

**COUNTY OF BUTTE
TRANSPORTATION DEVELOPMENT ACT FUND**

Audited Financial Statements
and Compliance Report

June 30, 2019

COUNTY OF BUTTE
TRANSPORTATION DEVELOPMENT ACT FUND

Audited Financial Statements
and Compliance Report

June 30, 2019 and 2018

Audited Financial Statements

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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 years ended June 30, 2019 and 2018, 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 audits. We conducted our audits 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, 2019 and 2018, and the changes in financial position thereof for the years 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, 2019 and 2018, the changes in financial position, or where applicable, its cash flows for the years 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

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 February 10, 2020 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.

Richardson & Company, LLP

February 10, 2020

COUNTY OF BUTTE
TRANSPORTATION DEVELOPMENT ACT FUND

BALANCE SHEETS

June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and investments	\$ 70,723	\$ 533,361
Due from other agencies	38,128	145,512
Interest receivable	3,662	1,672
TOTAL ASSETS	\$ 112,513	\$ 680,545
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 1,135	\$ 265,355
Due to other funds		416,739
TOTAL LIABILITIES	1,135	682,094
 FUND BALANCE		
Restricted for streets and roads	119,106	1,198
Restricted for transit services		
Unassigned	(7,728)	(2,747)
TOTAL FUND BALANCE	111,378	(1,549)
TOTAL LIABILITIES AND FUND BALANCE	\$ 112,513	\$ 680,545

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, 2019 and 2018

	2019	2018
REVENUES		
Local Transportation Funds		
Streets and Roads	\$ 1,409,723	\$ 1,297,411
Transit	871,934	844,489
Rail	1,680	1,680
State Transit Assistance Funds	670,063	561,194
Use of money and property	15,838	(1,351)
TOTAL REVENUES	2,969,238	2,703,423
EXPENDITURES		
Contribution to transit services	1,539,183	1,408,563
Indirect cost allocation	9,475	2,561
TOTAL EXPENDITURES	1,548,658	1,411,124
OTHER FINANCING USES		
Transfers out	(1,307,653)	(1,300,993)
TOTAL OTHER FINANCING USES	(1,307,653)	(1,300,993)
NET CHANGE IN FUND BALANCE	112,927	(8,694)
Fund balance at beginning of year	(1,549)	7,145
FUND BALANCE AT END OF YEAR	\$ 111,378	\$ (1,549)

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

COUNTY OF BUTTE
TRANSPORTATION DEVELOPMENT ACT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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 reflected as unavailable revenues. 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, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term Interfund Payables: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These payables are classified as “due to other funds” on the balance sheet. The “due to other funds” at June 30, 2018 represents amounts owed to the Road Fund for street and road expenditures incurred in that fund.

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. Unassigned fund balance is used in governmental funds to report deficit balances due to overspending for specific purposes for which amounts had been restricted, committed or assigned.

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:

	2019	2018
Transportation Development Act:		
State Transit Assistance Fund		
Fiscal year 2018/2019	\$ 38,128	
Fiscal year 2017/2018		\$ 145,512
	\$ 38,128	\$ 145,512
Total due from other governments	\$ 38,128	\$ 145,512

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 BRT 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 BRT in the BCAG audited financial statements.

NOTE F – TRANSFERS

In 2019 and 2018, the County transferred \$1,307,653 and \$1,300,993 respectively, 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.



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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, 2019, 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 February 10, 2020.

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.

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.

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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

To the Board of Supervisors
County of Butte, California

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.

Richardson & Company, LLP

February 10, 2020