



108 S. Main Street
Alturas, CA 96101-3936
(530) 233-6410 Phone
233-3744 Fax

Meets First Tuesday
even-numbered months
after MCTC meeting
or about 2:15 p.m.

Board of Directors

John Dederick
Chairman
City Councilman

Kathie Rhoads
Vice Chair
County Supervisor

David Allen
Director
County Supervisor I

Danny Parker
Director
City at Large Citizen

Bobby Ray
Director
City Councilman

Jim Wills
Director
County at Large Citizen

Elizabeth Cavasso
Alternate
County Supervisor IV

Cheryl Nelson
Alternate
City Councilman

Staff

Debbie Pedersen
Executive Director

Niki Lemke
Chief Fiscal Officer

Cindy Imbach
Sr. Transportation Planner

AGENDA

REGULAR MEETING

DECEMBER 5, 2017

City of Alturas Council Chambers
200 W North St., CA 96101

Following the MCTC meeting at or about 2:15 p.m.

1. **Call to Order** – introductions, as needed.
2. **Closed Session: Conference with Legal Counsel - Anticipated Litigation:**
Significant exposure to litigation to paragraph (2) or (3) of subdivision (d) of Government Code Section 59456.9 (One Potential Case)
3. **Public Forum** - Citizens may address the Commission with matters that are related directly to Commission responsibilities. If any matters call for action by the Commission, they will be placed on subsequent agendas. Because the Chairman may limit speakers to five (5) minutes each, citizens are encouraged to contact the Chairman or staff for assistance before the meeting.
4. **Confirm Agenda** **Action**
5. **Consent Agenda** **Action**
 - a. Approve minutes from the 10/03/17 MTA Regular Meeting
 - b. Financial Transactions 09/01/17 through 10/31/17
 - c. YTD expenditures through 08/31/17
6. **Regular Business** **Information/Action**
 - a. Consider and approve rent increase to tenant
 - b. Consider acceptance of the MTA 16/17 Fiscal Audits
 - c. Consider adoption of Resolution 17-04 Designating 2018 Authorized signatories for MTA Plans and Programs.
 - d. Consider adoption of Resolution 17-05 SB1 State of Good Repair 17/18 project acceptance.
 - e. Consider nomination and appointment of Chair and Vice Chair for 2018.
7. **System Update, Communications, and Calendar** **Information**
 - a. Staff updates
 - b. Other Information

Adjourn until next regular MTA meeting, scheduled for February 6, 2018, (Tuesday), in the Alturas City Council Chambers, 200 W. North Street, Alturas, CA, at about 2:00 p.m., following the MCTC meeting.

| Report to Modoc Transportation Agency Board Members | |
|--|---|
| Subject Closed Session: Conference with Legal Counsel – Anticipated Litigation | Meeting Date December 5, 2017 |
| Presented by Nancy C. Miller, Partner Renne Sloan Holtzman Sakai LLP | Agenda Item 2 |

Significant exposure to litigation pursuant to paragraph (2) or 3 of subdivision (d) of Government Code Section 59456.9 (Two Potential Cases).

| Report to Modoc Transportation Agency Board Members | |
|--|---|
| Subject Consent Agenda | Meeting Date December 5, 2017 |
| Presented by MTA Staff | Agenda Item 5 |

Consent Agenda - Note: Attachments shown in **bold** type

a. Approve **minutes from 10/03/17 MTA** Regular meeting.

b. **Financial Transactions – 09/01/17 through 10/31/17.**

Summary of incidental expenditures

| Vendor | Transaction | Amount | Explanation |
|--------------------|--------------------|---------------|-----------------------------|
| Elite Towing | 2386 | \$1,050.00 | Tow T-20 to Redding Lithia |
| Pioneer Auto Body* | 2409 | \$330.00 | Tow T-17 to Martin's Diesel |
| Martins Diesel | 2412 | \$445.42 | T-17 repair and Schedule A |
| | | | |

*Note: Pioneer Auto Body stated that they will no longer tow our buses, primarily due to the damages on their tow truck because of our vehicle weight.

c. **Year to Date revenue and expenditure (through 10/31/17) report.**



MINUTES
Regular Meeting
October 3, 2017

Board Members Present

John Dederick, Chairman
Bobby Ray
Kathie Rhoads
Danny Parker
Jim Wills

Mayor, City of Alturas
Councilmember, City of Alturas
Board of Supervisors District III, County of Modoc
City At-Large Member
County At-Large Member

Board Members Absent

David Allan, Vice Chair
Elizabeth Cavasso (Alternate)
Cheryl Nelson (Alternate)

Board of Supervisors District I, County of Modoc
Board of Supervisors District IV, County of Modoc
Councilmember, City of Alturas

Staff Present

Debbie Pedersen
Cindy Imbach
Niki Witherspoon
Jacque Dockery

Executive Director
Senior Transportation Planner
Chief Fiscal Officer
Office Assistant

Public Present

Aaron Casas

Caltrans District 2, Regional Planning Liaison

1. **Call to Order** – Chairman Dederick called the meeting to order at 2:23 p.m. in the Alturas City Hall Council Chambers, 200 W North St, Alturas, CA
2. **Public Forum** –There were no public comments.
3. **Confirm Agenda** –Motion by Board Member Parker to confirm agenda, seconded by Board Member Wills. All ayes; motion carried.
4. **Consent Agenda**
 - a. Approve minutes from 08/01/17 MTA Regular Meeting
 - b. Financial Transactions 07/01/17 through 08/31/17.

| Vendor | Transaction | Amount | Explanation |
|----------------------------|-------------|------------|--------------------------------|
| GSRMA | 2313 | \$2,000.00 | Property & Liability Insurance |
| Renne Sloan Holtzman Sakai | 2323 | \$ 540.50 | Legal Services - Confidential |
| Elite Towing | 2386 | \$1,050.00 | Tow T-20 to Redding Lithia |
| Office Depot | 2341 | \$ 760.51 | Stand Up Desks |

- c. **YTD expenditures through 08/31/17**

Motion by Board Member Wills to approve consent agenda items a-c above, seconded by Board Member Ray All ayes; motion carried.

5. Regular Business

a. Consider appointing interim Vice Chair

Executive Director Debbie Pedersen presented the following information:

The current appointed Vice Chair, Board Member Allan, has been unavailable due to health issues. The Vice Chair conducts meetings in the absence of the Chair. In addition, the Vice Chair is an authorized signatory on the MTA accounts, invoice approval, etc. In the event that the Chair is out of the area, the Vice Chair will be called upon to sign accounts payable transactions. This interim appointment is needed to continue the day to day functions of the MTA; the Chair has scheduled trips in October and December.

Motion by Board Member Ray to nominate Kathie Rhoads as interim Vice Chair, seconded by Board Member Parker. All ayes; motion carried.

b. Information – Policy and Procedure – Passenger Seat Belt/Restraint Belts

Executive Director Pedersen reviewed the implemented policy that all passengers use seat belts and that wheelchairs are properly secured. Legal has reviewed and concurred with the policy.

c. Consider approval of amended Resolution 16-01c – FY 16/17 Final Budget

Niki Witherspoon, Chief Fiscal Officer, presented the final 2016/17 budget which adds LTF reserve amount of \$31,054, changes FTA 5311f amount to \$127,272, changes Farebox to \$67,200, changes RTAP Scholarship amount to \$0 and changes expenses to closely match actual final amounts as suggested at the prior meeting.

Motion by Board Member Ray to approve amended Resolution 16-01c FY 16/17 Final Budget and Attachment A so it may be reflected in our FY 2016/17 Fiscal Audit, seconded by Board Member Parker. All ayes; motion carried.

d. Information regarding Federal Transit Administration Drug and Alcohol review

Cindy Imbach, Senior Transportation Planner, reported that a meeting was held on August 23 with Senior Consultant Sean Oswald of RLS Associates, representing Caltrans and CalACT, to review FTA Drug and Alcohol compliance for Sage Stage/MV Transportation. In attendance were Executive Director Debbie Pedersen, Senior Transportation Planner, Cindy Imbach, Roberta Collins, General Manager, MV Transportation (our third-party transportation contractor) and, also involved was Chante Jones with AP Tech.

The testing process begins with notification from MV that a random test needs to be done. Cindy schedules with AP Tech and brings the driver in during a short window of available time. Test results are then provided to MV Transportation.

The area of the review focused on the application, operation, and compliance with the Federal Drug and Alcohol program in the following areas:

- Drug and Alcohol Program Manager – 88 questions – there were 3 findings.
- Blood Alcohol Collection – 57 questions/review areas – there were 5 findings.

- Urine Collection – 80 questions/review areas – there were 6 findings.

Imbach reported that MTA had some areas to correct (mainly in meeting the requirement of the testing time window). Most of these errors have been or will be corrected and a letter to Sean Oswald will be sent to notify of these corrections. Testing has changed from monthly, a couple of years ago, to quarterly resulting in about 4 tests a year besides new hire, pre-employment testing.

Director Pedersen reported that MV Transportation provided a Reasonable Suspicion training and certification in May in which Cindy Imbach, Debbie Pedersen, Niki Witherspoon and Jacque Dockery received reasonable suspicion training and certification in preparation for this FTA Drug and Alcohol Compliance review. MV also went to AP Tech for a breath alcohol and mock interview collection. The trainer, Gary Simpson, went through all the questions and materials with AP Tech that would occur with the review. There were a few areas that Simpson found with AP Tech that required correction or focus before the upcoming review.

Sean Oswald, the FTA reviewer, went over to AP Tech with Director Pedersen during the review and had a formal collection test. He found a lot of deficiencies in the collection process. This is the first review MCTC/MTA has had in this area. The consultant that represents Caltrans is providing this review for Mass Transit in Sacramento which handles all funds for rural agencies for the 5310 and 5311f programs. Urban areas automatically see a federal representative come through or have to complete their compliance through various outlets. Pedersen stated that the issues of the time constraints with AP Tech are due to their new schedules coming to Alturas only two times a week from Sparks, Nevada, limiting control for MTA to have testing within the required time frame. During a discussion with the board, it was mentioned that it may be possible to have Modoc Medical Center provide testing, as they have become certified to provide driver's physicals.

Staff is in the process of collecting responses from AP Tech regarding the compliance findings; we have made adjustments to the testing times and provided the documentation that was requested. In addition, we have requested that MV Transportation establish random testing with Banner Lassen Draw Station in Susanville. This will provide us the coverage we need in the event we have a post accident test, or the random tests that are needed to meet Federal Drug and Alcohol testing requirements.

e. MCTC/MTA FY 2016/17 End of Year True up and Reconciliation.

Chief Fiscal Officer, Niki Witherspoon, noted that the FY 2016/17 End of Year True up and Reconciliation is the same as for MCTC with the following details:

- 1) The MTA adopted a 5 year Operating Plan October 4, 2016 and set a \$620K annual reserve amount to be held in the MTA Local Agency Investment Fund (LAIF) administered by the State Treasurer's Office. At this meeting the MTA restricted the LAIF account which requires staff to obtain board approval to move funds into the MTA Plumas daily operating account.

At the end of each fiscal year, the accounts are reconciled. Adjustments are made to the LAIF account to maintain \$620k. Since this is the first year that the reserve is being set aside, it was necessary to transfer a large lump sum between MTA and MCTC accounts to balance both agencies to their respective operating reserve plan amounts. It is anticipated that future transfers will be from accrued LAIF interest (over the \$620K reserve) which will be transferred into the MCTC-LTF Trust account. LAIF's policy requires transfers to the nearest thousand. Staff will

transfer rounded amounts to get as close as possible to the \$620k budget, as approved by the Executive Director and Chairperson.

2) The Transportation Development Act (TDA) Handbook was adopted December 6, 2016 by the MCTC and provides direction and policy for Local Transportation Fund (LTF) and State Transit Assistance Fund (STAF) claimant processes. The TDA states that any LTF funds not expended at the end of the fiscal year must be returned to the trust for reallocation to claimants. The End of Year True-Up & Reconciliation was created to recognize unexpended LTF funds for distribution.

At the end of each fiscal year, the ending bank balance is reconciled for both MCTC and MTA. Restricted and deferred revenue amounts that must stay in the bank accounts are subtracted from the year end bank balance. This becomes the adjusted bank balance. The adjusted bank balance is subtracted from the next year's LTF budget amounts for the MCTC and MTA. The LTF balance due is then allocated by percentage to the MCTC and MTA monthly as payments are received from the Board of Equalization (BOE). LTF received from the BOE over budgeted amounts are deposited into the MCTC - LTF Trust account to be allocated to claimants the next year.

City and County annual claims are processed at the end of the fiscal year, or held in the MCTC Trust account as apportioned to them by the MCTC.

6. System Update, Communications, and Calendar

a. Staff Updates

Senior Transportation Planner, Cindy Imbach, presented the Sage Stage Operations Report and mentioned that all is good and referred to the following updated operations charts. Chair John Dederick noticed that Passenger Trips are down and Miles are down. This shift could be affected by cutting the Redding route by one day a week. However, Dial-A-Ride now has two buses a day. Director Pedersen reported that the reduction in the Redding route has not really seemed to affect the numbers. There has also been a reduction of passenger counts due to the loss of the Plumas Bank courier contract.

1. Sage Stage Operations Report – Performance statistics (below) are accurate although unaudited.

| Month | Passenger Trips | | | Miles | | | Fares | | |
|-------|-----------------|-------|--------|--------|--------|--------|---------|---------|--------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Jul | 1,052 | 1,223 | ↓14.0% | 10,412 | 12,723 | ↓18.2% | \$5,093 | \$6,497 | ↓21.6% |
| Aug | 1,212 | 1,322 | ↓8.3% | 12,232 | 14,777 | ↓17.2% | \$5,148 | \$7,819 | ↓34.2% |
| Sep | 1134 | 1,037 | ↑9.4% | 10,549 | 12,754 | ↓17.3% | \$4,766 | \$5,726 | ↓16.8% |

2. Revenue Service Miles compared to Fuel Costs.

| Month | Miles | | | Fuel Cost | | | Fuel Cost per Mile | | |
|------------|--------|--------|--------|-----------|---------|---------|--------------------|------|------|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| Jul | 10,412 | 12,723 | 12,744 | \$2,357 | \$2,768 | \$3,293 | .22¢ | .21¢ | .25¢ |
| Aug | 12,232 | 14,777 | 12,022 | \$2,973 | \$3,079 | \$2,848 | .24¢ | .20¢ | .23¢ |
| Sep | 10,549 | 12,754 | 11,589 | \$2,729 | \$2,728 | \$2,690 | .25¢ | .21¢ | .23¢ |

3. Ridership - US 395 intercity route by county of origin or destination (O/D) – Operates between Alturas, Susanville, and Reno on reservation basis three (3) times per week on Mondays, Wednesdays, and Fridays.

| Month | Modoc O/D | | Lassen O/D | | Total Ridership | |
|------------|-----------|------|------------|------|-----------------|------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Jul | 60 | 58 | 65 | 110 | 125 | 168 |
| Aug | 53 | 78 | 71 | 122 | 124 | 200 |
| Sep | 41 | 52 | 75 | 75 | 116 | 127 |

b. Other Information

Director Pedersen reported that MTA has been in contact with Shasta Regional Transportation Agency in discussions regarding I-5 Northstate Express Service, which is looking in to being able to provide commuter service between Sacramento and Redding. SRTA is considering providing funding that will allow us to reinstate two days a week between Alturas and Redding in conjunction with this service.

Calendar – consider future dates and events of interest:

- 10/03/17 MCTC and MTA Meetings; 1:30 p.m., 200 W North Street, Alturas City Council Chambers, Alturas, CA
- 10/09/17 Holiday – Office closed, Sage Stage Bus Operates
- 11/10/17 Holiday – Office open; Sage Stage Bus Operates
- 11/23/17 Holiday – Office closed for Thanksgiving Day – Sage Stage services closed
- 11/24/17 Holiday – Office closed for Day After Thanksgiving
- 12/05/17 MCTC and MTA regular meetings 1:30 p.m. – Alturas City Council Chambers, 200 W. North St, Alturas

7. **Adjournment** – Motion to adjourn by Board Member Rhoads at 2:56 p.m.; seconded by Board Member Parker. All ayes, motion carried. The next regular meeting will be December 5, 2017 (Tuesday), in the Alturas City Council Chambers, 200 W. North Street, Alturas, CA at about 2:00 p.m., following the MCTC meeting.

Submitted by,

Jacque Dockery
Office Assistant

DRAFT

| Report to Modoc Transportation Agency Board Members | |
|--|---|
| Subject Regular Business | Meeting Date December 5, 2017 |
| Presented by MTA Staff | Agenda Item 6 |

Items with attachments, shown in bold:

- a. Consider and approve rent increase to MTA tenant (112 S Main Street - AP Tech).
MTA's contract with AP Tech includes a provision that rent may be adjusted or raised annually. Said increases to be set by the MTA during a regularly scheduled public meeting and after notification of proposed action is provided Tenant by providing the MTA meeting agenda. The MTA meeting agenda was emailed and mailed USPS on November 22, 2017.
Rents have not been reviewed or modified since August 2013. The current rent is \$300 per month; MTA pays all utilities. A **rent comparison** was prepared for similar office types around Main Street in Alturas.
Staff recommends that rent be set between \$375.00-\$400.00 per month which includes utilities (heat, electric/air conditioning, water, and garbage disposal).
- b. Consider acceptance of the **MTA 16/17 Fiscal Audit**.
Annual fiscal audits are required by the Transportation Development Act, MCTC, and other funding sources. audits have been prepared by Singleton Auman, have been reviewed by the Chief Fiscal Officer, and found to be an accurate representation of MCTC revenues and expenditures. Staff recommends acceptance of the FY 2016/17 Fiscal Audit.
- c. Consider amendments to the Financial Policies and Procedures Manual.
The FPPM was amended and adopted April 11, 2017. Proposed changes to the manual include **Section 500 - Assets, Liabilities and Fund Balance**, to incorporate policies set by the MCTC to restrict the Local Agency Investment Fund (LAIF) account and policy for the annual true up process; and new **Section 1200 Processing Credit Card Payments for Transit Fares**. MTA recently upgraded payment processing to include credit and debit card payments. Many passengers had requested an automated pay process and our Short Range Transit Plan identified this as a need.
- d. Consider adoption of **Resolution 17-04 Designating 2018 Authorized Signatories for MTA Plans and Programs**.
This is the annual resolution that authorizes MTA staff to carry out grant related work; this expedites contract execution, reimbursement requests, and other related documents for MTA approved grants.
Staff recommends adoption of Resolution 17-08 Designating 2018 Annual Plans and Programs Signatories.
- e. Consider adoption of **Resolution 17-05 Senate Bill 1 (SB1) State of Good Repair (SGR) Program**.
The MCTC has assigned these new funds to the MTA. The resolution names the project, authorizes/accepts assignment and management of the grant program. Staff recommends adoption of Resolution 17-07 Senate Bill 1 State of Good Repair Program.
- f. Consider nomination and appointment of Chair and Vice Chair for 2018.
The Chair and Vice Chair positions are nominated and appointed at the last meeting of the year. This allows MTA business to carry forward and continue January 1, 2018.

LEASE AGREEMENT

This business office lease dated **July 17, 2013**, by and between Greg Jones DBA A.P-TECH, hereinafter referred to as "Tenant", and the Modoc Transportation Agency (MTA), hereinafter referred to as "Landlord", agree as follows:

1. **Premises.** Landlord hereby agrees to lease to Tenant for the term, at the rental, and upon all conditions set forth herein, the rental property as private office space, consisting of approximately 260 square feet, located at 112 S. Main Street, City of Alturas, County of Modoc, California.
2. **Term.** The term of the Lease shall be a month to month lease commencing on the 5th day of August 2013 and continue until either party terminates in the agreement writing as specified in this agreement.
3. **Rents.** Tenant shall pay rent to Landlords in the sum of **\$300.00 per month**, payable by the 10th day of each month, **commencing August 5th 2013.**
 - a. Rent payments shall be **payable to Modoc Transportation Agency, and mailed or hand delivered to 108 S. Main Street, Alturas, CA 96101.**
 - b. **Rent may be increased as Landlord deems appropriate, but not more than once each twelve months; said increases to be set by the MTA during a regularly scheduled public meeting and after notification of proposed action is provided Tenant by providing the MTA meeting agenda.**
4. Tenant shall use the premises for drug and alcohol testing business operated by A.P-TECH.
5. Tenant shall obtain and keep in force during the term of this Lease, insurance covering loss or damage to the Premises, including Commercial General Liability Insurance with coverages and limits of insurance shown below. Said insurance shall not be cancelled without notice to Landlords:

| | |
|---|-------------|
| General aggregate | \$1,000,000 |
| Products and completed operations aggregate | \$1,000,000 |
| Each occurrence | \$1,000,000 |
| Tenants legal liability | \$1,000,000 |
| Medical expenses - each person | \$20,000 |
| Personal injury and advertising injury | \$1,000,000 |
| Hired and non-owned automobile liability | \$1,000,000 |
6. Landlord shall keep and maintain in good order and repair the roof, air conditioning and heating units, building exterior, electrical system, walls, pipes, and other infrastructure. Landlord reserves the exclusive right to the roof, front, and side walls of the premises. Landlord will provide exterior waste containers for Tenant's use at no cost to Tenant; Tenant is responsible for routine cleaning of office space and any other business commodities related to Tenant's business during the term of this Agreement.
7. Tenant shall be responsible for any signs necessary to designate business.
8. Tenant shall not make alterations or improvements to the Premises without obtaining written consent of Landlords.
9. Tenant shall hold Landlords harmless for any injury to persons caused by acts or omissions of Tenant or its representatives.

10. Landlord shall have the right to enter or inspect the Premises in case of emergency; to make agreed to and arranged repairs, decorations, alterations, or improvements; to supply necessary or agreed services; or to exhibit unit to prospective or actual tenants, workmen, contractors, or purchasers. Except in case of emergency, Landlord will provide Tenant no less than twenty-four hour advance notice of intent to enter and Landlord shall enter only during the normal business hours of 8:00 a.m. to 5:00 p.m. Monday through Friday.
11. In the event of default, Tenant shall vacate the premises within 30 days of written notice of the default, if such failure cannot be cured ten days from the date on which Landlords notified Tenant of the failure.
12. In the event either party brings legal action against the other arising out of this Lease, the prevailing party shall be entitled to recover costs of the lawsuit and attorney's fees. Said legal action shall be conducted in Modoc County, unless reassigned by the courts.
13. Tenant shall not assign this Lease in whole or in part without the written consent of Landlords.
14. Tenant or Landlords may terminate this Lease on the last day of any specified month with minimum 30-day written notice to the other party.
15. At the termination of Lease, Tenant shall have the right to remove signs and shall repair the surfaces to a state of pre-sign condition.
16. At the termination of this Lease, Tenant shall surrender the leased premises to Landlord in as good order and condition as received, reasonable wear and tear accepted. Holes larger than $\frac{3}{4}$ " diameter in walls, ceiling, and carpeting shall not be considered reasonable wear and tear.
17. In the event Landlords transfer their interest in the Premises, they shall be entirely released and relieved from all liability with respect to the performance of any obligations on the part of Landlords after the date of such conveyance.
18. Notices to the parties are as follows:

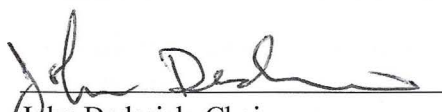
Landlord: Modoc Transportation Agency
108 S. Main Street
Alturas, CA 96101

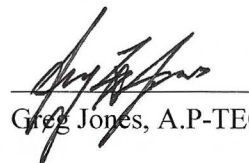
Tenant: Greg Jones, DBA
A.P.-TECH
HC 3 Box 715
Alturas, CA 96101

19. This agreement shall be interpreted according to the laws of the State of California.
20. This agreement contains the entire agreement of the parties and there are no other promises or conditions existing between the parties.

LANDLORD

TENANT


John Dederick, Chairman
Modoc Transportation Agency

 7-17-13
Greg Jones, A.P.-TECH

Rent comparisons

Main St. Beauty Salon (formerly Tarte near The Art Center) \$450/month plus utilities
Waiting area, salon area, small bathroom/kitchen

Main St. Law Office (Wendy Dier) \$325/month water incl.; tenant pays electric/heating
Office area and bathroom

Court St Law Office (formerly Wendy Dier) \$425/month water incl.; tenant pays electric/heating
Office area, waiting area, and bathroom

Office next to Tax Matters (North St) \$400 month plus electric
Waiting area, small office or room, and bathroom

MODOC TRANSPORTATION AGENCY

ALTURAS, CALIFORNIA

**AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2017 and 2016**

**MODOC TRANSPORTATION AGENCY
AUDIT REPORT
JUNE 30, 2017 and 2016**

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FINANCIAL SECTION

Independent Auditors' Report on Financial Statements

Board of Commissioners
Modoc County Transportation Commission
Alturas, California

Board of Directors
Modoc Transportation Agency
Alturas, California

We have audited the accompanying financial statements of the Transportation Development Act Funds Allocated to the Modoc Transportation Agency (MTA) as of and for the years ended June 30, 2017 and 2016, and the related notes to the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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 Modoc Transportation Agency and are not intended to present fairly the financial position and results of operations of the Modoc Transportation 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 Transportation Development Act Funds allocated to Modoc Transportation Agency as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 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.

Other Supplementary Information

The Other Supplementary Information is presented for purposes of additional analysis and are not required part of the basic financial statements. The other supplementary information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards accepted in the United States of America.

In our opinion the other supplementary information schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2017 on our consideration of the 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 Agency's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Singleton Auman PC", with a stylized flourish at the end.

SingletonAuman PC

Susanville, CA

November 19, 2017

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENTS OF NET POSITION
PROPRIETARY FUND
TRANSIT FUND
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)**

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Investments | \$ 864,709 | \$ 994,578 |
| Accounts Receivable | 175,664 | 143,661 |
| Total Current Assets | <u>1,040,373</u> | <u>1,138,239</u> |
| Property, Plant & Equipment, Net | <u>2,059,875</u> | <u>2,023,280</u> |
| Total Assets | <u><u>\$ 3,100,248</u></u> | <u><u>\$ 3,161,519</u></u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 47,752 | \$ 42,748 |
| Unearned Revenue | 14,768 | |
| Total Liabilities | <u><u>\$ 62,520</u></u> | <u><u>\$ 42,748</u></u> |
| NET POSITION | | |
| Net Investment in Capital Assets | \$ 2,059,875 | \$ 2,023,280 |
| Unrestricted | <u>977,853</u> | <u>1,095,491</u> |
| Total Net Position | <u><u>\$ 3,037,728</u></u> | <u><u>\$ 3,118,771</u></u> |

The accompanying notes are an integral part of this statement.

MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
TRANSIT FUND
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Operating Revenues: | | |
| Fare Revenues | \$ 67,148 | \$ 79,524 |
| Total Operating Revenue | <u>67,148</u> | <u>79,524</u> |
| Operating Expenses: | | |
| Contract Transportation Services | 173,407 | 228,069 |
| Vehicle and Equipment Maintenance | 37,211 | 31,543 |
| Building Improvements | 2,790 | 569 |
| Fuel | 29,820 | 32,241 |
| Labor | 108,622 | 71,398 |
| Utilities | 18,525 | 16,342 |
| Marketing | 6,085 | 5,793 |
| Other Expenses | 30,796 | 30,492 |
| Depreciation | 137,848 | 120,782 |
| Total Operating Expenses | <u>545,114</u> | <u>537,229</u> |
| Operating Income (Loss) | <u>(477,966)</u> | <u>(457,705)</u> |
| Non-Operating Revenues and (Expenses): | | |
| Local Transportation Funds | 135,500 | 150,000 |
| State Transportation Assistance Funds | 42,427 | 20,671 |
| Federal Grants | 164,442 | 249,493 |
| RSTP | - | 95,285 |
| Lassen Transit Service Agency | 30,000 | 27,977 |
| LCTOP | (6,828) | 9,104 |
| Other | 25,880 | 27,065 |
| Interest | 5,502 | 3,707 |
| Total Non-Operating Revenues and (Expenses) | <u>396,923</u> | <u>583,302</u> |
| Change in Net Position | <u>(81,043)</u> | <u>125,597</u> |
| Net Position, Beginning of the Period | <u>3,118,771</u> | <u>2,993,174</u> |
| Net Position, End of the Period | <u>\$ 3,037,728</u> | <u>\$ 3,118,771</u> |

The accompanying notes are an integral part of this statement.

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
TRANSIT FUND
FISCAL YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)**

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Cash Received From Passengers | \$ 67,148 | \$ 79,524 |
| Cash Payments to Employees | (108,622) | (71,398) |
| Cash Payments to Suppliers for Goods and Services | (293,640) | (303,659) |
| Net Cash Provided (Used) by Operating Activities | (335,114) | (295,533) |
| Cash Flows from Non-Capital Financing Activities: | | |
| Received from Other Governmental Agencies | 348,306 | 521,441 |
| Other Income | 20,729 | 20,492 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | 369,035 | 541,933 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Purchases of Property and Equipment | (174,443) | |
| Dispositions of Property and Equipment | 5,151 | 6,573 |
| Net Cash Provided (Used) by Capital Financing Activities | (169,292) | 6,573 |
| Cash Flows from Investing Activities | | |
| Interest Earned | 5,502 | 3,707 |
| Net Cash Provided (Used) by Investing Activities | 5,502 | 3,707 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (129,869) | 256,680 |
| Cash and Cash Equivalents: | | |
| Balance - July 1 | 994,578 | 737,898 |
| Balance - June 30 | <u>\$ 864,709</u> | <u>\$ 994,578</u> |
| Reconciliation: | | |
| Operating Income (Loss) | \$ (477,966) | \$ (457,705) |
| Depreciation and Amortization | 137,848 | 120,782 |
| Increase/(Decrease) in Accounts Payable | 5,004 | 41,390 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (335,114)</u> | <u>\$ (295,533)</u> |

The accompanying notes are an integral part of this statement.

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Modoc Transportation Agency is the only public transit operator in Modoc County, California. The Agency was established in a Joint Powers Agreement between the County of Modoc and the City of Alturas on August 13, 1997.

The financial statements of Modoc Transportation Agency Transportation and Development Act Funds are prepared in conformity with U.S. generally accepted accounting principles. Modoc Transportation 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 the Modoc Transportation Agency.

The Agency received Local Transportation Fund and State Transit assistance allocation from the Modoc County Transportation Commission, as well as Federal Grants, Fares and other revenues to operate and provide public transit services to the County of Modoc, the City of Alturas, and the surrounding regions.

The Agency includes all activities (operations of its administrative staff and Board of Directors) 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 Modoc County Transportation Commission (the Commission), is a blended component unit of the Commission because the individuals on the Agency's governing board are the same as those on 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.

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016**

A fund is a separate accounting entity with a self-balancing set of accounts.

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 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 the date received. The Agency's capitalization threshold is \$100. 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.

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016**

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 | 30 |
| 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 Agency considers cash, investments in the local agency investment fund, and reserved cash to be cash equivalents. Excess cash has been invested in the Local Agency Investment Fund (LAIF). The Agency is authorized to deposit cash and invest excess funds by California Government Code 53648 et seq.

The remainder of the Agency's cash is held in Plumas Bank. The FDIC insures cash balances held in banks up to \$250,000. Periodically, the Agency's cash balances exceed FDIC limits; however the Agency believes that no significant concentration of credit risk exists for these excess deposits. As of June 30, 2017, \$55,881 in funds were held in excess of the FDIC limits. As of June 30, 2016, \$53,397 in funds were held in excess of the FDIC limits.

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.

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.

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016**

H. Expenses in Excess of Budget

The following expense categories exceeded budget during the 2016-17 fiscal year:

| <u>Category</u> | <u>Amount in Excess of Budget</u> |
|-----------------|---------------------------------------|
| Depreciation | \$ 137,848 |

Depreciation expense was not budgeted.

I. Budgets and Budgetary Accounting

The Agency's budget is consistent with the modified accrual basis of accounting. In order to be consistent with accrual basis accounting used in proprietary funds, capital expenditures will need to be eliminated and depreciation will need to be added.

J. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenses have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenses.

K. Fair Value Measurements and Investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets and liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016**

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include various types of mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

NOTE 2 – CASH AND INVESTMENTS

The Agency's cash and investments are maintained with various financial institutions. A summary of the Agency's cash and investments follows:

| | 2017 | 2016 |
|------------------------------------|-------------------|-------------------|
| Plumas Bank Operating Account | \$ 112,949 | \$ 98,796 |
| Plumas Bank Certificate of Deposit | 305,681 | 303,397 |
| Local Agency Investment Fund | 445,603 | 592,385 |
| Undeposited Funds | 476 | |
| | <u>\$ 864,709</u> | <u>\$ 994,578</u> |

Investments consist of Certificates of Deposit and the Local Agency Investment Fund, and are stated at fair value based on significant other observable inputs. Certificates of Deposits are summarized as follows:

| June 30, 2017 | | | June 30, 2016 | | |
|-------------------|-------------------|--------------------------|-------------------|-------------------|--------------------------|
| Cost | Fair Value | Unrealized Gain(Loss) | Cost | Fair Value | Unrealized Gain(Loss) |
| <u>\$ 303,397</u> | <u>\$ 305,681</u> | <u>\$ 2,284</u> | <u>\$ 300,000</u> | <u>\$ 303,397</u> | <u>\$ 3,397</u> |

The increase in fair value of \$2,284 is included in investment income of \$5,502 for the year ended June 30, 2017. The increase in fair value of \$3,397 was included in investment income of \$3,707 for the year ended June 30, 2016.

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016**

The following tables present the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and level within the fair value hierarchy in which the fair value measurements fall:

| June 30, 2017 | | | | |
|-------------------------------|------------|---------------|-------------|--------------|
| Fair Value Measurements Using | | | | |
| | | Quoted Prices | | |
| | | In Active | Significant | |
| | | Markets for | Other | Significant |
| | | Identical | Observable | Unobservable |
| | Fair | Assets | Inputs | Inputs |
| | Value | (Level 1) | (Level 2) | (Level 3) |
| Local Agency Investment Fund | \$ 445,603 | | \$ 445,603 | |
| Certificate of Deposit | \$ 305,681 | | \$ 305,681 | |

| June 30, 2016 | | | | |
|-------------------------------|------------|---------------|-------------|--------------|
| Fair Value Measurements Using | | | | |
| | | Quoted Prices | | |
| | | In Active | Significant | |
| | | Markets for | Other | Significant |
| | | Identical | Observable | Unobservable |
| | Fair | Assets | Inputs | Inputs |
| | Value | (Level 1) | (Level 2) | (Level 3) |
| Local Agency Investment Fund | \$ 592,385 | | \$ 592,385 | |
| Certificate of Deposit | \$ 303,397 | | \$ 303,397 | |

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016**

NOTE 3 – CAPITAL ASSETS

A capital assets summary of the Agency is shown below:

| | <u>Balance 6/30/16</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Balance 6/30/17</u> |
|------------------------------------|----------------------------|------------------|---------------------|----------------------------|
| Land | \$ 781,745 | | | \$ 781,745 |
| Vehicles, Buildings, and Equipment | 1,883,440 | \$ 189,486 | \$ 85,841 | 1,987,085 |
| Total | <u>2,665,185</u> | <u>189,486</u> | <u>85,841</u> | <u>2,768,830</u> |
| Accumulated Depreciation | <u>(641,905)</u> | <u>(137,848)</u> | <u>(70,798)</u> | <u>(708,955)</u> |
| Property, Plant and Equipment, Net | <u>\$ 2,023,280</u> | <u>\$ 51,638</u> | <u>\$ 15,043</u> | <u>\$ 2,059,875</u> |

| | <u>Balance 6/30/15</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Balance 6/30/16</u> |
|------------------------------------|----------------------------|---------------------|---------------------|----------------------------|
| Land | \$ 781,745 | | | \$ 781,745 |
| Vehicles, Buildings, and Equipment | 1,994,587 | | \$ 111,147 | 1,883,440 |
| Total | <u>2,776,332</u> | <u>-</u> | <u>111,147</u> | <u>2,665,185</u> |
| Accumulated Depreciation | <u>(634,045)</u> | <u>(120,782)</u> | <u>(112,922)</u> | <u>(641,905)</u> |
| Property, Plant and Equipment, Net | <u>\$ 2,142,286</u> | <u>\$ (120,782)</u> | <u>\$ (1,775)</u> | <u>\$ 2,023,280</u> |

Depreciation and amortization was charged to functions as follows:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---------|----------------------|----------------------|
| Transit | <u>\$ 137,848</u> | <u>\$ 120,782</u> |

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016**

NOTE 4 – 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 5 – 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 6 – NET POSITION

Net Position is 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:

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 assets that are legally restricted for certain purposes.

Unrestricted describes the portion of net assets that is not restricted to use or invested in capital assets.

NOTE 7 – SUBSEQUENT EVENTS

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

OTHER SUPPLEMENTARY INFORMATION

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
TRANSIT FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budget Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|----------------|-----------|-------------|---|
| | Original | Final | | |
| Operating Revenues: | | | | |
| Fare Revenues | \$ 70,000 | \$ 67,200 | \$ 67,148 | \$ (52) |
| Total Operating Revenue | 70,000 | 67,200 | 67,148 | (52) |
| Operating Expenses: | | | | |
| Contract Transportation Services | 220,000 | 173,500 | 173,407 | 93 |
| Vehicle Maintenance | 39,104 | 37,300 | 37,221 | 79 |
| Building Improvements | | 6,625 | 2,790 | 3,835 |
| Fuel | 35,000 | 30,000 | 29,820 | 180 |
| Labor | 350,000 | 108,700 | 108,622 | 78 |
| Utilities | 22,000 | 18,600 | 18,525 | 75 |
| Marketing | 6,000 | 6,100 | 6,085 | 15 |
| Other Expenses | 115,500 | 31,400 | 30,796 | 604 |
| Capital Expenditures | 350,000 | 174,443 | - | 174,443 |
| Depreciation | 128,934 | | 137,848 | (137,848) |
| Total Operating Expenses | 1,266,538 | 586,668 | 545,114 | 41,554 |
| Operating Income (Loss) | (1,196,538) | (519,468) | (477,966) | 41,502 |
| Non-Operating Revenue (Expense): | | | | |
| Local Transportation Funds | 220,000 | 166,554 | 135,500 | (31,054) |
| State Transportation Assistance Funds | 41,989 | 42,427 | 42,427 | - |
| RSTP | 95,249 | 95,285 | - | (95,285) |
| Federal Grants | 371,549 | 164,442 | 164,442 | - |
| Lassen Transit Service Agency | 30,000 | 30,000 | 30,000 | - |
| LCTOP | 9,104 | - | (6,828) | (6,828) |
| RTAP Scholaeship | 1,500 | - | - | - |
| Other | 51,213 | 20,760 | 25,880 | 5,120 |
| Interest | - | - | 5,502 | 5,502 |
| Total Non-Operating Revenues (Expenses) | 820,604 | 519,468 | 396,923 | (122,545) |
| Change in Net Position | \$ (375,934) | \$ - | \$ (81,043) | \$ (81,043) |

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANACIAL 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
Modoc County Transportation Commission
Alturas, California

Board of Directors
Modoc Transportation Agency
Alturas, California

Report on State Compliance

We have audited the financial statements of the Transportation Development Act Funds allocated to the Modoc Transportation Agency as of and for the years ended June 30, 2017 and 2016 and have issued our report thereon dated November 19, 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 Modoc Transportation Agency. Additionally, we performed tests to determine that expenditures paid by Modoc Transportation Agency were made in accordance with the allocation instructions and resolutions of Modoc 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.

Opinion on State Compliance

In our opinion, the Modoc Transportation 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 with the applicable bond act and state accounting requirements.

Purpose of This Report

The report is intended solely for the information and use of Modoc Transportation 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,

A handwritten signature in black ink, appearing to read 'Singleton Auman, PC', with a stylized flourish at the end.

Singleton Auman PC

Susanville, CA

November 19, 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***

Board of Commissioners
Modoc County Transportation Commission
Alturas, California

Board of Directors
Modoc Transportation Agency
Alturas, California

Members of the Board of Directors:

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 allocated to the Modoc Transportation Agency as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements and have issued our report thereon dated November 19, 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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See Finding 2017-1.

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
November 19, 2017

**MODOC TRANSPORTATION AGENCY
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

EXECUTIVE SUMMARY

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.
3. **Material Noncompliance Noted:** None.

**MODOC TRANSPORTATION AGENCY
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

**YELLOW BOOK SECTION
Internal Control – Significant Deficiency**

Finding 2017-1 Financial Reporting

Criteria Upon Which Audit Finding is Based (Legal Citation)

In accordance with Statement on Auditing Standards No. 122 (SAS 122), the Agency is responsible for preparing complete and accurate financial statements and footnote disclosures in accordance with Generally Accepted Accounting Principles (GAAP).

Finding (Condition)

Similar to many small governmental entities, 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, and is being reported in accordance with SAS 122.

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 the control weakness outweigh the benefits to be received. The Agency will continue to rely on the independent auditor to prepare its annual financial statements.

**MODOC TRANSPORTATION AGENCY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
(FINDINGS FROM THE JUNE 30, 2016 AUDIT REPORT)
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2016-1 Financial Reporting

Finding (Condition)

Similar to many small governmental entities, 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.

Status

Partially implemented. See current year finding 2017-1.

**MODOC TRANSPORTATION AGENCY
CORRECTIVE ACTION PLAN
JUNE 30, 2017**

Person Monitoring Corrective Action Plan

Debbie Pedersen, Executive Director

Finding 2017-1 Financial Reporting

Finding (Condition)

Similar to many small governmental entities, 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 the 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.

MODOC TRANSPORTATION AGENCY

RESOLUTION No. 17-04

Calendar Year 2018 Authorized Signatories for Plans and Programs

WHEREAS, the Modoc Transportation Agency (MTA) is the public transit and intercity bus operator for the Modoc County region and the Consolidated Transportation Service Agency, serving travelers and residents of the County of Modoc and the incorporated City of Alturas;

WHEREAS, it is often required by various programs and funding sources to have a resolution that identifies MTA's designated signature authorities; and

WHEREAS, various agencies such as the California Department of Transportation (Caltrans), California Emergency Management Agency (CalEMA), Federal Transit Administration (FTA), Federal Highway Administration (FHWA), U.S. Department of Homeland Security (DHS) and other agencies require said resolution to be submitted; and

WHEREAS, it is the intent of the MTA to name the Executive Director, Senior Transportation Planner or Chairperson as its designated signature authority for various transportation funds, including but not limited to:

- Local Transportation Funds (LTF)
- State Transit Assistance Funds (STAF)
- Federal Highway Administration (FHWA) funds
- Federal Transit Administration (FTA) Section 5304, 5310, 5311, 5311(f), and 5316 funds
- Regional Surface Transportation Program (RSTP) funds
- State / Regional Improvement Transportation Program (STIP / RTIP) funds
- STIP Planning Programming and Monitoring (PPM) funds
- Alternative Transportation Program (ATP) funds
- Prop 1B funds including Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and California Transit Assistance Fund (CTAF) programs
- State-funded transit project funds
- American Recovery and Reinvestment Act (ARRA) funds
- Low Carbon Transit Ops Program (LCTOP)
- SB 1 State of Good Repair (SGR) Program

WHEREAS, the Board directs staff to perform or administer all related work, including but not limited to allocation requests, certificates of assurances, master agreements, fund transfer agreements, final expenditure reports, grant proposals and all related work, preparation of grant applications, fixed asset procurement, invoices, reports agency coordination, planning work, amendments, budget updates, correspondence and preparation of California Transportation Commission (CTC) agenda items for STIP projects, among other duties for calendar year 2018.

NOW, THEREFORE, BE IT RESOLVED that the Modoc Transportation Agency Board of Directors does hereby authorize the Executive Director, Senior Transportation Planner or Chairperson to serve as its designated signature authority(ies).

BE IT FURTHER RESOLVED that the MTA does hereby authorize such persons to act on behalf of the Agency and to execute documents related to any transportation funding program.

PASSED AND ADOPTED this 5th day of December 2017 by the following vote:

AYES: Board Members:

NOES: None

ABSENT: Board Members:

Kathie Rhoads, Vice Chair
Modoc Transportation Agency

ATTEST:

Debbie Pedersen, Executive Director
Modoc Transportation Agency

Modoc Transportation Agency

RESOLUTION 17-05

**Authorization for the Execution of all program documents for the
California State of Good Repair Program**

WHEREAS, the *Modoc County Transportation Commission* has named the *Modoc Transportation Agency* as an eligible project sponsor and may receive State Transit Assistance funding from the State of Good Repair Account (SGR) now or sometime in the future for transit projects; and

WHEREAS, the statutes related to state-funded transit projects require a local or regional implementing agency to abide by various regulations; and

WHEREAS, Senate Bill 1 (2017) named the Department of Transportation (Department) as the administrative agency for the SGR and has developed guidelines for the purpose of administering said funds to eligible local agencies; and

WHEREAS, the Modoc Transportation Agency accepts the responsibility to execute documents and any amendments thereto to the Executive Director, or Senior Transportation Planner and furthermore identifies the SGR funds to be used as follows:

MTA Federal Transit Assistance 17/18 5311f capital grant match; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Modoc Transportation Agency agrees to comply with all conditions and requirements set forth in the Certification and Assurances document and applicable statutes, regulations and guidelines for all SGR funded transit projects.

NOW THEREFORE, BE IT FURTHER RESOLVED that the Executive Director, Chair, or Senior Transportation Planner be authorized to execute all required documents of the SGR program and any Amendments thereto with the California Department of Transportation.

PASSED AND ADOPTED this 5th day of December 2017 by the following vote:

AYES:

NOES: None

ABSENT:

John Dederick, Chairman

ATTEST:

Debbie Pedersen, Executive Director
Modoc Transportation Agency

| Report to Modoc Transportation Agency Board Members | |
|--|---|
| Subject System Update, Communications and Calendar | Meeting Date December 5, 2017 |
| Presented by MTA Staff | Agenda Item 7 |

a. System Update – Note: Attachments shown in **bold** type.

1) Sage Stage Operations Report – Performance statistics (below) are accurate although unaudited.

| Month | Passenger Trips | | | Miles | | | Fares | | |
|-------------|-----------------|-------|--------|--------|--------|--------|---------|---------|--------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Sept | 1,134 | 1,037 | ↑9.4% | 10,549 | 12,754 | ↓17.3% | \$4,766 | \$5,726 | ↓16.8% |
| Oct | 1,576 | 1,034 | ↑52.4% | 11,496 | 12,323 | ↓6.7% | \$7,300 | \$5,675 | ↑28.6% |
| Nov | | 1,035 | ↑% | | 12,046 | ↓% | \$ | \$5,481 | ↓% |

2) Revenue Service Miles compared to Fuel Cost

| Month | Miles | | | Fuel Cost | | | Fuel Cost per Mile | | |
|-------------|--------|--------|--------|-----------|---------|---------|--------------------|------|------|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| Sept | 10,549 | 12,754 | 11,589 | \$2,729 | \$2,728 | \$2,690 | .25¢ | .21¢ | .23¢ |
| Oct | 11,496 | 12,323 | 13,678 | \$2,852 | \$2,503 | \$2,809 | .24¢ | .20¢ | .20¢ |
| Nov | | 12,046 | 11,909 | \$ | \$2,391 | \$2,637 | . ¢ | .19¢ | .22¢ |

3) Ridership - US 395 intercity route by county of origin or destination (O/D) – Operates between Alturas, Susanville and Reno on reservation basis three (3) times per week on Mondays, Wednesdays & Fridays.

| Month | Modoc O/D | | Lassen O/D | | Total Route Ridership | |
|-------------|-----------|------|------------|------|-----------------------|------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Sept | 41 | 52 | 75 | 75 | 116 | 127 |
| Oct | 65 | 69 | 70 | 73 | 135 | 142 |
| Nov | | 59 | | 66 | | 125 |

4) Other Information

Calendar – consider future dates and events of interest:

- 12/05/17 MCTC and MTA regular meetings 1:30 p.m. - Alturas City Council Chambers, 200 W. North St., Alturas
- 12/25/17 Holiday – Office closed Christmas Day – Sage Stage closed (no bus service)
- 12/26/17 Holiday – Office closed Day after Christmas – Sage Stage closed (no bus service)
- 01/01/18 Holiday – Office closed New Years Day – Sage Stage closed (no bus service)
- 01/02/18 Holiday – Office closed New Years Day – Sage Stage services operating
- 01/15/18 Holiday – Office closed Martin Luther King Jr. Day – Sage Stage services operating
- 02/06/18 MCTC and MTA regular meetings 1:30 p.m. - Alturas City Council Chambers, 200 W. North St., Alturas