

**LAKE COUNTY/CITY AREA
PLANNING COUNCIL,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2014**

THIS PAGE INTENTIONALLY LEFT BLANK

LAKE COUNTY/CITY AREA PLANNING COUNCIL

**Annual Financial Report
For the Year Ended June 30, 2014**

Table of Contents

	Page
INTRODUCTORY SECTION	
List of Officials.	i
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.	4
Statement of Activities.	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.	6
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position - Governmental Activities.	7
Statement of Revenues, Expenditures, and Changes in Fund Balances.	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities.	9
Notes to Basic Financial Statements.	10-18
Required Supplementary Information (Unaudited):	
Budgetary Comparison Schedule - Local Transportation Commission.	19
Budgetary Comparison Schedule - State Transit Assistance.	20
Budgetary Comparison Schedule - Work Program.	21
Budgetary Comparison Schedule - Regional Surface Transportation Program.	22
Budgetary Comparison Schedule - Service Authority for Freeway Emergencies.	23
Note to Budgetary Comparison Schedules.	24
Supplementary Information:	
Combining Nonmajor Governmental Funds:	
Special Revenue Funds:	
Combining Balance Sheet.	25
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.	26
Schedule of Allocations and Expenditures - Local Transportation Fund.	27
Schedule of Allocations and Expenditures - State Transit Assistance Fund.	28

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Annual Financial Report
For the Year Ended June 30, 2014

Table of Contents

	Page
OTHER REPORT AND SCHEDULES:	
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 Rules and Regulations of The Transportation Development Act.	29-30
Schedule of Findings and Recommendations.	31
Schedule of Prior Year Findings and Recommendations.	32

INTRODUCTORY SECTION

- **List of Officials**

THIS PAGE INTENTIONALLY LEFT BLANK

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Board of Directors
For the Year Ended June 30, 2014

Jim Comstock..... Supervisor, County of Lake

Jeff Smith Supervisor, County of Lake

Anthony Farrington..... Supervisor, County of Lake

Stacey Mattina..... City Council Member, City of Lakeport

Martin Scheel..... City Council Member, City of Lakeport

Tom Engstrom..... City Council Member, City of Lakeport

Joey Luiz City Council Member, City of Clearlake

Gina Fortino Dickson..... City Council Member, City of Clearlake

Jeri Spittler..... City Council Member, City of Clearlake

Marsha Wharff..... Member at Large

Chuck Leonard..... Member at Large

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

- **Independent Auditor's Report**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Supplementary Information:**
 - Combining Nonmajor Fund Schedules**
 - Schedule of Allocations and Expenditures**

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake County/City Area Planning Council
Lakeport, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake County/City Area Planning Council, Lakeport, California (Council), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Council'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Council as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10 to the financial statements, in 2014, the Council implemented Governmental Accounting Standards Board (GASB) Statement No. 70. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Other Information

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

Board of Directors
Lake County/City Area Planning Council
Lakeport, California

The Schedules of Allocations and Expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Allocations and Expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

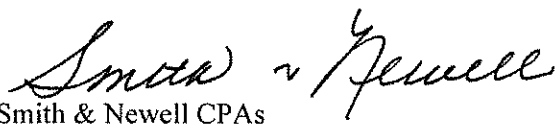
Report on Summarized Comparative Information

The financial statements include summarized prior year 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 Council's financial statements for the year ended June 30, 2013, from which such partial information was derived.

We have previously audited Council's June 30, 2013 financial statements and our report, dated April 2, 2014, expressed an unmodified opinion on the financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2015 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Council's internal control over financial reporting and compliance.


Smith & Newell CPAs
Yuba City, California
April 27, 2015

THIS PAGE INTENTIONALLY LEFT BLANK

Basic Financial Statements

- **Government-Wide Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Statement of Net Position
June 30, 2014

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,047,941
Receivables:	
Intergovernmental	211,229
Sales tax	<u>230,100</u>
Total Assets	<u>2,489,270</u>
LIABILITIES	
Accounts payable	<u>120,353</u>
Total Liabilities	<u>120,353</u>
NET POSITION	
Restricted for:	
Unallocated apportionments	38,239
Transportation	<u>2,330,678</u>
Total Net Position	<u><u>\$ 2,368,917</u></u>

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

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Statement of Activities
For the Year Ended June 30, 2014

<u>Functions/Programs:</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Transportation	\$ 3,185,425	\$ -	\$ 3,947,155	\$ -	\$ 761,730
Total Governmental Activities	3,185,425	-	3,947,155	-	761,730
Total	\$ 3,185,425	\$ -	\$ 3,947,155	\$ -	761,730
General revenues:					
Interest and investment earnings					7,671
Total General Revenues					7,671
Change in Net Position					769,401
Net Position - Beginning					1,599,516
Net Position - Ending					\$ 2,368,917

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

Basic Financial Statements

- **Fund Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

LAKE COUNTY/CITY AREA PLANNING COUNCIL

**Balance Sheet
Governmental Funds
June 30, 2014**

(With comparative totals for June 30, 2013)

	Local Transportation	State Transit Assistance	Work Program	Regional Surface Transportation Program
ASSETS				
Cash and investments	\$ 167,955	\$ 4,057	\$ 223,459	\$ 757,326
Receivables:				
Intergovernmental	30,000	103,001	64,910	-
Sales tax	230,100	-	-	-
Total Assets	\$ 428,055	\$ 107,058	\$ 288,369	\$ 757,326
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 107,116	\$ -
Total Liabilities	-	-	107,116	-
FUND BALANCES				
Restricted	428,055	107,058	181,253	757,326
Total Fund Balances	428,055	107,058	181,253	757,326
Total Liabilities and Fund Balances	\$ 428,055	\$ 107,058	\$ 288,369	\$ 757,326

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

Service Authority for Freeway Emergencies	Other Governmental Funds	Totals	
		2014	2013
\$ 691,612	\$ 203,532	\$ 2,047,941	\$ 1,205,613
13,318	-	211,229	448,983
-	-	230,100	225,200
<u>\$ 704,930</u>	<u>\$ 203,532</u>	<u>\$ 2,489,270</u>	<u>\$ 1,879,796</u>
\$ -	\$ 13,237	\$ 120,353	\$ 280,280
-	13,237	120,353	280,280
<u>704,930</u>	<u>190,295</u>	<u>2,368,917</u>	<u>1,599,516</u>
<u>704,930</u>	<u>190,295</u>	<u>2,368,917</u>	<u>1,599,516</u>
<u>\$ 704,930</u>	<u>\$ 203,532</u>	<u>\$ 2,489,270</u>	<u>\$ 1,879,796</u>

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Reconciliation of the Governmental Fund Balance Sheet
To the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2014

Total Fund Balances - Total Governmental Funds	\$ 2,368,917
No adjustments were needed to reconcile the Governmental fund balances to the Net Position of Governmental Activities	<u> -</u>
Net Position of Governmental Activities	<u><u>\$ 2,368,917</u></u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Statement of Revenues, Expenditures
And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014
(With comparative totals for June 30, 2013)

	<u>Local Transportation</u>	<u>State Transit Assistance</u>	<u>Work Program</u>	<u>Regional Surface Transportation Program</u>
REVENUES				
Intergovernmental revenues:				
Local Transportation fund	\$ 1,383,349	\$ -	\$ -	\$ -
State Transit Assistance fund	-	379,193	-	-
Local Transportation fund allocation	-	-	80,000	-
Rural Planning Assistance	-	-	270,579	-
Planning, Programming, and Monitoring	-	-	64,000	-
FTA Section 5304	-	-	43,840	-
Regional Blueprint	-	-	43,271	-
State Planning and Research	-	-	54,992	-
Partnership Planning Funds	-	-	60,363	-
State Highway Account	-	-	3,886	-
Community Based Transportation Planning	-	-	28,091	-
Regional Surface Transportation Program	-	-	-	1,202,082
Vehicle registration fees	-	-	-	-
Use of money	2,171	264	-	1,275
Rural Counties Task Force dues	-	-	-	-
Total Revenues	<u>1,385,520</u>	<u>379,457</u>	<u>649,022</u>	<u>1,203,357</u>
EXPENDITURES				
Current transportation:				
Planning and administration	314,379	-	649,460	-
Regional transit services	963,186	381,419	-	-
RSTP pass-through	-	-	-	571,449
Pedestrian and bicycle allocation	22,434	-	-	-
Total Expenditures	<u>1,299,999</u>	<u>381,419</u>	<u>649,460</u>	<u>571,449</u>
Excess of Revenues Over (Under) Expenditures	85,521	(1,962)	(438)	631,908
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	85,521	(1,962)	(438)	631,908
Fund Balances - Beginning	<u>342,534</u>	<u>109,020</u>	<u>181,691</u>	<u>125,418</u>
Fund Balances - Ending	<u>\$ 428,055</u>	<u>\$ 107,058</u>	<u>\$ 181,253</u>	<u>\$ 757,326</u>

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

Service Authority for Freeway Emergencies	Other Governmental Funds	Totals	
		2014	2013
\$ -	\$ -	\$ 1,383,349	\$ 1,346,990
-	-	379,193	386,783
-	256,813	336,813	309,508
-	-	270,579	409,402
-	-	64,000	65,000
-	-	43,840	8,869
-	-	43,271	53,961
-	-	54,992	133,005
-	-	60,363	25,696
-	-	3,886	89,251
-	-	28,091	98,173
-	-	1,202,082	531,113
76,696	-	76,696	74,716
3,616	345	7,671	8,689
-	-	-	18,250
<u>80,312</u>	<u>257,158</u>	<u>3,954,826</u>	<u>3,559,406</u>
54,677	228,421	1,246,937	1,357,884
-	-	1,344,605	1,412,184
-	-	571,449	470,276
-	-	22,434	21,355
<u>54,677</u>	<u>228,421</u>	<u>3,185,425</u>	<u>3,261,699</u>
25,635	28,737	769,401	297,707
-	-	-	10,000
-	-	-	(10,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
25,635	28,737	769,401	297,707
<u>679,295</u>	<u>161,558</u>	<u>1,599,516</u>	<u>1,301,809</u>
<u>\$ 704,930</u>	<u>\$ 190,295</u>	<u>\$ 2,368,917</u>	<u>\$ 1,599,516</u>

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Reconciliation of the Statement of Revenues, Expenditures,
And Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds	\$ 769,401
No adjustments were needed to reconcile the net changes in fund balances to the net change in net position	<u>-</u>
Change in Net Position of Governmental Activities	<u><u>\$ 769,401</u></u>

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

LAKE COUNTY/CITY AREA PLANNING COUNCIL

Notes to Basic Financial Statements

For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Lake County/City Area Planning Council (Council) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Council's accounting policies are described below.

A. Reporting Entity

The Lake County/City Area Planning Council, the regional transportation planning agency for the County of Lake, was established in 1972 pursuant to the Transportation Development Act. The Council is responsible for transportation planning activities as well as administration of the Local Transportation Fund, State Transit Assistance Fund, Transportation Planning fund, and the Bicycle/Pedestrian fund.

The Council receives monies and allocates these monies for the planning, management, and operation of public transportation systems within the County of Lake. The Council also has the authority to allocate monies for other transportation related activities including street and road projects.

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 Council.

Related Organizations

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

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all the activities of the Council. These statements include only the financial activities of the Council. Eliminations have been made to minimize double counting of internal activities. These statements report the governmental activities of the Council, which are normally supported by taxes and inter-governmental revenues. The Council had no business-type activities at June 30, 2014.

LAKE COUNTY/CITY AREA PLANNING COUNCIL

Notes to Basic Financial Statements

For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

Fund Financial Statements

Fund financial statements of the Council are organized into funds, each of which is considered to be separate accounting entities. Each fund is 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 expenditures. The funds of the Council are organized into the governmental category. The emphasis is placed on major funds. Each is displayed in a separate column.

The Council reports the following major governmental funds:

- The Local Transportation fund is a special revenue fund used to account for local transportation activities. Funding comes from transportation fund allocations.
- The State Transit Assistance Fund is a special revenue fund used to account for receipt and expenditure of State Transit Assistance funds. Funding comes primarily from state transit assistance fund allocations.
- The Work Program fund is a special revenue fund used to account for monies expended in relation to the overall work program. Funding comes primarily from rural planning assistance, PPM, and other grants.
- The Regional Surface Transportation Program fund is a special revenue fund used to account for activity related to RSTP projects. Funding comes primarily from state grants.
- The Service Authority for Freeway Emergencies fund is a special revenue fund used to account for activity related to SAFE funding. Funding comes primarily from vehicle registration fees.

C. Basis of Accounting and Measurement Focus

The government-wide 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 Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales tax, grants, entitlements, and donations. Under the accrual basis, revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

LAKE COUNTY/CITY AREA PLANNING COUNCIL

Notes to Basic Financial Statements

For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales taxes, interest, and certain state and federal grants are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

E. Cash and Investments

The Council pools all cash and investments with the County of Lake. The Lake County Treasury is an external investment pool for the Council and the Council is considered an involuntary participant. Each fund's share in the 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 the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the Council's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of investments.

The County has established a Treasury Oversight Committee to monitor and review the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Oversight Committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to members of the Oversight Committee and 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.

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 N. Forbes Street, Lakeport, CA 95453.

LAKE COUNTY/CITY AREA PLANNING COUNCIL

Notes to Basic Financial Statements

For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables

Receivables consist mainly of intergovernmental and sales tax revenues. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

G. Inventory

Governmental fund inventories are recorded as expenditures at the time inventory is purchased rather than consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets would be valued at historical, or estimated historical cost if actual historical cost was not available. Donated property, plant, and equipment would be valued at their estimated fair value on the date donated. Major outlays for capital assets and improvements would be capitalized as projects are constructed.

Capital assets used in operations would be depreciated or amortized using the straight-line method over its estimated useful life in the government-wide financial statements.

At June 30, 2014, the Council did not have any capital assets.

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. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". 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 expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

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

LAKE COUNTY/CITY AREA PLANNING COUNCIL

Notes to Basic Financial Statements

For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Unearned Revenue

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

K. Compensated Absences and Postemployment Benefits

The Council does not currently have any employees. Therefore there is no liability for compensated absences or postemployment benefits.

L. Management Contract

The Council pays an administration fee to Dow and Associates for all administration and management of the Council. The total amount paid for administration and management for the year ended June 30, 2014 was \$148,863 and was included in expenditures in the nonmajor Administration fund.

M. 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, 2014, the Council 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, 2014, the Council did not have any deferred inflows of resources.

N. 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.

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

The following Governmental Accounting Standards Board (GASB) Statement has been implemented, if applicable to the Lake County/City Area Planning Council, in the current financial statements.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2014, the Council's cash and investments consisted of the following:

Investments:	
Lake County Treasurer's Pool	\$ 2,047,941
Total Cash and Investments	<u>\$ 2,047,941</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 Council will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Council 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 Council does not have a formal investment policy. At June 30, 2014, all investments of the Council 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:

- US Treasuries and Agencies
- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Medium Term Corporate Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- California Asset Management Program (CAMP)
- Time Certificates of Deposit
- Shares of Beneficial Interest

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 resulting from increases in interest rates, the County policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations. The County limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to 5 years or less.

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, 2014, the Council's investments were all pooled with the County Treasury which is not rated by a nationally recognized statistical rating organization.

LAKE COUNTY/CITY AREA PLANNING COUNCIL

Notes to Basic Financial Statements

For the Year Ended June 30, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Custodial Credit Risk for Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the Council 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 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 Council'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. As of June 30, 2014, all investments of the Council were in the County investment pool which contains a diversification of investments.

NOTE 3: NET POSITION

The government-wide 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 is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

LAKE COUNTY/CITY AREA PLANNING COUNCIL

Notes to Basic Financial Statements

For the Year Ended June 30, 2014

NOTE 4: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Council is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2014, fund balance for governmental funds are made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the Council’s highest level of decision-making authority. The Board of Directors is the highest level of decision making authority for the Council that can, by adoption of an ordinance commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the Council’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The fund balances for all major and nonmajor governmental funds as of June 30, 2014, were distributed as follows:

	Local Transportation Council	State Transit Assistance	Work Program	Regional Surface Transportation Program	Service Authority for Freeway Emergencies	Other Govern- mental Funds	Total
Restricted for:							
Unallocated							
Apportionments	\$ 38,239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,239
Transportation	<u>389,816</u>	<u>107,058</u>	<u>181,253</u>	<u>757,326</u>	<u>704,930</u>	<u>190,295</u>	<u>2,330,678</u>
Total Restricted	<u>428,055</u>	<u>107,058</u>	<u>181,253</u>	<u>757,326</u>	<u>704,930</u>	<u>190,295</u>	<u>2,368,917</u>
Total	<u>\$ 428,055</u>	<u>\$ 107,058</u>	<u>\$ 181,253</u>	<u>\$ 757,326</u>	<u>\$ 704,930</u>	<u>\$ 190,295</u>	<u>\$2,368,917</u>

LAKE COUNTY/CITY AREA PLANNING COUNCIL

Notes to Basic Financial Statements

For the Year Ended June 30, 2014

NOTE 4: FUND BALANCES (CONTINUED)

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance is available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The Board of Directors has not adopted a formal fund balance or minimum fund balance policy by passage of an ordinance.

NOTE 5: RISK MANAGEMENT

The Council 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 Council is covered under the County of Lake's risk management programs.

NOTE 6: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to June 30, 2014 through April 27, 2015, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

THIS PAGE INTENTIONALLY LEFT BLANK

**Required Supplementary Information
(Unaudited)**

THIS PAGE INTENTIONALLY LEFT BLANK

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation - Major Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Local Transportation fund allocation	\$ 1,319,248	\$ 1,337,511	\$ 1,383,349	\$ 45,838
Use of money	-	-	2,171	2,171
Total Revenues	<u>1,319,248</u>	<u>1,337,511</u>	<u>1,385,520</u>	<u>48,009</u>
EXPENDITURES				
Current transportation:				
Planning and administration	303,628	321,891	314,379	7,512
Regional transit services	993,186	993,186	963,186	30,000
Pedestrian and bicycle allocation	22,434	22,434	22,434	-
Total Expenditures	<u>1,319,248</u>	<u>1,337,511</u>	<u>1,299,999</u>	<u>37,512</u>
Net Change in Fund Balance	-	-	85,521	85,521
Fund Balance - Beginning	<u>342,534</u>	<u>342,534</u>	<u>342,534</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 342,534</u></u>	<u><u>\$ 342,534</u></u>	<u><u>\$ 428,055</u></u>	<u><u>\$ 85,521</u></u>

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Required Supplementary Information
Budgetary Comparison Schedule
State Transit Assistance - Major Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
State Transit Assistance fund	\$ 381,419	\$ 396,140	\$ 379,193	\$ (16,947)
Use of money	-	-	264	264
Total Revenues	<u>381,419</u>	<u>396,140</u>	<u>379,457</u>	<u>(16,683)</u>
EXPENDITURES				
Current transportation:				
Regional transit services	<u>381,419</u>	<u>396,140</u>	<u>381,419</u>	<u>14,721</u>
Total Expenditures	<u>381,419</u>	<u>396,140</u>	<u>381,419</u>	<u>14,721</u>
Net Change in Fund Balance	-	-	(1,962)	(1,962)
Fund Balance - Beginning	<u>109,020</u>	<u>109,020</u>	<u>109,020</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 109,020</u>	<u>\$ 109,020</u>	<u>\$ 107,058</u>	<u>\$ (1,962)</u>

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Required Supplementary Information
Budgetary Comparison Schedule
Work Program - Major Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental revenues:				
Local Transportation fund allocation	\$ -	\$ -	\$ 80,000	\$ 80,000
Rural Planning Assistance	285,687	286,131	270,579	(15,552)
Planning, Programming, and Monitoring	89,225	87,474	64,000	(23,474)
FTA Section 5304	42,052	81,466	43,840	(37,626)
FTA Section 5311	350,432	350,432	-	(350,432)
Royal Blueprint	36,500	44,031	43,271	(760)
State Planning and Research	33,000	55,334	54,992	(342)
Partnership Planning Funds	27,200	60,363	60,363	-
State Highway Account	-	-	3,886	3,886
Community Based Transportation Planning	18,000	28,091	28,091	-
Total Revenues	<u>882,096</u>	<u>993,322</u>	<u>649,022</u>	<u>(344,300)</u>
EXPENDITURES				
Current transportation:				
Overall Work Program:				
600 - Regional planning and intergovernmental coordination	110,725	110,725	109,001	1,724
601 - Transit planning	14,000	14,000	14,000	-
602 - Transit service reliability and performance monitoring	19,000	19,000	18,996	4
603 - Speed zone study	6,100	6,100	6,100	-
604 - Vehicle impact analysis update	27,000	27,000	24,500	2,500
605 - Federal and state grant preparation and monitoring program	30,170	30,170	30,170	-
606 - Transit development plan and marketing plan	92,022	92,022	48,559	43,463
607 - Special studies	58,282	58,282	48,272	10,010
608 - Planning, programming & monitoring	68,389	68,389	58,567	9,822
609 - Collision database and analysis program update	6,100	6,100	5,000	1,100
610 - Non-motorized transportation	8,500	8,500	8,500	-
611 - Pavement management program inventory	4,500	4,500	4,500	-
612 - Countywide GIS support services	20,140	20,140	6,064	14,076
613 - Transportation information outreach	7,090	7,090	5,935	1,155
614 - Clearlake downtown corridor plan	31,613	31,613	31,613	-
615 - ADA self evaluation and transition plan - Clearlake	9,119	9,119	9,119	-
616 - Middletown Community Action Plan	75,873	75,873	75,813	60
617 - Human services coordinated plan - update	26,511	26,511	14,919	11,592
618 - Regional blueprint program - phase V	55,529	55,529	54,252	1,277
619 - SR 29 S. corridor engineered feasibility study	55,334	55,334	54,992	342
620 - Training	5,000	5,000	3,298	1,702
621 - Lake County energy use reduction plan	112,956	112,956	4,390	108,566
622 - Climate change adaptation pilot project	4,447	4,447	900	3,547
623 - Lake Transit's Title VI program	12,000	12,000	12,000	-
Total Expenditures	<u>860,400</u>	<u>860,400</u>	<u>649,460</u>	<u>210,940</u>
Net Change in Fund Balance	21,696	132,922	(438)	(133,360)
Fund Balance - Beginning	<u>181,691</u>	<u>181,691</u>	<u>181,691</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 203,387</u>	<u>\$ 314,613</u>	<u>\$ 181,253</u>	<u>\$ (133,360)</u>

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Required Supplementary Information
Budgetary Comparison Schedule
Regional Surface Transportation Program - Major Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other State grants	\$ 531,113	\$ 642,040	\$ 1,202,082	\$ 560,042
Use of money	-	-	1,275	1,275
Total Revenues	<u>531,113</u>	<u>642,040</u>	<u>1,203,357</u>	<u>561,317</u>
EXPENDITURES				
Current transportation: RSTP pass-through	<u>298,317</u>	<u>375,966</u>	<u>571,449</u>	<u>(195,483)</u>
Total Expenditures	<u>298,317</u>	<u>375,966</u>	<u>571,449</u>	<u>(195,483)</u>
Net Change in Fund Balance	232,796	266,074	631,908	365,834
Fund Balance - Beginning	<u>125,418</u>	<u>125,418</u>	<u>125,418</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 358,214</u>	<u>\$ 391,492</u>	<u>\$ 757,326</u>	<u>\$ 365,834</u>

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Required Supplementary Information
Budgetary Comparison Schedule
Service Authority for Freeway Emergencies - Major Special Revenue Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Vehicle registration fees	\$ -	\$ -	\$ 76,696	\$ 76,696
Use of money	-	-	3,616	3,616
Total Revenues	<u>-</u>	<u>-</u>	<u>80,312</u>	<u>80,312</u>
EXPENDITURES				
Current transportation:				
Planning and administration	-	-	54,677	(54,677)
Total Expenditures	<u>-</u>	<u>-</u>	<u>54,677</u>	<u>(54,677)</u>
Net Change in Fund Balance	-	-	25,635	25,635
Fund Balance - Beginning	<u>679,295</u>	<u>679,295</u>	<u>679,295</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 679,295</u>	<u>\$ 679,295</u>	<u>\$ 704,930</u>	<u>\$ 25,635</u>

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2014

BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The Council presents a comparison of annual budgets to actual results for all special revenue funds. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The Council follows these procedures annually in establishing the budgetary data reflected in the financial statements:

- (1) The Executive Director submits to the Board of Directors a recommended draft budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) The Board of Directors may amend the budget by motion during the fiscal year.

The Council does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended June 30, 2014, the Council incurred expenditures in excess of appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	Excess of Expenditures Over <u>Appropriations</u>
Regional Surface Transportation Program	\$ 375,966	\$ 571,449	\$ 195,483

Supplementary Information

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2014

	<u>Local Transportation 2% Reserve</u>	<u>Administration</u>	<u>Planning</u>	<u>Transportation Enhancement Act</u>
ASSETS				
Cash and investments	\$ 55,374	\$ 26,090	\$ 1	\$ 6,681
Total Assets	<u>\$ 55,374</u>	<u>\$ 26,090</u>	<u>\$ 1</u>	<u>\$ 6,681</u>
LIABILITIES				
Accounts payable	\$ -	\$ 13,237	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>13,237</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	55,374	12,853	1	6,681
Total Fund Balances	<u>55,374</u>	<u>12,853</u>	<u>1</u>	<u>6,681</u>
Total Liabilities and Fund Balances	<u>\$ 55,374</u>	<u>\$ 26,090</u>	<u>\$ 1</u>	<u>\$ 6,681</u>

Consolidated Transportation Services	Totals
<u>\$ 115,386</u>	<u>\$ 203,532</u>
<u><u>\$ 115,386</u></u>	<u><u>\$ 203,532</u></u>
<u>\$ -</u>	<u>\$ 13,237</u>
<u>-</u>	<u>13,237</u>
<u>115,386</u>	<u>190,295</u>
<u>115,386</u>	<u>190,295</u>
<u><u>\$ 115,386</u></u>	<u><u>\$ 203,532</u></u>

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Combining Statement of Revenues, Expenditures
And Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Year Ended June 30, 2014

	Local Transportation 2% Reserve	Administration	Planning	Transportation Enhancement Act
REVENUES				
Intergovernmental revenues:				
Local Transportation fund allocation	\$ 22,434	\$ 178,294	\$ -	\$ -
Use of money	-	-	-	35
	22,434	178,294	-	35
EXPENDITURES				
Current transportation:				
Planning and administration	16,074	191,487	-	-
	16,074	191,487	-	-
Net Change in Fund Balance	6,360	(13,193)	-	35
Fund Balances - Beginning	49,014	26,046	1	6,646
Fund Balances - Ending	\$ 55,374	\$ 12,853	\$ 1	\$ 6,681

Consolidated Transportation Services	Totals
\$ 56,085	\$ 256,813
310	345
56,395	257,158
20,860	228,421
20,860	228,421
35,535	28,737
79,851	161,558
\$ 115,386	\$ 190,295

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Schedule of Allocations and Expenditures
Local Transportation Fund
For the Year Ended June 30, 2014

	Beginning Allocations as Adjusted	Allocated	Expended	Rescinded	Ending Allocations as Adjusted
Lake County/City Area Planning Council					
99400(c)	\$ 44,173	\$ 50,000	\$ (80,000)	\$ -	\$ 14,173
99233.1	-	178,294	(178,294)	-	-
99233.3	6,930	22,434	(22,434)	-	6,930
99233.7	-	56,085	(56,085)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Lake County/City Area Planning Council	51,103	306,813	(336,813)	-	21,103
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Lake Transit Authority					
99260(a)	6,293	-	-	-	6,293
99262	10,843	993,186	(963,186)	(30,000)	10,843
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Lake Transit Authority	17,136	993,186	(963,186)	(30,000)	17,136
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 68,239	\$ 1,299,999	\$ (1,299,999)	\$ (30,000)	\$ 38,239
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LAKE COUNTY/CITY AREA PLANNING COUNCIL, CALIFORNIA
Schedule of Allocations and Expenditures
State Transit Assistance Fund
For the Year Ended June 30, 2014

	<u>Beginning Allocations as Adjusted</u>	<u>Allocated</u>	<u>Expended</u>	<u>Rescinded</u>	<u>Ending Allocations as Adjusted</u>
Lake County/City Area Planning Council 99313.3	\$ 26,209	\$ 355,210	\$ (381,419)	\$ -	\$ -

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER REPORT AND SCHEDULES

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Schedule of Prior Year Findings and Recommendations**

THIS PAGE INTENTIONALLY LEFT BLANK

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 RULES AND REGULATIONS OF THE TRANSPORTATION DEVELOPMENT ACT

Board of Directors
Lake County/City Area Planning Council
Lakeport, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the applicable fiscal audit requirements of the Transportation Development Act including Public Utilities Code Section 99245 and the California Code of Regulations Section 6664, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lake County/City Area Planning Council, Lakeport, California (Council), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated April 27, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
Lake County/City Area Planning Council
Lakeport, California

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies. (2014-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

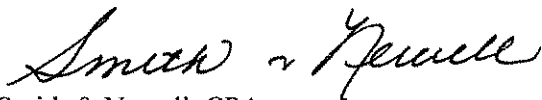
Additionally, we performed tests to determine that allocations made and expenditures paid by the Council were made in accordance with the allocation instructions and resolutions of the Council and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Title 21, Section 6666 that are applicable to the Council and tests to determine that certain state funds were received and expended in accordance with applicable bond act and state accounting requirements. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported.

Council's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of 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 in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell, CPAs
Yuba City, California
April 27, 2015

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Schedule of Findings and Recommendations
For the Year Ended June 30, 2014

2014-001 Fund Balance (Significant Deficiency)

Condition

At the time of our audit, we noted that the Council had not adopted a fund balance policy to establish the sequence in which revenues are to be spent in accordance with GASB 54. This is a repeat of a prior year finding.

Cause

The Council did not adopt a fund balance policy.

Criteria

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 requires that governmental entities change the categories and terminology used to describe the components of fund balance. The new categories and terminology will focus not on financial resources available for appropriation but on “the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent”.

Effect of Condition

Without a fund balance policy in place, inconsistencies and misclassifications in the components of fund balance may occur.

Recommendation

We recommend that the Council adopt a fund balance policy.

Corrective Action Plan

At the conclusion of our audit last year, your staff advised me that the Governmental Accounting Standards Board (GASB) issued Statement Number 54 in February 2009 requiring this new policy. Per my request, you provided two sample fund balance policies to assist the Lake APC to create a policy that met the intent of this requirement. At that time, I advised that our staff was in the process of writing a policies and procedures manual, and that the policy would be included as part of that final document.

Unfortunately, we have experienced a delay in the adoption of our manual because we are awaiting a template document that is being developed as part of a larger project to create a Regional Transportation Planning Agencies (RTPA) Policy and Procedures Guidebook that was funded by the Rural Counties Task Force (RCTF). We are holding off on the adoption of our policies and procedures manual because we feel that this template document, which has been reviewed by a variety of federal and state agencies, including the Caltrans Division of Audits and Investigations, will be much more valuable than if we were to create the entire manual “in-house”.

The RTPA Policy and Procedures Guidebook is in final draft form, and should be presented (and hopefully approved) to the RCTF in May 2015. Once the Guidebook is approved, we will begin working immediately on our own manual. We hope to present the Lake APC’s Policies and Procedures Manual by the end of this Fiscal Year.

LAKE COUNTY/CITY AREA PLANNING COUNCIL
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2014

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
13-FS-01	Fund Balance Recommendation We recommend that the Council adopt a fund balance policy. Status In Progress