

County of Lassen
ADMINISTRATIVE SERVICES



CHRIS GALLAGHER

District 1

DAVID TEETER

District 2

JEFF HEMPHILL

District 3

AARON ALBAUGH

District 4

TOM HAMMOND

District 5

Richard Egan

County Administrative Officer

email: coadmin@co.lassen.ca.us

County Administration Office

221 S. Roop Street, Suite 4

Susanville, CA 96130

Phone: 530-251-8333

Fax: 530-251-2663

June 9, 2020

TO: Board of Supervisors

FROM: Richard Egan, County Administrative Officer

A handwritten signature in blue ink, appearing to be "Richard Egan", written over the printed name.

SUBJECT: Fund 128 Budget Appropriation for FY 2019/20.

RECOMMENDATION: That the Board of Supervisors approve a budget appropriation of \$410,000 in Fund 128 for FY 2019/20. (requires 4/5 vote)

DISCUSSION: Fund 128 is currently used as the administration budget for the Lassen Transit Service Agency (LTSA), which is staffed by County employees per the Joint Power Agreement between the County and the City of Susanville. Until the beginning of Fiscal Year 2018, Fund 128 was used for the administration of both the LTSA and the Lassen County Transportation Commission (LCTC) and for the distribution of transportation related funds through the LCTC.

On May 19, 2020 the Executive Secretary of the LCTC requested a transfer of \$410,000 out of Fund 128 to Fund 571. (See attached letter and backup documentation). Fund 571 is under the supervision of the LCTC and receives revenue from the state through the Transportation Development Act (TDA).

The independent auditor of the LCTC determined that Fund 128 had a cash balance of \$410,000 at the beginning of fiscal year 2019/2020 and it is their recommendation that this amount of funding be transferred to the LCTC.

As of 5/27/20, the balance in Fund 128 is approximately \$428,723 and there is an additional anticipated revenue of \$42,750, which would provide sufficient funds for the administration of the LTSA till the end of this current fiscal year.

The current Fund 128 budget does not include an expenditure for the transfer of the \$410,000, and therefore Board of Supervisor approval will be needed to approve an appropriation of \$410,000 in order to complete the transfer request by the LCTC.

ALTERNATIVES: Not approve

FINANCIAL IMPACT: Appropriation of \$410,000 from FY 2019/20 Fund 128.

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LASSEN COUNTY TRANSPORTATION COMMISSION
REGIONAL TRANSPORTATION PLANING AGENCY

John L. Clerici, Executive Secretary

555 CAPITOL MALL
SUITE 600
SACRAMENTO, CA 95814

P.O. Box 1028
SUSANVILLE, CA 96130

PH: (530) 919-9739

May 19, 2020

Ms. Julie Morgan
Lassen County Auditor
221 South Roop Street, Suite 1
Susanville, CA 96310

RE: Transfer of Commission TDA and PPM funds from Fund 128

Dear Ms. Morgan

On May 11, 2020, the Lassen County Transportation Commission took action to transfer \$410,000 from Fund 128 to the Commissions operating fund (Fund 571). This action came after considerable Commission debate and the independent auditors finding that Fund 128 should be closed. Technically the Commission cannot close Fund 128, but it can transfer the remaining carryover TDA and PPM sourced revenue from Fund 128 to a Commission account. We understand that LTSA uses Fund 128 for its operational needs. After consultation with David Knaut, staff to the LTSA, we have determined that this action should leave sufficient LTSA operating funds in place.

Attached you will find the following:

- A fund transfer request from the Lassen County Transportation Commission signed by me and the Commission Chair, Supervisor Hemphill.
- A minute order describing the action taken by the Commission at their May 11, 2020 meeting.
- The page from the FY 2018/19 Independent Audit noting the determination that Fund 128 should be resolved.

I will thank you in advance for processing this request. If you have any questions do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John L. Clerici", is written over a horizontal line.

John Clerici, Executive Secretary
Lassen County Transportation Commission
530-919-9739
jlclerici@gmail.com



LASSEN COUNTY TRANSPORTATION COMMISSION
REGIONAL TRANSPORTATION PLANING AGENCY

John L. Clerici, Executive Secretary

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P.O. BOX 1028
SUSANVILLE, CA 96130

PH: (530) 919-9739

MINUTE ORDER

At its special meeting on May 11, 2020, the Lassen County Transportation Commission took the following action by the vote indicated below.

4.13 Disposition of Fund 128: The Commission was asked to approve staff recommendation to close out Fund 128 as per the independent audit recommendation for FY 2018/19.

The Executive Secretary provided the following background to the Commission regarding Fund 128. With the acceptance of the Fiscal Audit for FY 2018/19 the independent auditor has determined that Fund 128 contains mostly unused TDA funds. They also recommend as part of their audit that Fund 128 be closed (page 28 of the financial audit) or at least the LCTC funds currently in fund 128 be moved to another of the Commission operating funds. He provided two reasons for the transfer:

- TDA funds carried over from one year to the next are typically subject to re-allocation unless previously designated to be utilized in the LCTC's annual Overall Work Program or by use to meet TDA guidelines as they relate to the legitimate uses of TDA funds.
- Lassen County no longer provides staffing services to the LCTC and therefore has no need to have direct access to any funds under the Commissions purview.

He noted that the balance in Fund 128 at the beginning of FY 2019/20 was approximately \$410,000. He added that once Fund 128 was closed out, and the PPM funds set aside for future action, it was staff's intention to reallocate the remaining funds as part of the FY 2020/21 TDA allocation process.

There was a lengthy discussion within the Commission, Lassen County staff and Commission staff as to the nature of Fund 128, and the impact transferring the funds to a separate Commission fund. David Knaut, LTSA, noted that Fund 128 was still being used to distribute transit operating funds, and that a portion of the balance was needed to cover operations through the end of the fiscal year. Commission staff agreed to provide for that balance in Fund 128. On a technical note, the Lassen County CAO noted that the Commission could not "close out" Fund 128 since it was a County fund. Staff asserted that the goal was to transfer Commission sourced funds out of Fund 128, what was done after that was a matter for the County to address.

It was moved by Commissioner Hammond and seconded by Commissioner Hemphill to transfer the Commission sourced funds (TDA and PPM) from Fund 128 after allowing for FY 2019/20 LTSA operating funds. In addition, the Commission requested that the transfer request be signed by the Executive Secretary and the LCTC Chairperson. The motion was passed with the following vote:

AYES: *Hammond, Hemphill, Herrera, McCourt, Schuster, Teeter*

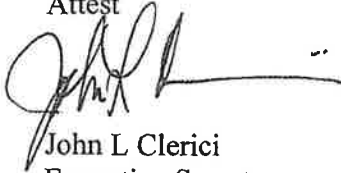
NOES: *None*

ABSENT: *None*

ABSTAIN: *None*

The minutes for the May 11, 2020 meeting, including the above noted action are pending approval by the Lassen County Transportation Commission at its regularly scheduled meeting on June 22, 2020 Regular Meeting.

Attest



John L Clerici
Executive Secretary

LASSEN COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR FINDINGS

Finding 2019-001

Criteria: In order for financial statements to be fairly presented, they need to exclude all revenues and expenses related to other entities.

Condition: The administrative costs and some revenues of LTSA have been combined with those of the Commission in one single fund (Fund 128). While these costs were segregated by a business unit code starting in fiscal year 2017/18, this segregation was not done retroactively. Thus, it is not possible to determine how much of the remaining \$410,000 cash balance in Fund 128, after audit adjustments to reclassify fiscal year 2017/18 activity related to LTSA, relates to LTSA and how much relates to the Commission. As of June 30, 2019, this \$410,000 of cash is included in the financial statements of the Commission.

Effect: The cash and net position reported in the Commission's financial statements could be understated or overstated, depending on the extent of revenues versus expenditures related to LTSA that were recorded in Fund 128. The amount of this understatement or overstatement could not be determined.

Cause: Certain expenditures and revenues related to LTSA and the Commission have been recorded in the same fund in the County's accounting system.

Recommendation: The Commission needs to prepare an analysis to determine the extent of revenues and expenditures related to LTSA that have been recorded in Fund 128, or provide justification as to why the \$410,000 of cash in fund 128 as of June 30, 2019 (after audit adjustments) belongs entirely to the Commission.

Management's Response: Management will endeavor to account for the fund sources and expenses associated with Fund 128, but if they are not able to, Management intends to reallocate Fund 128 (minus approximately \$55,000 of PPM money) according to TDA guidelines.

Finding 2019-002

Criteria: Internal controls over financial reporting should be in place to ensure management can initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Condition: The County's closing process did not identify required closing entries to report the Fund's financial statements on the accrual basis. In addition, restricted resources are not being tracked in separate restricted fund balance accounts or in separate funds.

Effect: Audit adjustments were needed to report the financial statements in accordance with generally accepted accounting principles, including entries posted to roll forward equity from prior year audit adjustments, remove activity related to LTSA operations, record additional payables, record activity in the correct funds for their specific purposes, recognize RSTP revenue previously deferred and its associated allocation to the City of Susanville and record restricted resources in separate restricted cash and fund balance accounts.

Cause: The closing process did not identify all required closing entries.

TRANSFER REQUEST

COUNTY OF LASSEN
OFFICE OF THE COUNTY AUDITOR-CONTROLLER

DEPARTMENT LCTC
PREPARED BY : J Clerici
Date : 5/18/2020

TYPE OF TRANSFER :

☒

EXPENDITURE / REVENUE TRANSFER

CHOOSE ONE

-OR-

☐

BUDGET / APPROPRIATION TRANSFER

INCREASE

FUND	B/U	C/C	ACCOUNT	ACCOUNT NAME	AMOUNT
571	5711		2007400	Other Govt Agency	\$ 410,000.00

TOTAL \$ 410,000.00

DECREASE

FUND	B/U	C/C	ACCOUNT	ACCOUNT NAME	AMOUNT
128	1281		3005200	Contrib to Other Govt	\$ 410,000.00

TOTAL \$ 410,000.00

JUSTIFICATION : (attach memo if necessary)

Transfer of audited carryover to FY 19/20 from Fund 128 to Fund 571

TO CORRECT :

WARRANT # _____

DEPOSIT # _____

JOURNAL ENTRY # _____

Request made by:

LCTC Executive Secretary: John Clerici

LCTC Commission Chair: Jeff Hemphill

John Clerici 5/19/20
Jeff Hemphill 5/19/20