

**MODOC TRANSPORTATION AGENCY  
ALTURAS, CALIFORNIA**

**Financial Statements, Management's Discussion & Analysis,  
And Independent Auditor's Report**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 & 2019**

**MODOC TRANSPORTATION AGENCY**  
Audited Financial Statements  
JUNE 30, 2020 & 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 September 16, 2020 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 "SingletonAuman PC", with a stylized flourish at the end.

SingletonAuman PC

Susanville, CA

September 16, 2020

## **FINANCIAL SECTION**

**MODOC TRANSPORTATION AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
STATEMENTS OF NET POSITION  
PROPRIETARY FUND  
TRANSIT FUND  
JUNE 30, 2020  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)**

	2020	2019
<b>ASSETS</b>		
Current Assets:		
Cash and Investments	\$ 788,803	\$ 831,390
Accounts Receivable	148,647	147,405
Total Current Assets	937,450	978,795
Property, Plant & Equipment, Net	1,763,603	1,891,417
Total Assets	\$ 2,701,053	\$ 2,870,212
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 50,269	\$ 21,370
Unearned Revenue	25,717	11,643
Total Liabilities	\$ 75,986	\$ 33,013
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 1,763,603	\$ 1,891,417
Unrestricted	861,464	945,782
Total Net Position	\$ 2,625,067	\$ 2,837,199

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, 2020  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)**

	2020	2019
Operating Revenues:		
Fare Revenues	\$ 36,460	\$ 55,675
Total Operating Revenue	36,460	55,675
Operating Expenses:		
Contract Transportation Services	235,920	191,165
Vehicle and Equipment Maintenance	41,031	33,748
Building Improvements	7,093	1,342
Fuel	25,482	35,203
Labor	114,854	86,376
Utilities	17,311	16,954
Marketing	5,811	4,535
Other Expenses	26,487	32,880
Depreciation	127,814	148,949
Total Operating Expenses	601,803	551,152
Operating Income (Loss)	(565,343)	(495,477)
Non-Operating Revenues and (Expenses):		
Local Transportation Funds	4,324	64,678
State Transportation Assistance Funds	88,759	85,968
Federal Grants	156,286	261,499
Covid 5311 Reimbursement	15,863	-
Lassen Transit Service Agency	26,894	30,000
LCTOP	38,491	-
Other	21,696	27,011
State of Good Repair		9,877
Interest	14,898	14,229
Total Non-Operating Revenues and (Expenses)	367,211	493,262
Transfers Out	(14,000)	
Change in Net Position	(212,132)	(2,215)
Net Position, Beginning of the Period	2,837,199	2,839,414
Net Position, End of the Period	\$ 2,625,067	\$ 2,837,199

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, 2020  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)**

	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Cash Received From Passengers	\$ 36,460	\$ 55,675
Cash Payments to Employees	(114,854)	(86,376)
Cash Payments to Suppliers for Goods and Services	(330,236)	(313,886)
Net Cash Provided (Used) by Operating Activities	(408,630)	(344,587)
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Received from Other Governmental Agencies	343,449	464,719
Other Income	21,696	27,011
Net Cash Provided (Used) by Non-Capital Financing Activities	365,145	491,730
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchases of Property and Equipment		(86,110)
Transfer (Out)	(14,000)	
Net Cash Provided (Used) by Capital Financing Activities	(14,000)	(86,110)
<b>Cash Flows from Investing Activities</b>		
Interest Earned	14,898	14,229
Net Cash Provided (Used) by Investing Activities	14,898	14,229
Net Increase (Decrease) in Cash and Cash Equivalents	(42,587)	75,262
<b>Cash and Cash Equivalents:</b>		
Balance - July 1	831,390	756,128
Balance - June 30	\$ 788,803	\$ 831,390
<b>Reconciliation:</b>		
Operating Income (Loss)	\$ (565,343)	\$ (495,477)
Depreciation and Amortization	127,814	148,949
Increase/(Decrease) in Accounts Payable	28,899	1,941
Net Cash Provided (Used) by Operating Activities	\$ (408,630)	\$ (344,587)

The accompanying notes are an integral part of this statement.

**MODOC TRANSPORTATION AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 and 2019**

**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, 2020 and 2019**

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, 2020 and 2019**

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, 2020 and June 30, 2019, no 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, 2020 and 2019**

**H. Expenses in Excess of Budget**

The following expense categories exceeded budget during the 2019-20 fiscal year:

<u>Category</u>	<u>Amount in Excess of Budget</u>
Building Improvements	\$ 468
Depreciation	\$ 127,814
Marketing	\$ 1,311

Building Improvements and Marketing exceeded budget by small amounts. Depreciation 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

**MODOC TRANSPORTATION AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 and 2019**

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.

***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:

	2020	2019
Plumas Bank Operating Account	\$ 153,617	\$ 196,994
Local Agency Investment Fund	635,186	634,396
	\$ 788,803	\$ 831,390

Investments consist of amounts deposited with the Local Agency Investment Fund, and are stated at fair value based on significant other observable inputs.

The total amount of interest income for the year ended June 30, 2020 and 2019 was \$14,898 and \$14,229, respectively. This interest is included in the balances of the accounts and fair value measurements.

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:

**MODOC TRANSPORTATION AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 and 2019**

June 30, 2020

Fair Value Measurements Using

	Quoted Prices		
Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Local Agency Investment Fund	\$ 635,186		\$ 635,186

June 30, 2019

Fair Value Measurements Using

	Quoted Prices		
Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Local Agency Investment Fund	\$ 634,396		\$ 634,396

**MODOC TRANSPORTATION AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 and 2019**

**NOTE 3 – CAPITAL ASSETS**

A capital assets summary of the Agency is shown below:

	Balance <u>6/30/19</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/20</u>
Land	\$ 781,745			\$ 781,745
Vehicles, Buildings, and Equipment	1,945,887			1,945,887
Total	<u>2,727,632</u>	-	.	<u>2,727,632</u>
Accumulated Depreciation	<u>(836,215)</u>	<u>(127,814)</u>		<u>(964,029)</u>
Property, Plant and Equipment, Net	<u>\$ 1,891,417</u>	<u>\$ (127,814)</u>	<u>\$ -</u>	<u>\$ 1,763,603</u>

	Balance <u>6/30/2018</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/2019</u>
Land	\$ 781,745			\$ 781,745
Vehicles, Buildings, and Equipment	1,999,081	\$ 86,110	\$ 139,304	1,945,887
Total	<u>2,780,826</u>	<u>86,110</u>	<u>139,304</u>	<u>2,727,632</u>
Accumulated Depreciation	<u>(826,570)</u>	<u>(148,949)</u>	<u>(139,304)</u>	<u>(836,215)</u>
Property, Plant and Equipment, Net	<u>\$ 1,954,256</u>	<u>\$ (62,839)</u>		<u>\$ 1,891,417</u>

Depreciation and amortization was charged to functions as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Transit	<u>\$ 127,814</u>	<u>\$ 148,949</u>

**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.



**MODOC TRANSPORTATION AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 and 2019**

**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, 2020**

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
<b>Operating Revenues:</b>				
Fare Revenues	\$ 60,000	\$ 40,000	\$ 36,460	\$ (3,540)
Total Operating Revenue	<u>60,000</u>	<u>40,000</u>	<u>36,460</u>	<u>(3,540)</u>
<b>Operating Expenses:</b>				
Contract Transportation Services	220,000	250,000	235,920	14,080
Vehicle Maintenance	44,852	55,842	41,031	14,811
Building Improvements	6,625	6,625	7,093	(468)
Fuel	37,000	37,000	25,482	11,518
Labor	145,000	145,000	114,854	30,146
Utilities	18,500	18,500	17,311	1,189
Marketing	4,500	4,500	5,811	(1,311)
Other Expenses	38,500	37,000	26,487	10,513
Capital Expenditures	14,215	75,881	-	75,881
Depreciation			127,814	(127,814)
Total Operating Expenses	<u>529,192</u>	<u>630,348</u>	<u>601,803</u>	<u>28,545</u>
Operating Income (Loss)	<u>(469,192)</u>	<u>(590,348)</u>	<u>(565,343)</u>	<u>25,005</u>
<b>Non-Operating Revenue (Expense):</b>				
Local Transportation Funds	100,000	109,000	4,324	(104,676)
State Transportation Assistance Funds	102,032	72,000	88,759	16,759
Federal Grants	199,341	304,538	156,286	(148,252)
Covid 5311 Reimbursement			15,863	
Lassen Transit Service Agency	30,000	30,000	26,894	(3,106)
Rural Transit Assistance Program	1,500			
LCTOP		38,491	38,491	-
State of Good Repair Program	14,215	14,215		(14,215)
Other	22,104	22,104	21,696	(408)
Interest	-		14,898	14,898
Total Non-Operating Revenues (Expenses)	<u>469,192</u>	<u>590,348</u>	<u>367,211</u>	<u>(239,000)</u>
Transfers Out			<u>(14,000)</u>	
Change in Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (212,132)</u>	<u>\$ (213,995)</u>

**MODOC TRANSPORTATION AGENCY  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2020**

Notes to Transit Fund Budgetary Comparison Schedule:

Under the Transportation Development Act and the California Code of Regulations, no operator or transit provider shall receive Local Transportation Funds (LTF) or State Assistance Funds (STAF) exceeding actual net costs. To balance and return any unused funds to the trust accounts, the agencies prepare an annual "End-of-year True-up and Reconciliation." STAF may only be used for transit related activities. It is spent first in the MTA operating account until exhausted, and therefore is not included in the reconciliation.

This reconciliation is accomplished by taking the final year-end cash balance as of June 30, 2019 for both entities and deducting any unearned revenue or obligated funds for capital projects. The ending balance is then added to or deducted from the the current year (FY 2019-20) due for allocation. The LTF due for each Agency is then allocated as funds become available.

	<u>MTA</u>	
LTF unused Cash balance as of 6/30/19	\$ 123,808	
LTF FY 2019/20 Allocated	4,324	(1)
	<hr/>	
FY 2018/19 LTF Allocation Total	\$ 128,132	
	<hr/> <hr/>	

(1) \$4,324 was transferred before reconciliation.

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

Board of Commissioners  
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, 2020 and 2019 and have issued our report thereon dated September 16, 2020.

**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.

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### **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,



**SingletonAuman PC**  
**Susanville, CA**  
September 16, 2020

**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, 2020 and 2019 and the related notes to the financial statements and have issued our report thereon dated September 16, 2020.

**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.

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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 2020-001.

### **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**  
September 16, 2020



**MODOC TRANSPORTATION AGENCY  
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2020**

**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, 2020**

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

**Finding 2020-001 Financial Reporting**

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

In accordance with *AU-C Section 265, Communicating Internal Control Matters identified in an Audit* 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 *AU-C Section 265*.

**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, 2019 AUDIT REPORT)  
FOR THE YEAR ENDED JUNE 30, 2020**

**Finding 2019-1 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 2020-001.

**MODOC TRANSPORTATION AGENCY  
CORRECTIVE ACTION PLAN  
JUNE 30, 2020**

**Person Monitoring Corrective Action Plan**  
Debbie Pedersen, Executive Director

**Finding 2020-001 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.