act Funds
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 8 - 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 9 - NET ASSETS

GASB Statement No. 34 added the concept of Net Assets, which is measured on the full accrual basis.

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

Invested in Capital Assets, net of related debt 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.

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

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 Commission
Susanville, California

Board of Directors
Lassen Transit Service Agency
Susanville, California

We have audited the financial statements of the Transportation Development Act Funds of Lassen Transit Service Agency (the Agency) as of and for the year ended June 30, 2009 and have issued a report thereon dated March 23, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards.

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that expenditures paid by the Agency were made in accordance with the allocation instructions and resolutions of the Lassen County Transportation Commission and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 6664 and 6667 that are applicable to the Agency. In connection with our audit, nothing came to our attention that caused us to believe the Transportation Development Act Funds allocated to the Agency failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Local Transportation Commission. 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.

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.

This 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.



R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
March 23, 2010