

**MODOC COUNTY TRANSPORTATION COMMISSION
ALTURAS, CALIFORNIA**

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

MODOC COUNTY TRANSPORTATION COMMISSION
Audited Financial Statements
JUNE 30, 2020

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Independent Auditors' Report

Board of Commissioners
Modoc County Transportation Commission
Alturas, CA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of the Modoc County Transportation Commission (Commission) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Commission's basic 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 Commission'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 Commission'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 governmental activities, the business-type activities, and the major funds of Modoc County Transportation Commission as of June 30, 2020, and the respective changes in financial position 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, the schedule of proportionate share of net position liability, the schedule of pension contributions, and budgetary comparison information 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Modoc County Transportation Commission basic financial statements. 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 15, 2020, on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "SingletonAuman PC", with a stylized flourish at the end.

SingletonAuman PC
Susanville, CA
September 15, 2020

FINANCIAL SECTION

MODOC COUNTY TRANSPORTATION COMMISSION
Management's Discussion and Analysis (MD&A)
June 30, 2020

INTRODUCTION

The Modoc County Transportation Commission (Commission) was created pursuant to California Government Code Section 67910, as a local planning commission to provide regional transportation planning activities in Modoc County.

This discussion and analysis of Modoc County Transportation Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the Commission's financial statements, including notes and supplementary information, which follow this section.

Documents with more information for the Commission's regional transportation planning process, programming and funding sources can be acquired within the Overall Work Plan (OWP) and Regional Transportation Plan (RTP) at www.modoctransportation.com.

Documents with more information for the Transportation Agency planning process, programming and funding sources can be acquired within the Short – Range Transit Development Plan (TDP) and Performance Audit at www.sagestage.com.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$2,984,589 at June 30, 2020. This was a decrease of \$180,531 over the prior year.
- ❑ Overall revenues were \$768,429 which was less than expenses of \$948,960, by \$180,531.
- ❑ The total cost of the Commission's programs increased by \$81,587 from last year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The three sections together provide a comprehensive overview of the Commission. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ Fund financial statements focus on reporting the individual parts of the Commission operations in more detail. The fund financial statements comprise the remaining statements.
 - Governmental funds tell how services were financed in the short-term as well as what remains for future spending.
 - Proprietary funds statements provide information about the short and long-term financial information of the Commission that operate like businesses.

- Fiduciary funds statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the district's budget for the year is included.

Government-Wide Statements

The government-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Commission's net position and how they have changed. Net Position -the difference between the assets and liabilities- is one way to measure the Commission's financial health or position.

- ❑ Over time, increases or decreases in the Commission's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the Commission, one needs to consider additional nonfinancial factors such as passenger ridership, changes in program funding by the Federal and State governments, and condition of facilities and vehicles.

The government-wide financial statements of the Commission include business-type activities. Most of the Commission's basic services are included here, such as transportation services. Fare revenues finance some of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's most significant funds-not the Commission as a whole. Funds are accounting devices that the Commission uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Manager and Board of Commissioners establish other funds to control and manage money for particular purposes or to show that the Commission is meeting legal responsibilities for using certain revenues. The Commission has three kinds of funds

- ❑ Governmental Fund – The Planning Fund is the operating fund of the Commission. The major revenue sources for this fund are state grants and local transportation funds.
- ❑ Proprietary Fund – Services for which the Commission expects to support services from user fees are generally reported in proprietary funds. The Transit Fund is considered to be proprietary. Proprietary funds are reported in the same way as the district-wide financial statements.

- **Fiduciary Funds** – The Commission is the trustee, or fiduciary, for assets that belong to others. The Local Transportation Trust Fund and the State Transit Assistance Fund are expendable trust funds. The Commission is responsible for ensuring that assets reported in these funds are used only for their intended purposes. All of the Commission’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Commission-wide financial statements because the Commission cannot use the assets to finance its operations.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The Commission’s business-type and governmental net positions were \$2,625,067 and \$359,522, respectively, at June 30, 2020 See Table 1.

Table 1:
Net Position for Business-Type Activities

	Business-Type Activities		Total Percentage
	2020	2019	Change
			2020-19
Assets			
Cash and Investments	\$ 788,803	\$ 831,390	-5.12%
Accounts Receivable	148,647	147,405	0.84%
	937,450	978,795	
Capital Assets, Net of Accumulated Depreciation	1,763,603	1,891,417	-6.76%
TOTAL ASSETS	\$ 2,701,053	\$ 2,870,212	
Current Liabilities:			
Accounts Payable	\$ 50,269	\$ 21,370	135.23%
Unearned Revenue	25,717	11,643	120.88%
Total Current Liabilities	75,986	33,013	
TOTAL LIABILITIES	\$ 75,986	\$ 33,013	
Net Position			
Net Investment in Capital Assets	\$ 1,763,603	\$ 1,891,417	-6.76%
Unrestricted	861,464	945,782	-8.92%
TOTAL NET POSITION	\$ 2,625,067	\$ 2,837,199	

Net Position for Governmental Activities

	Governmental Activities		Change
	2020	2019	2020-2019
Assets			
Cash and Investments	\$ 398,733	\$ 396,044	0.68%
Accounts Receivable	54,590	58,618	-6.87%
Net Pension Asset	5,371	-	
	<u>458,694</u>	<u>454,662</u>	
Capital Assets, Net of Accumulated Depreciation	<u>7,380</u>	<u>7,300</u>	1.10%
TOTAL ASSETS	<u>\$ 466,074</u>	<u>\$ 461,962</u>	
DEFERRED RECOGNITION OF CONTRIBUTION TO PENSION PLAN	<u>\$ 2,589</u>	<u>\$ 489</u>	N/A
Current Liabilities:			
Compensated Absences	48,419	42,446	14.07%
Unearned Revenue	<u>30,453</u>	<u>90,413</u>	-66.32%
Total Non-Current Liabilities	<u>78,872</u>	<u>132,859</u>	
Non-Current Liabilities			
Net Pension Liability	<u>-</u>	<u>1,671</u>	N/A
TOTAL LIABILITIES	<u>\$ 78,872</u>	<u>\$ 134,530</u>	
Deferred Inflow of Resources			
Deferred Inflows-Pension Plan	<u>\$ 30,269</u>	<u></u>	N/A
Net Position			
Net Investment in Capital Assets	\$ 7,380	\$ 7,300	1.10%
Restricted	<u>352,142</u>	<u>320,621</u>	9.83%
TOTAL NET POSITION	<u>\$ 359,522</u>	<u>\$ 327,921</u>	

Changes in Net Position

The Commission's business-type and governmental revenues were \$403,671 and \$378,758, respectively.

The total cost of all program expenses for transportation and planning and administration expenditures was \$601,803 and \$347,157, respectively.

Table 2:
Changes in Net Position -Governmental Activities

	<u>Governmental Activities</u>		<u>Total Percentage</u>
	<u>2020</u>	<u>2019</u>	<u>Change</u>
			<u>2020-2019</u>
Revenues			
Operating Grants and Contributions	\$ 370,455	\$ 296,271	25.04%
Other Income	8,303	7,978	4.07%
TOTAL REVENUES	<u>378,758</u>	<u>304,249</u>	
Program Expenses			
Planning and Administration	338,157	316,221	6.94%
TOTAL EXPENSES	<u>338,157</u>	<u>316,221</u>	
Transfers Out	<u>9,000</u>	<u>-</u>	n/a
INCREASE (DECREASE) IN NET POSITION	<u>\$ 31,601</u>	<u>\$ (11,972)</u>	

Changes in Net Position Business-Type Activities

	<u>Business-Type Activities</u>		<u>Total Percentage</u>
	<u>2020</u>	<u>2019</u>	<u>Change</u>
			<u>2020-2019</u>
Revenues			
Sales and Gas Taxes	\$ 93,083	\$ 150,646	-38.21%
Charges for Services	36,460	55,675	-34.51%
Other Income	36,594	41,240	-11.27%
Operating Grants and Contributions	237,534	301,376	-21.18%
Capital Grants and Contributions	-	-	
TOTAL REVENUES	<u>403,671</u>	<u>548,937</u>	
Program Expenses			
Transit	601,803	551,152	9.19%
TOTAL EXPENSES	<u>601,803</u>	<u>551,152</u>	
Transfers Out	<u>(14,000)</u>	<u>-</u>	n/a
INCREASE (DECREASE) IN NET POSITION	<u>\$ (212,132)</u>	<u>\$ (2,215)</u>	

Table 3 presents the cost of each of the Commission's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

Table 3
Net Cost of Business-Type Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Transit	\$ 601,803	\$ 551,152	\$ (239,050)	\$ (108,133)
TOTAL	\$ 601,803	\$ 551,152	\$ (239,050)	\$ (108,133)

Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Planning and Admin	\$ 338,157	\$ 316,221	\$ 32,298	\$ (19,950)
TOTAL	\$ 338,157	\$ 316,221	\$ 32,298	\$ (19,950)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the Commission as a whole is reflected in the communication between the Board of Commissioners and the Commission employees as they all work together in providing the best quality of service to its customers. As the Commission completed the year, its proprietary fund reported a net position of \$2,625,067, which is below last year's ending net position of \$2,837,199. The Commission's governmental fund reported fund equity of \$359,522, which is more than last year's ending fund equity of \$327,921.

Budgetary Highlights

Over the course of the year, the Commission revises its annual budget to reflect unexpected changes in revenues and expenditures. The budget was approved by June 30 for the 2019-2020 fiscal year. The final revised budget was adopted on June 2, 2020. A schedule of the Commission's original and final budget amounts compared with actual revenues and expenses are provided in the supplemental section of the audited financial report.

CAPITAL ASSETS

At June 30, 2020 the Commission had invested in a broad range of capital assets, including land, vehicles, buildings and equipment. See Table 4. More detailed information about the Commission's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets Business-Type Activities

	Business-Type Activities		Total Percentage
	2020	2019	Change
			2020-2019
Land and Improvements	\$ 781,745	\$ 781,745	0.00%
Vehicles, Buildings and Equipment	1,945,887	1,945,887	0.00%
Totals at Historical Cost	2,727,632	2,727,632	
Total Accumulated Depreciation	(964,029)	(836,215)	15.28%
NET CAPITAL ASSETS	\$ 1,763,603	\$ 1,891,417	

Capital Assets Governmental Activities

	Governmental Activities		Total Percentage
	2020	2019	Change
			2020-2019
Vehicles and Other Equipment	\$ 31,100	\$ 29,931	3.91%
Totals at Historical Cost	31,100	29,931	
Total Accumulated Depreciation	(23,720)	(22,631)	4.81%
NET CAPITAL ASSETS	\$ 7,380	\$ 7,300	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various communities served by the Commission.

The economic condition of the Commission as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The Commission continues to be encouraged by development throughout its boundaries. The Commission will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to citizens of the area.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, participants, investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Debbie Pedersen, Executive Director
Modoc County Transportation Commission
108 S. Main Street
Alturas, CA 96101

MODOC COUNTY TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 398,733	\$ 788,803	\$ 1,187,536
Accounts Receivable	54,590	148,647	203,237
Net Pension Asset	5,371		
Total Current Assets	458,694	937,450	1,390,773
Property, Plant & Equipment; Net	7,380	1,763,603	1,770,983
Total Assets	\$ 466,074	\$ 2,701,053	\$ 3,167,127
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension Plan	\$ 2,589	\$ -	\$ 2,589
LIABILITIES			
Current Liabilities:			
Accounts Payable		\$ 50,269	\$ 50,269
Compensated Absences	\$ 48,419		48,419
Unearned Revenue	30,453	25,717	56,170
Total Liabilities	\$ 78,872	\$ 75,986	\$ 154,858
DEFERRED INFLOW OF RESOURCES			
Deferred Inflows-Pension Plan	\$ 30,269	\$ -	\$ 30,269
NET POSITION			
Net Investment in Capital Assets	\$ 7,380	\$ 1,763,603	\$ 1,770,983
Restricted	352,142	-	352,142
Unrestricted	-	861,464	861,464
Total Net Position	\$ 359,522	\$ 2,625,067	\$ 2,984,589

The accompanying notes are an integral part of this statement.

**MODOC COUNTY TRANSPORTATION COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Expenses	Program Revenue		Net (Expense)	Net (Expense)	Net (Expense)
		Charges	Operating	Revenue and Changes	Revenue and Changes	Revenue and Changes
		For	Grants and	in Net Assets	in Net Assets	in Net Position
		Services	Contributions	Governmental Activities	Business Type Activities	Total
<u>Governmental Activities</u>						
General Government						
Planning and Administration	\$ 338,157	\$ -	\$ 370,455	\$ 32,298	\$ -	\$ 32,298
Total Governmental Activities	<u>338,157</u>	<u>-</u>	<u>370,455</u>	<u>32,298</u>	<u>-</u>	<u>32,298</u>
<u>Business Type Activities</u>						
Transit	601,803	36,460	326,293		(239,050)	(239,050)
Total Business Type Activities	<u>601,803</u>	<u>36,460</u>	<u>326,293</u>	<u>-</u>	<u>(239,050)</u>	<u>(239,050)</u>
Total Primary Government	\$ 939,960	\$ 36,460	\$ 696,748	32,298	(239,050)	(206,752)
General Revenues and Transfers In (Out):						
Sales Tax				-	4,324	4,324
Interest				7,353	14,898	22,251
Other Income				950	21,696	22,646
Transfers In (out)				(9,000)	(14,000)	(23,000)
Total General Revenue				<u>(697)</u>	<u>26,918</u>	<u>26,221</u>
Change in Net Position				31,601	(212,132)	(180,531)
Net Position Beginning				327,921	2,837,199	3,165,120
Net Position Ending				<u>\$ 359,522</u>	<u>\$ 2,625,067</u>	<u>\$ 2,984,589</u>

The accompanying notes are an integral part of this statement.

MODOC COUNTY TRANSPORTATION COMMISSION
BALANCE SHEET-GOVERNMENTAL FUND
JUNE 30, 2020

	<u>Planning Fund</u>
<u>ASSETS</u>	
Cash in Banks	\$ 398,733
Accounts Receivable	54,590
TOTAL ASSETS	<u>\$ 453,323</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Compensated Absences	\$ 48,419
Unearned Revenue	30,453
Total Liabilities	<u>78,872</u>
Fund Equity:	
Restricted Fund Equity	374,451
Total Fund Equity	<u>374,451</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 453,323</u>

The accompanying notes are an integral part of this statement.

**MODOC COUNTY TRANSPORTATION COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balances - Governmental Funds	\$ 374,451
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Reconciling Items:

Capital Assets are not recorded in the governmental funds	7,380
Net Pension Asset is not recorded in the governmental fund:	5,371
Deferred Outflows are not recorded in the governmental funds	2,589
Deferred Inflows are not recorded in the governmental fund:	<u>(30,269)</u>

Total Net Position - Governmental Activities	<u>\$ 359,522</u>
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The accompanying notes are an integral part of this statement.

MODOC COUNTY TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Planning Fund</u>
Revenues	
Local Transportation Funds	\$ 122,042
RSTP Revenue	31,413
Rural Planning Assistance	158,000
Planning, Programming and Monitoring	59,000
Refunds	950
Interest Income	<u>7,353</u>
 Total Revenues	 <u>378,758</u>
 Expenditures	
Planning and Administration	<u>317,110</u>
Total Expenditures	<u>317,110</u>
 Excess Of Revenues Over (Under)	
Expenditures	61,648
 Transfer Out	 <u>(9,000)</u>
 Excess Of Revenues Over (Under)	
Expenditures and Transfers In	52,648
 Fund Balances - July 1	 <u>321,803</u>
 Fund Balances - June 30	 <u>\$ 374,451</u>

The accompanying notes are an integral part of this statement.

**MODOC COUNTY TANSPORTATION COMMISSION
RECONCILIATION OF THE THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Changes in fund balances - total governmental funds	\$ 52,648
Reconciling Items:	
The depreciation of capital assets is not recorded in the funds	(3,639)
Pension Expense is not included in the Funds	(21,127)
Capital expenditures are an expense in the funds but not in statement of activities	<u>3,719</u>
Changes in net position of governmental activities - statement of activities	<u>\$ 31,601</u>

The accompanying notes are an integral part of this statement.

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

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

The accompanying notes are an integral part of this statement.

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FISCAL 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	<u>36,460</u>	<u>55,675</u>
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	<u>601,803</u>	<u>551,152</u>
Operating Income (Loss)	<u>(565,343)</u>	<u>(495,477)</u>
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)	<u>367,211</u>	<u>493,262</u>
Transfers (Out)	<u>(14,000)</u>	
Change in Net Position	<u>(212,132)</u>	<u>(2,215)</u>
Net Position, Beginning of the Period	<u>2,837,199</u>	<u>2,839,414</u>
Net Position, End of the Period	<u>\$ 2,625,067</u>	<u>\$ 2,837,199</u>

The accompanying notes are an integral part of this statement.

**MODOC TRANSPORTATION AGENCY
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)**

	2020	2019
Cash Flows from Operating Activities:		
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)
Cash Flows from Non-Capital Financing Activities:		
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
Cash Flows from Capital and Related Financing Activities:		
Purchases of Property and Equipment		(86,110)
Transfers (Out)	(14,000)	
Net Cash Provided (Used) by Capital Financing Activities	(14,000)	(86,110)
Cash Flows from Investing Activities		
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
Cash and Cash Equivalents:		
Balance - July 1	831,390	756,128
Balance - June 30	\$ 788,803	\$ 831,390
Reconciliation:		
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 COUNTY TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	2020 Expendable Trust Funds	2019 Expendable Trust Funds
<u>ASSETS</u>		
Cash in Banks and in the County Treasury	\$ 335,824	\$ 242,081
Accounts Receivable		
TOTAL ASSETS	<u>\$ 335,824</u>	<u>\$ 242,081</u>
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Accounts Payable		\$ 8,000
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 8,000</u>
Net Position:		
Held in Trust	\$ 335,824	\$ 234,081
TOTAL NET POSITION	<u>\$ 335,824</u>	<u>\$ 234,081</u>

The accompanying notes are an integral part of this statement.

**MODOC COUNTY TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)**

	2020 Expendable Trust Funds	2019 Expendable Trust Funds
Revenues		
Sales Tax	\$ 250,710	\$ 222,653
Intergovernmental	88,759	64,585
State of Good Repair Program	14,073	16,297
Interest Income	<u>481</u>	<u>390</u>
 Total Revenues	 <u>354,023</u>	 <u>303,925</u>
Expenditures		
State of Good Repair Program	14,073	16,297
City of Alturas	23,041	
Modoc County Transportation Commission	122,042	52,581
Modoc Transportation Agency	93,083	129,263
Other	<u>41</u>	<u>-</u>
 Total Expenditures	 <u>252,280</u>	 <u>198,141</u>
Excess Of Revenues Over (Under)		
Expenditures	<u>101,743</u>	<u>105,784</u>
 Excess Of Revenues And Transfers In Over(Under) Expenditures And Transfers Out	 101,743	 105,784
 Net Position - July 1	 <u>234,081</u>	 <u>128,297</u>
 Net Position - June 30	 <u>\$ 335,824</u>	 <u>\$ 234,081</u>

The accompanying notes are an integral part of this statement.

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – REPORTING ENTITY

The Modoc County Transportation Commission (the Commission) was created pursuant to California Government Code Section 67910, as a local planning commission to provide regional transportation planning activities for the area of Modoc County. The Commission is also responsible for the administration of the Transportation Development Act Funds (Local Transportation and State Transit Assistance Fund). The Commission does not exercise control over any other governmental commission or authority. Criteria used in determining the reportable entity was based on control or dependence determined on the basis of budget adoption, funding, and appointment of the respective governing board.

The Modoc County Transportation Commission accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Commission conform to U.S. generally accepted accounting principles and are applicable to governments. The following is a summary of the significant policies:

A. Description of Blended Component Unit

The Commission's combined financial statements include the accounts of all its operations. The criteria for including organizations as component units within the Commission's reporting entity are set forth in GASB Statement No. 14 "The Financial Reporting Entity" and GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units."

The Modoc Transportation Agency, although a legally separate entity, is reported as if it were part of the primary government because the Board of Directors of the Commission are the same individuals that make up the component unit's governing body, or appoints the majority of representatives to the unit's governing board, or the unit provides services entirely to the Commission. Under the blended method of inclusion, the component unit's balances and transactions are reported in a manner similar to the balances and transactions of the Commission itself.

As a result, the basic financial statements of the Commission include the Modoc Transportation Agency (MTA). The MTA is a separate legal entity established to provide transit services within and outside of Modoc County. The financial operations of the MTA are closely related, and the same individuals on the Board of Directors have continuing oversight responsibility.

Complete financial statements of the above component unit may be obtained directly from the Modoc Transportation Agency, 108 S. Main St, Alturas, CA, 96101.

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Business-type activities are financed in whole or in part by fares charged to external parties, as well as operating grants.

The statement of activities presents a comparison between direct expenses and program revenues for the different governmental and business-type activities of the Commission. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses in the statement of activities. Program revenues include (a) fares and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Commission's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

Proprietary fund 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. Nonoperating revenues, such as subsidies, taxes, grants, entitlements and investment earnings, result from nonexchange transactions or ancillary activities.

The Commission reports the following major Governmental and Proprietary Funds:

The Planning Fund is the operating fund of the Commission. The major revenue sources for this fund are state, federal and local transportation funds. Expenditures are made for administration, as well as local and regional planning projects.

The Transit Fund collects fares from operating transportation services, as well as receiving local and state transit assistance, to operate and provide public transit services to the County of Modoc, the City of Alturas, and out of the region.

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

C. Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, entitlements, donations, and other miscellaneous income. On an accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Commission considers revenues collected after its year-end to be available if they are collected within sixty days after year-end. Revenues from local sources consist primarily of taxes and charges for services. Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are received. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The Commission has chosen not to apply future FASB standards.

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

D. Budgets

Governmental Fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Proprietary fund budgets are adopted using the modified accrual basis of accounting, instead of the accrual basis of accounting.

Planning Fund – The Commission annually adopts a budget through the preparation of an overall work program. This work program describes the projects, or work elements, that are to be funded, and the type of funds that will pay for the expenditures, such as Rural Planning Assistance, Local Transportation, or Federal Transit Administration.

The work program, in draft form, is prepared by the staff, approved by the Commission, and submitted to the State of California, Department of Transportation (Caltrans) in March and the final is approved by June 30. Caltrans, as the grantor of Rural Planning Assistance and FTA funds, approves the work program, which then becomes part of the budget for the operating fund of the Commission.

Fiduciary Funds – There are two expendable trust funds, the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA). The Transportation Demand Management Program was made obsolete by SB 45 in 1998. The LTF funds are available for transit, streets and roads, pedestrian and bicycle, administration of the Transportation Development Act (TDA), and the transportation planning. The STA funds are available for transit purposes.

The process for delivering the LTF and STA funds to the various recipients is as follows:

- The County Auditor-Controller estimates the amount of funds to be available in the LTF, and notifies the Commission before February 1 of each year.
- The Commission determines how much funding it will need for the planning work program and administration of the TDA, as well as how much of the funds will be reserved for pedestrian and bicycle facilities. The Commission then determines the split of LTF funds between the County and the Cities based upon the population amounts provided by the State of California Department of Finance. Each recipient is then notified of the amount of LTF funds available in its area of apportionment (apportionment being the process of dividing the funds based upon population). The County of Modoc then submits a claim for LTF funds as a joint power of eligible claimants, with transit needs required to be met before any streets and roads funds can be claimed.
- The Commission acts upon the one annual transit claim, adopting resolutions, and preparing allocation instructions that notify the recipient of the funds approved, and notifies the County Auditor-Controller of what expenditures are approved, and when they are to be paid.

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The STA process is similar, except that the estimate is made by the State of California Controller's Office, and the funds cannot be used for administration, streets and roads or pedestrian and bicycle facilities.

E. Fiduciary Fund Types

These funds account for assets held by the Commission as a trustee or agent for other units of governments. Private purpose trust funds are used by the Commission for the following purposes:

Local Transportation Fund (LTF) – This fund is utilized by the Commission, as trustee, to receive the ¼ of 1% retail sales tax that is returned to each county by the State Board of Equalization. These funds are apportioned and allocated by the Commission to eligible claimants for transit, transportation planning, and for administration of the TDA. While it is legal to allocated LTF fund for street and road purposes under certain conditions, the Commission has adopted a Local Transportation Reserve Fund policy that precludes any street and road allocations.

State Transit Assistance Fund (STA) – This fund is utilized by the Commission, as trustee, to receive sales tax derived from statewide sales of gasoline and diesel fuel. Each county receives its share of these funds based upon a population and operator revenue formula. These funds are allocated by the Commission to transit operators.

F. Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United State of America, 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.

G. Unearned Revenue

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

H. Risk Management

The Commission is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

I. Internal Balances

Internal balances are presented in the government-wide financial statement only. They represent the net interfund receivables and payable remaining after the elimination of all such balances within governmental activities and business-type activities.

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

J. Cash and Cash Equivalents

The cash that is maintained in the County of Modoc Treasury is considered a highly liquid demand account and as such meets the definition of cash or cash equivalent for purposes of the statement of cash flows. The Commission considers cash investments in the Local Agency Investment Fund to be cash equivalents. The Commission is authorized to to deposit cash and invest excess funds by California Government Code 53648 et seq.

The remainder of the Commission's cash is held in Plumas Bank. The FDIC insures cash balances up to \$250,000. Periodically, the Commission's cash balances exceed FDIC limits; however, the Commission believes that no significant concentration of credit risk exists for these excess deposits. As of June 30, 2020 , funds were held in excess of the FDIC limits in the trust fund account.

K. Receivable and Payable Balances

The Commission 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.

There are no significant receivables which are not scheduled for collection within one year of year end.

L. 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 COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 2 inputs are not available, securities are classified as Level 3 in the hierarchy.

NOTE 3 – CASH AND INVESTMENTS

The Commission's cash is maintained with various financial institutions. A summary of the Commission's cash and investments at June 30, 2020 is as follows:

MCTC Local Agency Investment Fund	\$ 635,186
MCTC Plumas Bank Operating	153,617
MTA Local Agency Investment Fund	307,872
MCTC Plumas Bank Operating	90,861
MCTC Trust Plumas Bank Checking	<u>343,756</u>
	<u>\$ 1,531,292</u>

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:

	<u>Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Local Agency Investment Fund	\$ 943,058		\$ 943,058	

The total amount of interest income of \$22,251 includes \$7,353 for governmental activities and \$14,898 for the Modoc Transportation Agency. This interest income is included in the balances of the accounts and fair value measurements.

NOTE 4 – COMPENSATED ABSENCES

The Commission's employees earn compensated absence time for hours worked. Compensated absences accumulate and are accrued, when they are earned, based upon length of employment.

NOTE 5 – EQUITY CLASSIFICATIONS

The Commission has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

- **Nonspendable fund balance**—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance**—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance**—amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest level action to remove or change the constraint.
- **Assigned fund balance**—amounts the Commission intends to use for a specific purpose. Intent can be expressed by the Commission or by an official or body to which the Commission delegates the authority. The Commission has chosen not to delegate this authority.
- **Unassigned fund balance**—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as obligated for future contracts). Assigned fund balance is established by the Commission through adoption or amendment of the budget as intended for specific purpose, such as the purchase of fixed assets, construction, debt service.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commission has provided otherwise in its commitment or assignment actions.

For Government-Wide Financial Statements, equity is classified in three components as follows:

- **Net Investment in Capital Assets** consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** consists of net assets with restrictions placed on their use either by external groups such as contributors, grantors or regulations of other governments, or law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** consists of all other net assets that do not meet the definition of in capital assets, net of “restricted” or “net investment in capital assets.” When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – CONTINGENCIES

The Commission receives revenue from Federal, State and Local agencies that have requirements to be followed when expending these revenues. If the requirements are not followed, the unauthorized expenditures would be a liability to be refunded to the appropriate agency.

The Commission is not involved in any litigation. Commission management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of any matters should not have a materially adverse effect on the Commission's financial position or results of operations.

NOTE 7 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical costs is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets with a value of \$5,000 or more and with a useful life of one year or more are capitalized. 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. Capital assets are depreciated using the straight-line method over the assets useful life ranging between 3-50 years.

A summary of changes in fixed assets of the Governmental Fund for fiscal year 2019-20 follows:

	Balance <u>6/30/19</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/20</u>
Vehicles and Other Equipment	\$ 29,931	\$ 3,719	\$ 2,550	\$ 31,100
Total	29,931	3,719	2,550	31,100
Accumulated Depreciation	<u>(22,631)</u>	<u>(3,639)</u>	<u>(2,550)</u>	<u>(23,720)</u>
Property, Plant and Equipment, Net	<u>\$ 7,300</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 7,380</u>

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A summary of changes in fixed assets of the Proprietary Fund for fiscal year 2019-20 follows:

	Balance 6/30/2019	<u>Additions</u>	<u>Dispositions</u>	Balance 6/30/2020
Land and Improvements	\$ 781,745		\$ -	\$ 781,745
Vehicles, Buildings and Equipment	1,945,887			1,945,887
Total	<u>2,727,632</u>	<u>-</u>	<u>-</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>\$ 1,954,257</u>	<u>\$ 127,814</u>	<u>\$ -</u>	<u>\$ 1,763,603</u>

Depreciation and amortization was charged to functions as follows:

Planning and Administration	<u>\$ 3,639</u>
Transit	<u>\$ 127,814</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Description

The Commission is required to make a monthly contribution to Public Agency Retirement Services (PARS) to include actuarial valuations of prior and future years of service of each employee. All eligible Commission employees participate in PARS. PARS acts as a common investment and administrative agent which are managed by a third -party portfolio manger under guidelines approved by the Commission.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

All qualified permanent and probationary employees are eligible to participate in the defined benefit pension plan (Plan). PARS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information.

Benefits Provided – PARS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Contributions – The Commission establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the actuarially determined rate. For the year ended June 30, 2020, the District's average contribution rate was 3.3% of annual payroll.

Contributions-Employer	\$ 30,269
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Employees Covered-

At June 30, 2020, the following employees were covered by the benefit terms for each Plan:

	Plan
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>2</u>
Total	2

Net Pension Asset-

The Commission net pension asset for the Plan, \$5,371, is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension asset of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of January 31, 2018. There were no significant changes between the valuation date and the measurement date. A summary of principal assumptions and methods used to determine the net pension asset is shown below.

	<u>Plan</u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, Level % of Pay
Amortization Method: Level percent or Level dollar Amortization Period	Level Percent 9 year fixed period for 2019/20
Inflation	2.75%
Discount Rate	6.25 %
Mortality	Consistent with Non-Industrial rates used to value the miscellaneous CalPERS Pension Plans

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between Expected and Actual Experience Change in Assumptions		
Difference Between Projected and Actual Earnings On Plan Investments		2,589
Contributions Subsequent to the Measurement Date	30,269	
Total	\$ 30,269	\$ 2,589

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of pension expense as follows:

Periods Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2021	\$ (586)
2022	(585)
2023	(708)
2024	(710)
2025	-
Thereafter	-
	<u>\$ (2,589)</u>

Actuarial Assumptions

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, PARS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.25% discount rate is adequate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date using the discount rate of 6.25%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate:

	Discount Rate -1% 5.25%	Current Discount Rate 6.25%	Discount Rate +1% 7.25%
Net Pension Liability:	\$ 11,455	\$ (5,371)	\$ (19,196)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PARS financial reports.

Payable to the Pension Plan

At June 30, 2020, the Commission had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

NOTE 8 – SUBSEQUENT EVENTS

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

MODOC COUNTY TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9– COMPLIANCE AND ACCOUNTABILITY

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, should be reported with actions taken to address such violations:

No violations of finance-related legal provision, or deficit Fund net position existed at June 30, 2020.

NOTE 10 – EXCESS OF EXPENDITURES OVER BUDGET

As of June 30, 2020, the following expense categories exceeded budgeted amounts:

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

Building Improvements and Marketing had minor budget overruns.
Depreciation was not included in the final budget.

REQUIRED SUPPLEMENTARY INFORMATION

**MODOC COUNTY TRANSPORTATION COMMISSION
PLANNING FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	Planning Fund			Variance
	Budget Amounts		Actual	Favorable
	Original	Final		(Unfavorable)
Revenues				
Local Transportation Funds	\$ 83,000	\$ 90,000	\$ 122,042	\$ 32,042
Intergovernmental:				
Planning Programming and Monitoring	59,000	59,000	59,000	-
Rural Planning Assistance	158,000	158,000	158,000	-
RSTP Revenue	26,690	31,413	31,413	-
Refunds			950	
Interest Income	-	-	7,353	7,353
Total Revenues	326,690	338,413	378,758	39,395
Expenditures				
Planning and Administration	326,690	338,413	317,110	21,303
Total Expenditures	326,690	338,413	317,110	21,303
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	61,648	\$ 60,698
Transfers Out			(9,000)	
Fund Balance - July 1			321,803	
Fund Balance - June 30			\$ 374,451	

Notes to Planning 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>MCTC</u>	<u>MTA</u>
LTF unused Cash balance as of 6/30/19	\$ (4,042)	\$ 123,808
LTF FY 2019/20 Allocated	122,042	4,324 (1)
FY 2019/20 LTF Allocation Total	<u>\$ 118,000</u>	<u>\$ 128,132</u>

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

**MODOC COUNTY TRANSPORTATION COMMISSION
PUBLIC AGENCY RETIREMENT SYSTEM (PARS)**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY /(ASSETS) AND RELATED RATIOS

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Changes in Total Pension Liability			
Service Cost	\$ 3,042	\$ 30,586	\$ 30,586
Interest on total pension liability	-	4,040	4,040
Benefit payments	-	-	(3,080)
Net change in total pension liability	3,042	34,626	31,546
Total pension liability -beginning	101,753	67,127	35,581
Total pension liability -ending	<u>\$ 104,795</u>	<u>\$ 101,753</u>	<u>\$ 67,127</u>
 Changes in Plan Fiduciary Net Position			
Contributions-employer	\$ -	\$ 20,331	\$ 24,395
Contributions-employee	-	18,563	17,096
Net Investment Income	9,814	-	2,358
Benefit Payments	-	-	(3,080)
Administrative Expenses	-	(3,998)	(7,239)
Net change in plan fiduciary net position	9,814	34,896	33,530
Plan fiduciary net position- beginning	100,352	65,456	31,926
Plan fiduciary net position- ending	<u>110,166</u>	<u>100,352</u>	<u>65,456</u>
 Net pension liability/ (asset) - ending	\$ (5,371)	\$ 1,401	\$ 1,671
 Plan fiduciary net position as a percentage of total pension liability	-105.10%	98.36%	97.51%
 Covered employee payroll	\$ 176,210	\$ 149,514	\$ 130,664
 Net pension liability as a percentage of covered employee payroll	-3.0%	1.1%	1.3%

Notes to Schedule:

Fiscal year 2018 was the first year of implementation, therefore only 3 years are shown.

**MODOC COUNTY TRANSPORTATION COMMISSION
PUBLIC AGENCY RETIREMENT SYSTEM (PARS)**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially Determined Contribution (ADC)	\$ 30,269	\$ 17,195	\$ 17,195
Contributions in relation to the ADC	<u>30,269</u>	<u>17,195</u>	<u>17,195</u>
Net change in total pension liability	<u>0</u>	<u>0</u>	<u>0</u>
 Covered Employee Payroll	 \$ 176,210	 \$ 149,514	 \$ 130,664
 Contributions as a % of covered employee payroll	 17.18%	 11.50%	 13.16%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal year 2018 was the first year of implementation, therefore only 3 years are shown.

Methods and Assumptions for 2019/20 Actuarially Determined Contributions:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	N/A
Amortization Period	N/A
Asset Valuation Method	Market Value of Assets
Discount Rate	6.50%
General Inflation	3.00%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MI 2014 modified to converge to ultimate rates in 2022
Salary Increases	Aggregate - 3.25% Merit - CalPERS 1997-2011 Experience Study

OTHER SUPPLEMENTARY INFORMATION

**MODOC TRANSIT SERVICE AGENCY
TRANSIT FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating Revenues:				
Fare Revenues	\$ 60,000	\$ 40,000	\$ 36,460	\$ (3,540)
Total Operating Revenue	60,000	40,000	36,460	(3,540)
Operating Expenses:				
Contract Transportation Services	220,000	250,000	235,920	14,080
Vehicle and Equipment 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	529,192	630,348	601,803	28,545
Operating Income (Loss)	(469,192)	(590,348)	(565,343)	25,005
Non-Operating Revenue (Expense):				
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)	469,192	590,348	367,211	(239,000)
Transfers Out			(14,000)	
Change in Net Position	\$ -	\$ -	\$ (212,132)	\$ (213,995)

Note to Transit Fund Budgetary Comparison Schedule

For reconciliation of LTF unused cash balance as of 6/30/20 to total LTF allocation, see the Planning Fund Budgetary Comparison Schedule.

MODOC COUNTY TRANSPORTATION COMMISSION
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
JUNE 30, 2020

	Local Transportation Trust Fund	State Transit Assistance Fund	Total
<u>ASSETS</u>			
Cash In Plumas Bank	\$ 343,756	\$ -	\$ 343,756
Cash in County Treasury	14,771	338	15,109
 TOTAL ASSETS	 <u>\$ 358,527</u>	 <u>\$ 338</u>	 <u>\$ 358,865</u>
 <u>NET POSITION</u>			
Net Position:			
Held in Trust	\$ 358,527	\$ 338	\$ 358,865
Total Net Position	<u>358,527</u>	<u>338</u>	<u>358,865</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 358,527</u>	 <u>\$ 338</u>	 <u>\$ 358,865</u>

MODOC COUNTY TRANSPORTATION COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FIDUCIARY
NET POSITION
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Local Transportation Trust Fund	State Transit Assistance Fund	Total
Revenues			
Sales Tax	\$ 250,710	\$ 88,759	\$ 339,469
Intergovernmental		14,073	14,073
Interest Income	351	130	481
Total Revenues	<u>251,061</u>	<u>102,962</u>	<u>354,023</u>
Expenditures			
City of Alturas	23,041	-	23,041
Modoc County Transportation Commission	122,042	-	122,042
Modoc Transportation Agency	4,324	102,832	107,156
Other	<u>41</u>		
Total Expenditures	<u>149,448</u>	<u>102,832</u>	<u>252,280</u>
Excess Of Revenues Over (Under)			
Expenditures	<u>101,613</u>	<u>130</u>	<u>101,743</u>
Transfers			
Excess Of Revenues And Transfers In			
Over(Under) Expenditures And Transfers Out	101,613	130	101,743
Net Position - July 1	<u>233,873</u>	<u>208</u>	<u>234,081</u>
Net Position - June 30	<u>\$ 335,486</u>	<u>\$ 338</u>	<u>\$ 335,824</u>

MODOC COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BY FUNDING SOURCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	OWP Budget	LTF 19/20	PPM 19/20	RPA 19/20	RSTP 19/20	Interest	Other-Misc.	Depreciation	TOTAL	Budget Variance
Revenues										
LTF 19/20	\$ 90,000	\$ 122,042	\$ -	\$ -		\$ -	\$ -	\$ -	\$ 122,042	\$ 32,042
PPM 19/20	59,000		59,000						59,000	-
RPA 19/20	158,000			158,000					158,000	-
RSTP 19/20	31,413				31,413				31,413	-
Interest	-					7,353			7,353	7,353
Other							950		950	
Total Income	338,413	122,042	59,000	158,000	31,413	7,353	950	-	378,758	39,395
Expenses										
Pavement Management System	13,500				5,004				5,004	8,496
Accounting/Auditing	7,500	7,100							7,100	400
Commissioner Per Diem	7,000	4,575	1,225						5,800	1,200
Depreciation Expense							3,639		3,639	(3,639)
Insurance	10,000	10,583							10,583	(583)
It Service and Support	9,000	8,029							8,029	971
Lease and Overhead	17,160	17,129							17,129	31
Legal Notices	500	381							381	119
Legal Services	1,000	292							292	708
Miscellaneous	1,000	125							125	875
Office Supplies	2,000	176	622						798	1,202
Payroll Services	9,000	8,147							8,147	853
Planning and Support	4,000		2,426	504					2,930	1,070
Salaries/Labor	253,000	14,289	53,971	156,364	26,409				251,033	1,967
Travel/Training/Memberships	3,753	906	757	1,132					2,795	958
Total Expenses	338,413	71,732	59,001	158,000	26,409	-	-	3,639	323,785	14,628
Increase/(Decrease) in Net Position	\$ -	\$ 50,310	\$ (1)	\$ 0	\$ 5,004	\$ 7,353	\$ 950	\$ (3,639)	\$ 54,973	\$ 54,023

**MODOC COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Public Utilities Code Section</u>		
	<u>Administration</u>	<u>Contracted</u>	
	<u>99233.1</u>	<u>Transit Services</u>	<u>Total</u>
		<u>99400 (c)</u>	
Allocations			
Sales Tax and Other Income	\$ 250,710		\$ 250,710
Total Allocations	<u>250,710</u>	<u>-</u>	<u>250,710</u>
Expenditures			
City of Alturas	23,041		23,041
Modoc County Transportation Commission	122,042		122,042
Modoc Transportation Agency	<u>4,324</u>		<u>4,324</u>
Total Expenditures	<u>149,407</u>	<u>-</u>	<u>149,407</u>
Excess Of Allocations Over (Under)			
Expenditures	<u>\$ 101,303</u>	<u>\$ -</u>	<u>\$ 101,303</u>

**MODOC COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Public Utilities
	<u>Code Section</u>
	General Public
	<u>6731</u>
Allocation	
STAF	\$ 88,759
State of Good Repair	<u>14,073</u>
Total Allocations	<u>102,832</u>
Expenditures	
Modoc Transportation Agency and Miscellaneous	<u>102,832</u>
Total Expenditures	<u>102,832</u>
Excess Of Allocations Over (Under)	
Expenditures	<u>\$ -</u>

**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

Report on State Compliance

We have audited the financial statements of the Transportation Development Act Funds of the Modoc County Transportation Commission as of and for the year ended June 30, 2020 and have issued a report thereon dated September 15, 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 Commission's compliance with the California Code of Regulations Sections 6661, 6662, 6666 and 6751 that are applicable to Modoc County Transportation Commission. Additionally, we performed tests to determine that expenditures paid by the 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 Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

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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 Commission'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 Commission's compliance with those requirements.


Opinion on State Compliance

In our opinion, the Modoc County Transportation Commission complied, in all material respects, with the statutes, rules, and regulations of the California Transportation Development Act, the allocation instructions and resolutions, and with applicable bond act and state accounting requirements.

Purpose of This Report

The report is intended solely for the information and use of Modoc County Transportation Commission, 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 15, 2020

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND THE
TRANSPORTATION DEVELOPMENT ACT**

Board of Commissioners
Modoc County Transportation Commission
Alturas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Modoc County Transportation Commission as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 2020-001.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Commission'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*.

Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission'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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



SingletonAuman PC
Susanville, CA
September 15, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

EXECUTIVE SUMMARY

The Commission provides regional transportation planning activities for the area of Modoc County.

The quality of the Commission'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:** Unmodified.
2. **Internal Control Findings:** 1 Significant Deficiency.
3. **Material Noncompliance Noted:** None.

**MODOC COUNTY TRANSPORTATION COMMISSION
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)

AU-C Section 265, Communicating Internal Control Matters Identified in an Audit.

Finding (Condition)

Similar to many small governmental entities, the Commission is not providing complete and accurate MD&A and footnote disclosures that are prepared in accordance with GAAP prior to the annual audit.

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 Commission's system of internal control.

Cause

The Commission does not have the resources to address this deficiency.

Recommendation

We recommend that the Commission 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.

Commission's Response

The Commission has determined that the costs of correcting the control weakness outweigh the benefits to be received. The Commission will continue to rely on the independent auditor to prepare its annual financial statements.

**MODOC COUNTY TRANSPORTATION COMMISSION
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

Similar to many small governmental entities, the Commission is not providing complete and accurate MD&A and footnote disclosures that are prepared in accordance with GAAP prior to the annual audit

Status: See Current Year Finding 2020-001.

**MODOC COUNTY TRANSPORTATION COMMISSION
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 Commission is not providing complete and accurate MD&A and footnote disclosures that are prepared in accordance with GAAP prior to the annual audit.

Corrective Action Planned

The Commission has determined that the costs of correcting the control weakness outweigh the benefits to be received. The Commission will continue to rely on the independent auditor to prepare its annual financial statements.

Expected Completion Date

Ongoing.