

**COUNTY OF BUTTE  
TRANSPORTATION DEVELOPMENT ACT FUND**

Audited Financial Statements  
and Compliance Report

June 30, 2013

COUNTY OF BUTTE  
TRANSPORTATION DEVELOPMENT ACT FUND

Audited Financial Statements  
and Compliance Report

June 30, 2013 and 2012

Audited Financial Statements

Independent Auditor's Report ..... 1  
Balance Sheets ..... 3  
Statements of Revenues, Expenditures and Changes in Fund Balance ..... 4  
Notes to Financial Statements ..... 5

Compliance Report

Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards* and the Transportation  
Development Act..... 7

# Richardson & Company

550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
County of Butte, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Fund of the County of Butte (the County), as of and for year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the County as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Supervisors  
County of Butte, California

**Emphasis-of-Matter**

As discussed in Note B, the financial statements present only the TDA Fund of the County and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2013, the changes in financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

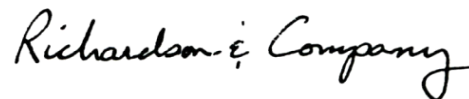
The financial statements of the TDA Fund as of June 30, 2012, were audited by other auditors whose report dated March 19, 2013, expressed an unmodified opinion on those statements.

*Required Supplementary Information*

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2014 on our consideration of the County's internal control over financial reporting related to the TDA Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, and the Transportation Development Act. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



January 28, 2014

COUNTY OF BUTTE  
TRANSPORTATION DEVELOPMENT ACT FUND

BALANCE SHEETS

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,127	\$ 256,736
Due from other agencies	36,538	130,759
Interest receivable	<u>1,080</u>	<u>1,718</u>
<b>TOTAL ASSETS</b>	<u>\$ 38,745</u>	<u>\$ 389,213</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable		<u>\$ 467</u>
<b>TOTAL LIABILITIES</b>		467
 <b>FUND BALANCE</b>		
Restricted for transit services	<u>\$ 38,745</u>	<u>388,746</u>
<b>TOTAL FUND BALANCE</b>	<u>38,745</u>	<u>388,746</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 38,745</u>	<u>\$ 389,213</u>

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

COUNTY OF BUTTE  
TRANSPORTATION DEVELOPMENT ACT FUND

STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

For the Years Ended June 30, 2013 and 2012

	2013	2012
<b>REVENUES</b>		
Local Transportation Funds	\$ 2,228,518	\$ 2,172,735
State Transit Assistance Funds	494,125	388,947
Interest revenue	2,446	9,053
<b>TOTAL REVENUES</b>	<b>2,725,089</b>	<b>2,570,735</b>
 <b>EXPENDITURES</b>		
Contribution to transit services	1,364,232	1,352,131
Administration	14,664	4,043
Indirect cost allocation	5,112	(19,056)
<b>TOTAL EXPENDITURES</b>	<b>1,384,008</b>	<b>1,337,118</b>
 <b>OTHER FINANCING USES</b>		
Transfers out	(1,691,082)	(1,211,569)
<b>TOTAL OTHER FINANCING USES</b>	<b>(1,691,082)</b>	<b>(1,211,569)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(350,001)</b>	<b>22,048</b>
 Fund balance at beginning of year	 388,746	 366,698
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 38,745</b>	<b>\$ 388,746</b>

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

COUNTY OF BUTTE  
TRANSPORTATION DEVELOPMENT ACT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE A – ORGANIZATION

The County of Butte (the County) receives funds under the provisions of the Transportation Development Act (TDA) from the Butte County Local Transportation Fund (LTF) under Article 4, Section 99260(a) and Article 8, Sections 99400(b), 99400(c) and 99402, and the State Transit Assistance Fund (STAF) under Article 4, Section 6730(a). The funds represent amounts available after the determination by the Butte County Association of Governments (BCAG), the transportation planning agency administering TDA funds, of amounts needed to meet the transportation needs of the County not otherwise being met. The County's Article 4, Section 99260(a) and Article 8, Section 99400(c) LTF funds are to be used to support the transportation systems as defined in the TDA. The STAF Funds are to be used for public transit purposes only. The County contracts for bus services through BCAG's transit fund, Butte Regional Transit (BRT). The County's Article 8, Section 99402 LTF funds are to be used for development construction, and maintenance of the County's streets and highways network, including planning and contributions to the transportation planning process, acquisition of real property, and construction of facilities and buildings. The Transportation Development Act Fund is used to account for these TDA funds received by the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the County of Butte's Transportation Development Act Fund (the TDA Fund) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity: The financial statements are intended to present the financial position and results of operations of only those transactions recorded in the TDA Fund. The TDA Fund is included in the financial statements of the County.

Fund Accounting: The accounts of the County are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The County utilizes the special revenue fund type of the governmental fund group to account for the activities of the TDA Fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by special revenue funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is generally 90 days. TDA revenues are recognized when all eligibility requirements have been met and the amounts are received within 90 days. Revenues that do not meet this availability period are deferred. Expenditures are recorded when the related fund liability is incurred.

When the restricted and non-restricted type resources are available for use, it is the County's policy to use restricted resources first, then non-restricted resources as they are needed.

COUNTY OF BUTTE  
TRANSPORTATION DEVELOPMENT ACT FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance: Restrictions of fund balance represent amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. The restrictions of fund balance are according to the provisions of the Transportation Development Act for transportation-related expenditures.

NOTE C – CASH AND INVESTMENTS

The TDA Fund’s cash is held in the County Treasury. The County maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the County’s investment pool are available on demand to the TDA Fund and are stated at cost, which approximates fair value. The County’s investment policy, interest rate risk, and credit risk may be found in the notes to the County’s basic financial statements.

NOTE D – DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following at June 30:

	2013	2012
Transportation Development Act:		
Local Transportation Fund		
Fiscal year 2011/2012		\$ 106,917
State Transit Assistance Fund		
Fiscal year 2012/2013	\$ 36,538	
Fiscal year 2011/2012		23,842
	\$ 36,538	\$ 130,759
Total due from other governments		

NOTE E – FARE REVENUE RATIO

Transit operators are required to maintain a fare revenue to operating expenses ratio in order to be eligible for TDA funding. Since the County contracts with the BRTD for its transit services, no fare revenues are recorded in the County’s TDA Fund financial statements. A fare revenue ratio is calculated for the BRTD in the BCAG audited financial statements.

NOTE F – TRANSFERS

In 2013, the County transferred \$1,691,082 from the TDA Fund to the County’s Roads Fund for planning, design, construction, maintenance, and administration of the County transportation planning activities in accordance with the Transportation Development Act, Article 8, Section 99402. In 2012, the County transferred \$1,211,569 from the TDA Fund to the Public Works Department in the General Fund for capital improvements.

NOTE G – INDIRECT COST ALLOCATION

During the year ended June 30, 2012, the County determined that indirect costs in the prior year had been overcharged. The County performed a true-up during the year and credited the TDA Fund overcharged costs in the amount of \$19,056.



# Richardson & Company

550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

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

To the Board of Supervisors  
County of Butte, California

We have audited, 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, the financial statements of the Transportation Development Act (TDA) Fund of the County of Butte (the County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements, and have issued our report thereon dated January 28, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiencies described below to be material weaknesses.

Finding 2013-01: We noted two payments of 2013/2014 LTF and STAF revenues totaling \$484,605 were incorrectly recorded in the 2012/2013 fiscal year. LTF and STAF amounts should be recognized in the year in which they are apportioned, if they are received within the County's 90-day availability period. An adjusting journal entry was required to correct this error. We recommend a review process to ensure proper cut-off for recognition of TDA revenues.

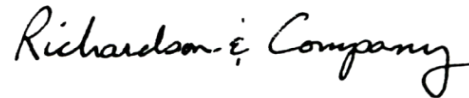
To the Board of Supervisors  
County of Butte, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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. Our audit was further made to determine that Transportation Development Act (TDA) funds allocated and received by the County were expended in conformance with the applicable statutes, rules and regulations of the TDA and Sections 6666 and 6667 of the California Code of Regulations. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the TDA.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the TDA in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Richardson & Company". The signature is written in a cursive, flowing style.

January 28, 2014