

**LAKE TRANSIT AUTHORITY,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2019**

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LAKE TRANSIT AUTHORITY
Annual Financial Report
For the Year Ended June 30, 2019

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INTRODUCTORY SECTION

- **List of Officials**

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LAKE TRANSIT AUTHORITY
List of Officials
For the Year Ended June 30, 2019

Board of Directors

Bruno Sabatier	County of Lake
Moke Simon	County of Lake
Russ Cremer	City of Clearlake
Nick Bennett	City of Clearlake
Stacey Mattina	City of Lakeport
Kenneth Parlet	City of Lakeport
Chuck Leonard	Member at Large

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Basic Financial Statements**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lake Transit Authority
County of Lake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the proprietary funds of the Lake Transit Authority, County of Lake, California (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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.

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.

To the Board of Directors
Lake Transit Authority
County of Lake, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary funds of the Authority as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic 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. Our opinion on the basic financial statements is not affected by this missing information.

Report on Summarized Comparative Information

The financial statements include summarized prior years comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2018, from which such partial information was derived.

We have previously audited the Authority's June 30, 2018 financial statements and our report, dated April 30, 2019, expressed an unmodified opinion on the financial statements of the proprietary funds. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

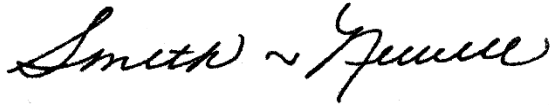
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors
Lake Transit Authority
County of Lake, California

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2020, on our consideration of the Authority'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 solely 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 effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
March 26, 2020

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Basic Financial Statements

- **Fund Financial Statements**

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LAKE TRANSIT AUTHORITY
Statement of Net Position
June 30, 2019
(With summarized comparative totals for 2018)

	<u>Operations</u>	<u>Prop 1B - CTSGP</u>	<u>Prop 1B - PTMISEA</u>	<u>Low Carbon Transit Operator Program</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 69,544	\$ 90,749	\$ 482,732	\$ 127,247
Receivables:				
Accounts	143,490	-	-	-
Intergovernmental	441,733	-	-	-
Total Current Assets	<u>654,767</u>	<u>90,749</u>	<u>482,732</u>	<u>127,247</u>
Noncurrent Assets:				
Capital assets:				
Non-depreciable	276,425	-	-	-
Depreciable, net	4,387,213	-	-	-
Total Noncurrent Assets	<u>4,663,638</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>5,318,405</u>	<u>90,749</u>	<u>482,732</u>	<u>127,247</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	978,286	-	-	-
Advance from Lake County/City Area Planning Council	300,000	-	-	-
Unearned revenue - Proposition 1B	-	90,749	454,834	-
Total Current Liabilities	<u>1,278,286</u>	<u>90,749</u>	<u>454,834</u>	<u>-</u>
Total Liabilities	<u>1,278,286</u>	<u>90,749</u>	<u>454,834</u>	<u>-</u>
NET POSITION				
Investment in capital assets	4,663,638	-	-	-
Unrestricted	(623,519)	-	27,898	127,247
Total Net Position	<u>\$ 4,040,119</u>	<u>\$ -</u>	<u>\$ 27,898</u>	<u>\$ 127,247</u>

The notes to the basic financial statements are an integral part of this statement.

Totals

<u>2019</u>	<u>2018</u>
\$ 770,272	\$ 427,839
143,490	107,043
<u>441,733</u>	<u>217,052</u>
1,355,495	751,934
276,425	276,425
<u>4,387,213</u>	<u>4,154,904</u>
4,663,638	4,431,329
<u>6,019,133</u>	<u>5,183,263</u>
978,286	697,744
300,000	300,000
<u>545,583</u>	<u>107,394</u>
1,823,869	1,105,138
<u>1,823,869</u>	<u>1,105,138</u>
4,663,638	4,431,329
<u>(468,374)</u>	<u>(353,204)</u>
<u>\$ 4,195,264</u>	<u>\$ 4,078,125</u>

LAKE TRANSIT AUTHORITY
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended June 30, 2019
(With summarized comparative totals for 2018)

	Operations	Prop 1B - CTSGP	Prop 1B - PTMISEA	Low Carbon Transit Operator Program
OPERATING REVENUES				
Passenger fares	\$ 491,402	\$ -	\$ -	\$ -
Total Operating Revenues	<u>491,402</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES				
Contract operations	2,734,983	-	-	-
Administration	251,181	-	-	63,550
Depreciation	655,055	-	-	-
Total Operating Expenses	<u>3,641,219</u>	<u>-</u>	<u>-</u>	<u>63,550</u>
Operating Income (Loss)	<u>(3,149,817)</u>	<u>-</u>	<u>-</u>	<u>(63,550)</u>
NON OPERATING REVENUES (EXPENSES)				
Interest income	2,960	2,038	9,827	2,340
Local Transportation funds	1,051,066	-	-	-
State Transit Assistance funds	603,363	-	-	-
Proposition 1B funds	-	16,645	283,548	-
Low carbon transit operator program	-	-	-	-
Other governmental revenue	774,963	-	-	-
Other revenue	8,450	-	-	-
Loss on disposal of capital assets	-	-	-	-
Total Non Operating Revenues (Expenses)	<u>2,440,802</u>	<u>18,683</u>	<u>293,375</u>	<u>2,340</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(709,015)</u>	<u>18,683</u>	<u>293,375</u>	<u>(61,210)</u>
Capital contributions	63,443	-	-	-
Transfers in	312,058	-	-	-
Transfers out	-	(18,683)	(293,375)	-
Change in Net Position	<u>(333,514)</u>	<u>-</u>	<u>-</u>	<u>(61,210)</u>
Total Net Position - Beginning	<u>3,861,770</u>	<u>-</u>	<u>27,898</u>	<u>188,457</u>
Prior period adjustment	511,863	-	-	-
Total Net Position - Beginning, Restated	<u>4,373,633</u>	<u>-</u>	<u>27,898</u>	<u>188,457</u>
Total Net Position - Ending	<u>\$ 4,040,119</u>	<u>\$ -</u>	<u>\$ 27,898</u>	<u>\$ 127,247</u>

The notes to the basic financial statements are an integral part of this statement.

Totals

<u>2019</u>	<u>2018</u>
\$ 491,402	\$ 499,920
<u>491,402</u>	<u>499,920</u>
2,734,983	2,788,204
314,731	147,438
655,055	1,008,041
<u>3,704,769</u>	<u>3,943,683</u>
<u>(3,213,367)</u>	<u>(3,443,763)</u>
17,165	10,263
1,051,066	975,582
603,363	324,088
300,193	911,036
-	115,245
774,963	716,630
8,450	37,030
-	(44,077)
<u>2,755,200</u>	<u>3,045,797</u>
(458,167)	(397,966)
63,443	-
312,058	1,455,292
<u>(312,058)</u>	<u>(1,455,292)</u>
<u>(394,724)</u>	<u>(397,966)</u>
4,078,125	4,476,091
<u>511,863</u>	<u>-</u>
<u>4,589,988</u>	<u>4,476,091</u>
<u>\$ 4,195,264</u>	<u>\$ 4,078,125</u>

LAKE TRANSIT AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2019
(With summarized comparative totals for 2018)

	<u>Operations</u>	<u>Prop 1B - CTSGP</u>	<u>Prop 1B - PTMISEA</u>	<u>Low Carbon Transit Operator Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 454,955	\$ -	\$ -	\$ -
Cash paid for operations	(2,705,622)	-	-	(63,550)
Net Cash Provided (Used) by Operating Activities	<u>(2,250,667)</u>	<u>-</u>	<u>-</u>	<u>(63,550)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Local Transportation funds	1,051,066	-	-	-
State Transit Assistance funds	603,363	-	-	-
Proposition 1B funds	-	-	-	-
Low carbon transit operator program	-	-	-	-
Other governmental revenue	465,821	-	738,382	84,461
Other revenue (loss)	8,450	-	-	-
Governmental loans received	-	-	-	-
Governmental loans repaid	-	-	-	-
Transfers from other funds	312,058	-	-	-
Transfers to other funds	-	(18,683)	(293,375)	-
Net Cash Provided (Used) by Non Capital Financing Activities	<u>2,440,758</u>	<u>(18,683)</u>	<u>445,007</u>	<u>84,461</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(375,501)	-	-	-
Capital contributions	63,443	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(312,058)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	2,960	2,038	9,827	2,340
Net Cash Provided (Used) by Investing Activities	<u>2,960</u>	<u>2,038</u>	<u>9,827</u>	<u>2,340</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(119,007)	(16,645)	454,834	23,251
Balances - Beginning	188,551	107,394	27,898	103,996
Balances - Ending	<u>\$ 69,544</u>	<u>\$ 90,749</u>	<u>\$ 482,732</u>	<u>\$ 127,247</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (3,149,817)	\$ -	\$ -	\$ (63,550)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	655,055	-	-	-
(Increase) decrease in:				
Accounts receivable	(36,447)	-	-	-
Increase (decrease) in:				
Accounts payable	280,542	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,250,667)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (63,550)</u>

The notes to the basic financial statements are an integral part of this statement.

Totals

<u>2019</u>	<u>2018</u>
\$ 454,955	\$ 587,569
<u>(2,769,172)</u>	<u>(3,413,841)</u>
<u>(2,314,217)</u>	<u>(2,826,272)</u>
1,051,066	975,582
603,363	324,088
-	98,413
-	30,784
1,288,664	1,379,065
8,450	37,030
-	300,000
-	(100,000)
312,058	1,455,292
<u>(312,058)</u>	<u>(1,455,292)</u>
<u>2,951,543</u>	<u>3,044,962</u>
(375,501)	(1,286,126)
<u>63,443</u>	<u>-</u>
<u>(312,058)</u>	<u>(1,286,126)</u>
<u>17,165</u>	<u>10,264</u>
<u>17,165</u>	<u>10,264</u>
342,433	(1,057,172)
<u>427,839</u>	<u>1,485,011</u>
<u>\$ 770,272</u>	<u>\$ 427,839</u>
\$ (3,213,367)	\$ (3,443,763)
655,055	1,008,041
(36,447)	87,649
<u>280,542</u>	<u>(478,199)</u>
<u>\$ (2,314,217)</u>	<u>\$ (2,826,272)</u>

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Basic Financial Statements

- **Notes to Basic Financial Statements**

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LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Legislature of the State of California, enacted the Transportation Development Act (TDA) (SB325) represented by Chapter 1400, Statutes of 1971, effective July 1, 1972. The TDA Provides for state funding to the counties for public transportation expenditures. The principal source of funding is derived from 1/4 cent of the state sales tax collected statewide. The 1/4 cent is returned by the State Board of Equalization to each county according to the amount of sales tax collected in the county.

The TDA requires that each county have a transportation planning agency. The Lake County/City Area Planning Council (APC) fulfills this requirement and is reported on under a separate report.

The transfers from the APC to the Lake Transit Authority (Authority) are to meet the excess of expenses over revenues of the transit system, which are deemed unmet transit needs of the County.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Component Units

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the Authority.

Related Organizations

The County of Lake performs various services for the Authority including risk management through the County's risk management program. However, the County is not financially accountable for this organization and therefore the Authority is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

The fund financial statements of the Authority are organized into four funds, which are considered to be separate accounting entities. The funds of the Authority are accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenses. The funds of the Authority are considered major and are organized into the proprietary category.

The Authority reports the following major proprietary funds:

- The Operations fund is an enterprise fund used to account for the combined activity related to transit services provided by the Authority.

LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

- The Prop 1B-CTSGP fund is an enterprise fund used to account for revenues and expenses related to the Proposition 1B California Transit Security Grant Program.
- The Prop 1B-PTMISEA fund is an enterprise fund used to account for revenues and expenses related to the Proposition 1B Public Transportation Modernization, Improvement and Service Enhancement Account program.
- The Low Carbon Transit Operator Program fund is an enterprise fund used to account for revenues and expenditures related to the Low Carbon Transit Operator Program.

C. Basis of Accounting and Measurement Focus

The proprietary fund financial statements are reported using the economic resources measurement focus and 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 Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include local transportation revenue and state transit assistance revenues. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased including amounts held in the Lake County investment pool, to be cash and cash equivalents.

E. Investments

The Authority pools all cash and investments with the County of Lake. The Authority's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participants deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains and losses are not apportioned to pool participants. During the fiscal year ended June 30, 2019, the County Treasurer has not entered into legally binding guarantees to support the value of participation equity in the investment pool.

LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables

Receivables consist mainly of charges for services and intergovernmental revenue. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

G. Inventory

Inventories are recorded as expenses at the time inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets are defined by the Authority as assets with a cost of more than \$5,000 and an estimated useful life of more than three years. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3 to 10 years
Building and Structures	30 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

I. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as an expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Transactions (Continued)

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

J. Unearned Revenue

Under the accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earning process is complete, those assets are offset by a corresponding liability for unearned revenue.

K. Compensated Absences, Pension, and Other Postemployment Benefits

The Authority does not currently have any employees. Therefore, there is no liability for compensated absences, pension, or other postemployment benefits.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2019, the Authority did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2019, the Authority did not have any deferred inflows of resources.

M. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Implementation of Governmental Accounting Standards Board (GASB) Statements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 83, Certain Asset Retirement Obligations (AROs). This statement enhances the comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs including obligations that may not have been previously reported. This statement also enhances the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Implementation of Governmental Accounting Standards Board (GASB) Statements (Continued)

Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowing, and Direct Placements. This statement improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risk associated with changes in terms associated with debt will be disclosed as a result, users will have better information to understand the effects of debt on a government’s future resource flows.

O. Future Accounting Pronouncements

The following GASB Statements will be implemented in future financial statements:

Statement No. 84 “Fiduciary Activities”	The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20)
Statement No. 87 “Leases”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 90 “Majority Equity Interests”	The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20)
Statement No. 91 “Conduit Debt Obligations”	The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Restatement of Net Position

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the Authority reports these changes as restatements of beginning net position. During the current year the Authority reported a prior period adjustment to correct an overstatement of accumulated depreciation.

The impact of the restatement on the net position of the fund financial statements as previously reported is presented below:

	<u>Operations</u>
Net Position, June 30, 2018, as previously reported	\$ 3,861,770
Adjustment associated with:	
Correction of accumulated depreciation	<u>511,863</u>
Total Adjustments	<u>511,863</u>
Net Position, July 1, 2018, as restated	<u>\$ 4,373,633</u>

LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2019, the Authority's cash and investments consisted of the following:

Investments:	
Lake County Treasurer's Pool	\$ 770,272
Total Cash and Investments	<u>\$ 770,272</u>

B. Cash

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Authority complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds.

C. Investments

The Authority does not have a formal investment policy. At June 30, 2019, all investments of the Authority were in the County of Lake investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Mutual Funds
- Medium Term Corporate Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Securities of the Federal Government or its Agencies
- State of California Obligations
- Local Agency Bonds
- U.S. Treasury Obligations
- Obligations of California Local Agencies

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investments in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

At June 30, 2019, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
Lake County Treasurer's Pool	<u>770,272</u>			
Total Investments	<u>\$ 770,272</u>			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses from increases in interest rates, the County limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2019, the Authority's investments were all held with the County of Lake investment pool which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. All investments of the Authority were in the Lake County investment pool which contains a diversification of investments.

LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

D. Investments in External Pool

The Lake County Pooled Investment Fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Lake County Pooled Investment fund are regarded as highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Lake's financial statements may be obtained by contacting the County of Lake Auditor-Controller's office at 255 North Forbes Street, Lakeport, CA 95453.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 276,425	\$ -	\$ -	\$ 276,425
Total Capital Assets, Not Being Depreciated	<u>276,425</u>	<u>-</u>	<u>-</u>	<u>276,425</u>
Capital Assets, Being Depreciated:				
Equipment	5,144,568	375,501	-	5,520,069
Software	51,794	-	-	51,794
Buildings and Improvements	<u>3,597,878</u>	<u>-</u>	<u>-</u>	<u>3,597,878</u>
Total Capital Assets, Being Depreciated	<u>8,794,240</u>	<u>375,501</u>	<u>-</u>	<u>9,169,741</u>
Less Accumulated Depreciation For:				
Equipment	(2,905,090)	(516,988)	211,661	(3,210,417)
Software	(46,615)	-	-	(46,615)
Buildings and Improvements	<u>(1,687,631)</u>	<u>(138,067)</u>	<u>300,202</u>	<u>(1,525,496)</u>
Total Accumulated Depreciation	<u>(4,639,336)</u>	<u>(655,055)</u>	<u>511,863</u>	<u>(4,782,528)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,154,904</u>	<u>(279,554)</u>	<u>511,863</u>	<u>4,387,213</u>
Total Capital Assets, Net	<u>\$ 4,431,329</u>	<u>(\$ 279,554)</u>	<u>\$ 511,863</u>	<u>\$ 4,663,638</u>

Depreciation expense of \$655,055 was charged to operations.

LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5: INTERFUND TRANSACTIONS

Transfers

Transfers are indicative for funding for capital projects, lease payments or debt service and subsidies of various Authority operations. The following are interfund transfers for the fiscal year ended June 30, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
Operations	\$ 312,058	\$ -
Prop 1B - CTSGP	-	18,683
Prop 1B - PTMISEA	-	<u>293,375</u>
Total	<u>\$ 312,058</u>	<u>\$ 312,058</u>

NOTE 6: UNEARNED REVENUES

The Lake County/City Area Planning Council allocates State Transit Assistance (STA) funds and Local Transportation Fund (LTF) funds to the transit system to fund its operation. The Transportation Development Act (TDA) requires that any funds not used must be returned to their source. STA and LTF allocations are considered earned when they are properly spent for operations by the transit system. Allocations received but not earned are recorded as unearned revenue.

The following table summarizes the changes in the unearned revenue - TDA for the fiscal year ended June 30, 2019:

	<u>Unearned Revenue - TDA</u>
Unearned Revenue – TDA, Beginning of Year	\$ -
LTF Revenues Received	1,051,066
STA Revenues Received	603,363
TDA Revenues Recognized	(<u>1,654,429</u>)
Unearned Revenue – TDA, End of Year	<u>\$ -</u>

Proposition 1B revenues received by Lake County Transit consist of Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and California Transit Security Grant Program (CTSGP). The following table summarizes the changes in the unearned revenue - Proposition 1B for the year ended June 30, 2019:

	<u>Prop 1B CTSGP</u>	<u>Prop 1B PTMISEA</u>	<u>Unearned Revenue- Proposition 1B</u>
Unearned Revenue, Beginning of Year	\$ 107,394	\$ -	\$ 107,394
Revenue Received	-	738,382	738,382
Revenue Recognized	(<u>16,645</u>)	(<u>283,548</u>)	(<u>300,193</u>)
Unearned Revenue, End of Year	<u>\$ 90,749</u>	<u>\$ 454,834</u>	<u>\$ 545,583</u>

LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 7: NET POSITION

The proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 8: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is covered under the County of Lake’s risk management programs.

NOTE 9: PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)

The Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) was created by Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion available to Transportation, \$3.6 billion was used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or rolling stock (buses and rail cars) procurement, rehabilitation or replacement. Funds in this account are appropriated annually by the Legislature to the State Controller’s Office (SCO) for allocation in accordance with Public Utilities Code formula distributions.

During the year ended June 30, 2019, the Authority received proceeds of \$738,382 from the State’s PTMISEA account. The Authority had a beginning net position of \$27,898, plus interest earnings of \$9,827, a FTA 5311(G) and a carryover unearned revenue balance of \$0 for a total amount available of \$776,107. For the year ended June 30, 2019, qualifying expenditures of \$293,375 were incurred and the unearned revenue was increased to \$454,834 resulting in ending net position of \$27,898.

LAKE TRANSIT AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 10: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to June 30, 2019 through March 26, 2020, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

B. Fare Revenue Ratio

The Authority is required by the Transportation Development Act (TDA) to maintain a fare revenue ratio to operating expenses of 10 percent or more. During the year ended June 30, 2019, the fare revenue ratio for Authority was 16.46 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2019, is as follows:

	<u>June 30, 2019</u>
Fare Revenue	<u>\$ 491,402</u>
Total Operating Expenses	3,641,219
Allowable TDA adjustments:	
Depreciation	<u>(655,055)</u>
Net Operating Expenses	<u>\$ 2,986,164</u>
Fare Revenue Ratio	<u>16.46%</u>

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