

**COUNTY OF SHASTA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

AUDIT REPORT

JUNE 30, 2015

THIS PAGE INTENTIONALLY LEFT BLANK

**COUNTY OF SHASTA
TRANSPORTATION DEVELOPMENT ACT FUNDS
AUDIT REPORT**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
 FINANCIAL STATEMENTS	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Road Fund	3
Statement of Net Position – Transit Fund	4
Statement of Revenues, Expenses and Changes in Net Position – Transit Fund	5
Statement of Cash Flows – Transit Fund.....	6
 Notes to Financial Statements	 7-10
 SUPPLEMENTAL INFORMATION	
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 <i>Government Auditing Standards</i> and Compliance with the Transportation Development Act, the California Administrative Code and the Rules and Regulations of the Shasta Regional Transportation Agency	11-12

THIS PAGE INTENTIONALLY LEFT BLANK



INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of Shasta
Redding, California

Report on the Financial Statements

We have audited the financial statements of the Transportation Development Act Funds allocated to the County of Shasta (County) for transit and non-transit purposes as of and for the year ended June 30, 2015, 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.

Auditor's 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 from 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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Transportation Development Act funds allocated to the County of Shasta for transit and non-transit purposes as of June 30, 2015, 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.

Board of Supervisors
County of Shasta
Redding, California

Report on Summarized Comparative Information

We have previously audited the Fund's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2015. In our opinion, the summarized comparative information presented here in as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Transportation Development Act Funds allocated to the County of Shasta for transit and non-transit purposes and do not purport to, and do not, present fairly the financial position of the County of Shasta, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report March 11, 2016 on our consideration of the Fund'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 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 Fund's internal control over financial reporting and compliance.



Roseville, California
March 11, 2016

**COUNTY OF SHASTA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

Road Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015
(With Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Operating Revenues:		
Article 8, Section 99400(a)	\$ 2,385,432	\$ 2,366,313
Non-motorized funding	95,049	--
Investment income	4,941	3,639
	2,485,422	2,369,952
Total Revenues		
Expenditures		
Engineering, maintenance & administration	2,105,085	2,369,952
Refund to SRTA	380,337	--
	2,485,422	2,369,952
Total Expenditures		
Changes in Fund Balance	--	--
Fund Balance, Beginning of the Year	--	--
Fund Balance, End of the Year	\$ --	\$ --

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

**COUNTY OF SHASTA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

Transit Fund
Statement of Net Position
June 30, 2015

(With Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Assets		
Current Assets:		
Cash and investments	\$ 137,326	\$ 95,378
Due from other governmental agencies	2,791	381,824
Total Current Assets	140,117	477,202
Liabilities		
Current Liabilities:		
Due to other governmental agencies	31,973	390,656
Unearned revenue	108,144	86,546
Total Current Liabilities	140,117	477,202
Net Position		
Unrestricted	--	--
Total Net Position	\$ --	\$ --

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

**COUNTY OF SHASTA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

Transit Fund
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015
(With Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Operating Revenues:		
Fare revenues	\$ 20,728	\$ 22,184
Operating Expenses:		
Purchased transportation	384,873	459,466
Administration	20,431	18,319
Total Operating Expenses	405,304	477,785
Operating income (loss)	(384,576)	(455,601)
Non-Operating Revenues:		
Investment income	631	563
FTA operating assistance	383,945	455,038
Total Non-Operating Revenues	384,576	455,601
Change in Net Position	--	--
Net Position - Beginning	--	--
Net Position - Ending	\$ --	\$ --

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

**COUNTY OF SHASTA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

Transit Fund
Statement of Cash Flows
For the Year Ended June 30, 2015
(With Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Cash Flows from Operating Activities:		
Fare revenues	\$ 17,937	\$ 34,484
Payments to suppliers	(382,163)	(488,155)
	(364,226)	(453,671)
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities:		
Investment income	631	563
	631	563
Net Cash Provided (Used) by Investing Activities		
Cash Flows from Non-Capital Financing Activities:		
TDA Funds	-	123,209
Federal FTA Section 5311	405,543	380,337
	405,543	503,546
Net Cash Provided by Non-Capital Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	41,948	50,438
Cash and Cash Equivalents at Beginning of Year	95,378	44,940
Cash and Cash Equivalents at End of Year	\$ 137,326	\$ 95,378
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating income	\$ (384,576)	\$ (455,601)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in receivables	(2,791)	12,300
(Decrease) increase in payables	23,141	(10,370)
	(364,226)	(453,671)
Net Cash Provided (Used) by Operating Activities	\$ (364,226)	\$ (453,671)

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

**COUNTY OF SHASTA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

Notes to Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Transportation Development Act Funds (Funds) of the County of Shasta (County) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Fund applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. The Reporting Entity

The Transportation Development Act (TDA) Road Fund is a special revenue fund used to report the TDA funds that will be expended on street and road projects within the County of Shasta. The Transit Fund was established during fiscal year 1993/94 to operate the County's rural transit services and to account for the TDA funds received to support it. The Redding Area Bus Authority and Shasta Senior Nutrition Programs have been contracted to provide the services.

The financial statements of the Road Fund and Transit Fund are included in the basic financial statements of the County. These statements present only the TDA Fund's revenues and expenditures pertaining to Article 8, Section 99400(a), and Article 3, Section 99233.3 of the Public Utilities Code recorded in the Road Fund. These statements present only a portion of the activities of the Road Fund and they do not purport to, and do not, present fairly the financial position of the County of Shasta as of June 30, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

B. Basis of Presentation

The TDA Funds recorded in the Road Fund of the County are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A sixty day availability period is used for revenue recognition for governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

The TDA funds recorded in the Transit Fund of the County are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as refunds and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses include the cost of operations, administrative expenses, operating expenses, and depreciation.

**COUNTY OF SHASTA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

Notes to Financial Statements
June 30, 2015

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

C. Cash in County Treasury

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County. The County pools idle cash from all funds for the purpose of increasing income through investment activities. Cash deposits are stated at cost, which approximates fair value. Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 40. Investment income is recorded as revenue in the individual funds based on the computed average interest rate of all investments and the average daily cash balance of each fund.

D. Budgets

The operating budgets for the Transportation Development Act Funds are prepared on a basis consistent with accounting principles generally accepted in the United States of America and are adopted by the County. The County Administrative Officer is authorized to transfer budget amounts between objects within any fund; however, any revisions that exceed \$10,000 in any object or any revisions that alter the total expenditures of any department or fund require approval by the Board of Supervisors.

E. Unearned Revenue

In the financial statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the accrual basis of accounting. The County records unearned revenue for transactions for which revenues have not been earned.

F. Net Position

In the Statement of Net Position, Net Position may be classified in the following categories:

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

G. Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**COUNTY OF SHASTA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

Notes to Financial Statements
June 30, 2015

NOTE 2: CASH AND INVESTMENTS

All of the Funds' cash and investments are maintained in the Shasta County Treasury. The County follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on the aggregate daily cash balances.

The pooled treasury has regulatory oversight from the Shasta County Treasury Oversight Committee in accordance with California Government Code requirements. The fair value of the Funds' position in the pool is materially equivalent to the value of pool shares.

The cash and investments of the Transit Fund as of June 30, 2015 is displayed on the balance sheet as follows:

Cash and investments	<u>\$ 137,326</u>
----------------------	-------------------

Concentration of Credit Risk – As noted above, 100% of the Fund's investments are maintained in the Shasta County Treasury.

The Fund is unable to determine the investment types, investment maturities, interest rate risk, credit risk, investment ratings and custodial risk.

Copies of the County of Shasta financial statements may be obtained from the County of Shasta at 1450 Court Street, Room 238, Redding, California 96001.

NOTE 3: DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies includes \$2,791 from Redding Area Bus Authority.

NOTE 4: DUE TO OTHER GOVERNMENTAL AGENCIES

Due to other governmental agencies includes \$31,973 to Redding Area Bus Authority.

NOTE 5: UNEARNED REVENUE

As of June 30, 2015, the Transit Fund has unearned allocations for operating purposes determined as follows:

Beginning balance, unearned revenue	\$ 86,546
FTA Operating Assistance	405,543
Recognized in current year	<u>(383,945)</u>
Total unearned revenue	<u>\$ 108,144</u>

**COUNTY OF SHASTA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

Notes to Financial Statements
June 30, 2015

NOTE 6: FARE REVENUE RATIO

The Transit Fund is required under the Transportation Development Act to maintain fare revenue to operating expenses ratio of at least 10% for the transit services. The calculation of the fare revenue ratio for the year ended June 30, 2015 is as follows:

Fare revenues	<u>\$ 20,728</u>
Operating expenses	<u>\$ 130,769</u>
Fare revenue ratio	<u>15.85%</u>

NOTE 7: COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS

The TDA is defined commencing at Chapter 4 of the California Public Utilities Code Section 99200. Funds received pursuant to Section 99233.3 of the TDA (Article 3) may only be used for bicycle and pedestrian projects. Funds received pursuant to Section 99400(a) of the TDA (Article 8(a)) may only be used for local streets and roads and projects which are for use by pedestrians and bicycles.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

SUPPLEMENTAL INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT, THE CALIFORNIA ADMINISTRATIVE CODE, AND THE RULES AND REGULATIONS OF THE SHASTA REGIONAL TRANSPORTATION AGENCY

Board of Supervisors
County of Shasta
Redding, California

We have audited the financial statements of the Transportation Development Act funds allocated to the County of Shasta (County) for transit and non-transit purposes as of and for the year ended June 30, 2015, and have issued our report thereon dated March 11, 2016. The financial statements present only the Transportation Development Act funds allocated to the County for transit and non-transit purposes and are not intended to present fairly the financial position and results of operations of the County of Shasta in conformity with accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Supervisors
County of Shasta
Redding, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Transportation Development Act funds allocated to the County of Shasta for transit and non-transit purposes are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the California Administrative Code, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency, for the year ended June 30, 2014. In connection with our audit, we performed, to the extent applicable, the compliance tasks set forth in Section 6666 and 6667 of the rules and regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code of 1987. 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.

Purpose of this Report

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



Roseville, California
March 11, 2016