

**COLUSA COUNTY
TRANSIT AGENCY**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2008**

**COLUSA COUNTY TRANSIT AGENCY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor's Report	1
Basic Financial Statements:	
Fund Financial Statements:	
Proprietary Funds:	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Basic Financial Statements:	
1 Financial Reporting Entity and Summary of Significant Accounting Policies	5-7
2 Detailed Notes	8-9
3 Fair Revenue Ratio	9
4 Risk Management	9

FINANCIAL SECTION

-
- Independent Auditor's Report
 - Basic Financial Statements

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Colusa County Transit Agency
Colusa, California

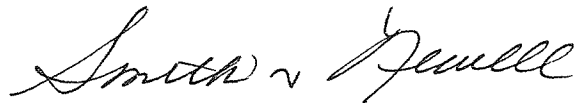
We have audited the accompanying financial statements of the proprietary fund of the Colusa County Transit Agency, Colusa, California (Agency), as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Transit Agency as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2009, on our consideration of the Agency'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Agency has not presented a Management Discussion and Analysis report that the Governmental Accounting Standards Board has determined is required supplementary information, although not required to be part of the basic financial statements.



Smith & Newell CPA's
Yuba City, California
June 29, 2009

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

COLUSA COUNTY TRANSIT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	2008
<u>ASSETS</u>	
Current Assets	
Cash and investments	\$ 281,928
Cash with fiscal agent	1,178
Accounts receivable	5,841
Interest receivable	1,225
	290,172
Total Current Assets	290,172
Noncurrent Assets	
Capital assets (net)	695,341
	695,341
Total Noncurrent Assets	695,341
Total Assets	985,513
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	9,345
Compensated absences payable	30,651
	39,996
Total Current Liabilities	39,996
Noncurrent Liabilities	
Compensated absences payable	42,715
	42,715
Total Noncurrent Liabilities	42,715
Total Liabilities	82,711
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	695,341
Unrestricted	207,461
	902,802
Total Net Assets	\$ 902,802

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

**COLUSA COUNTY TRANSIT AGENCY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	2008
<u>OPERATING REVENUES</u>	
Passenger fares	\$ 72,780
Contract revenue	32,581
Donations	1,766
	107,127
<u>OPERATING EXPENSES</u>	
Salaries and benefits	612,748
Professional services	41,394
Fuel	82,003
Repairs and maintenance	49,505
Office and administration	15,444
Insurance	24,280
Depreciation	78,347
	903,721
Total Operating Expenses	903,721
Operating Income (Loss)	(796,594)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Local transportation fund allocation	452,824
State transit assistance fund allocation	249,655
Interest income (expense)	10,601
Grant revenue	312,906
Other revenue	6,736
Other (reimbursed projects)	38,595
Gain on sale of assets	595
Contribution expense	(6,644)
	1,065,268
Total Non-Operating Revenues (Expenses)	1,065,268
Income (Loss) Before Contributions	268,674
Capital contributions	3,310
	271,984
Change in net assets	271,984
Total Net Assets - Beginning	630,818
Total Net Assets - Ending	902,802

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

**COLUSA COUNTY TRANSIT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

	2008
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$ 102,815
Payments to suppliers	(209,929)
Payments to employees	(601,073)
	(708,187)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of fixed assets	(285,920)
	(285,920)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Local transportation funds allocated	452,824
State transit assistance funds allocated	249,655
Grant proceeds	312,906
Other non-operating revenue	45,926
	1,061,311
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest received on investments	11,274
	11,274
Net Increase (Decrease) in Cash and Cash Equivalents	78,478
Balance - Beginning of the Year	204,628
Balance - End of the Year	\$ 283,106
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating income (loss)	\$ (796,594)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	78,347
Decrease (increase) in:	
Accounts receivable	(4,312)
Increase (decrease) in:	
Accounts payable	2,697
Compensated absences payable	11,675
	(708,187)

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

BASIC FINANCIAL STATEMENTS
Notes to Basic Financial Statements

COLUSA COUNTY TRANSIT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The TDA requires that each County have a transportation planning agency. The Colusa County Transportation Commission (CCTC) fulfills this requirement and is reported on under a separate report.

The transfers from the CCTC to the Transit Agency are to meet the excess of expenses over revenues of the transit system, which are deemed unmet transit needs of the County.

The governmental reporting entity consists of the Agency (Primary Government) and its component units. Component units are legally separate organizations for which the Board of Directors is financially accountable or other organizations whose component units nature and significant relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the Agency's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the Agency.

Reporting for component units on the Agency's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the Agency's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

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 Agency.

B. Basis of Presentation

Fund Financial Statements

Fund financial statements of the reporting entity are organized into one fund, which is considered to be a separate accounting entity. The Agency is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses. Funds may be organized into three categories: governmental, proprietary, and fiduciary. The fund of the Authority is organized in the proprietary category. A fund is considered major if it is the primary operating fund or meets the following criteria:

- Total assets, liabilities, revenues or expenses of the individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenses of the individual fund are at least 5 percent of the corresponding total for all funds combined.

The Agency reports the following major proprietary fund:

- The Operating Fund is an enterprise fund used to account for the combined activity related to transit services provided by the Agency.

C. Basis of Accounting and Measurement Focus

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include local transportation revenue. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

COLUSA COUNTY TRANSIT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Basis of Accounting and Measurement Focus

For its proprietary fund, the Agency has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting For Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Agency has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

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

D. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the Agency considers all investments including cash with fiscal agent, to be highly liquid, and therefore to be cash equivalents. The Agency considers all deposits with the Colusa County Treasurer as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the Agency.

E. Cash and Investments

The Agency pools cash and investments with the County of Colusa. The Colusa County Treasury is an external investment pool for the Agency and the Agency is considered an involuntary participant. State statutes authorize the Agency and County to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

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 Agency'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 Article 6 Section 27131 of 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 the members of the oversight committee and the investment pool participants 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 Colusa's financial statements may be obtained by contacting the County of Colusa Auditor-Controller's office at 546 Jay Street, Colusa, CA 95932.

F. Receivables

In the proprietary fund statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the proprietary funds are user fees, local transportation funds, and interest earnings.

COLUSA COUNTY TRANSIT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventory and Prepaid Costs

Inventory items are recorded as an expense at the time individual items are purchased. Records are not maintained of inventory and supplies on hand, however, these amounts are not considered material.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is not included as part of the capitalized value.

Depreciation is provided in an enterprise fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated lives on the straight-line basis. The service lives by type of asset are as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-10 years
Structures and improvements	10-30 years

I. Compensated Absences

The Agency's policy regarding vacation is to permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the fund financial statements. The current portion of this debt is estimated based on historical trends. The Agency includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

J. Net Assets

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – 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 assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net assets are available, unrestricted resources are depleted first before the restricted resources are used.

K. Revenue and Expenses

Revenues are reported by source of economic resources and are classified as operating and non-operating. Expenses are reported as a use of economic resources and are classified as operating and non-operating.

L. 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.

COLUSA COUNTY TRANSIT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2: DETAILED NOTES

A. Cash and Investments

As of June 30, 2008, the Agency's cash and investments consisted of the following:

Investments:		
Colusa County Treasurer's Pool	\$	281,928
Deposits with Fiscal Agents		<u>1,178</u>
Total Cash and Investments	<u>\$</u>	<u>283,106</u>

Cash

The California Government Code requires California banks and savings and loan associations to collateralize a Commission's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of a Agency's deposits. California law also allows financial institutions to collateralize deposits by pledging first trust deed mortgage notes having a value of 150 percent of an Agency's total deposits. The Agency may waive collateral requirements for deposits which are fully insured up to \$100,000 by Federal Depository Insurance.

At year end, the Agency had no deposits outside the County Treasury.

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. All investments of the Agency are invested in accordance with the investment policies of the County of Colusa. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and County investment pool policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law also limits investments in corporate bonds to the rating of A by both Standards & Poor's and Moody's Investors Service. The Agency has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The Agency has invested all cash, other than deposits and imprest cash, in the County investment pool. Given an investment pool's natural diversification, GASB 40 exempts the investment in the Colusa County Treasurer's pool from concentration of credit risk disclosures.

B. Capital Assets

Capital assets consisted of equipment as of June 30, 2008 as follows:

	Balance <u>July 1, 2007</u>	Additions	Retirements	Adjustments	Balance <u>June 30, 2008</u>
Capital Assets, Being Depreciated:					
Structures and improvement	\$ 585,477	\$ -	\$ -	\$ -	\$ 585,477
Equipment	<u>666,369</u>	<u>285,921</u>	<u>(18,832)</u>	<u>(5,616)</u>	<u>927,842</u>
Total Capital Assets, Being Depreciated	<u>1,251,846</u>	<u>285,921</u>	<u>(18,832)</u>	<u>(5,616)</u>	<u>1,513,319</u>
Less Accumulated Depreciation for:					
Structures and improvement	(214,676)	(19,516)	-	-	(234,192)
Equipment	<u>(546,068)</u>	<u>(58,831)</u>	<u>18,832</u>	<u>2,281</u>	<u>(583,786)</u>
Total Accumulated Depreciation	<u>(760,744)</u>	<u>(78,347)</u>	<u>18,832</u>	<u>2,281</u>	<u>(817,978)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 491,102</u>	<u>\$ 207,574</u>	<u>\$ -</u>	<u>(\$ 3,335)</u>	<u>\$ 695,341</u>

COLUSA COUNTY TRANSIT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2: DETAILED NOTES (CONTINUED)

B. Capital Assets (Continued)

Depreciation expense was charged to the proprietary fund as follows:

Transit	\$ 78,347
Total Depreciation Expense	<u>\$ 78,347</u>

C. Long-Term Liabilities

The following is a summary of all long-term liabilities transactions for the year ended June 30, 2008:

	Balance July 1, 2007	Additions/ Adjustments	Retirements	Balance June 30, 2008	Amounts Due Within One Year
Compensated absences	\$ 61,691	\$ 43,665	(\$ 31,990)	\$ 73,366	\$ 30,651
Total Long-Term Liabilities	<u>\$ 61,691</u>	<u>\$ 43,665</u>	<u>(\$ 31,990)</u>	<u>\$ 73,366</u>	<u>\$ 30,651</u>

D. Related Party Transactions

The Agency has an agreement with the County of Colusa to provide for the management of the Agency. Under this agreement, all employees working for the Agency are considered to be County employees and receive the same pension and other benefits offered to County employees. Details of employee pension information can be found in the County's annual financial report. Pension contributions for the year ended June 30, 2008 were \$84,765. Total administrative and personnel costs provided by the County to the Agency for the year ended June 30, 2008 were as follows:

	<u>June 30, 2008</u>
Personnel and benefits	\$ 612,748
Administrative overhead charges	17,219
Total Charges	<u>\$ 629,967</u>

NOTE 3: FARE REVENUE RATIO

The Agency is required by the Transportation Development Act (TDA) to maintain a fare revenue ratio to operating expenses of 10 percent. During the year ended June 30, 2008, the fare ratio was 12.98 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2008, is as follows:

	<u>June 30, 2008</u>
Passenger Fares	\$ 72,780
Contract Revenue	32,581
Donations	1,766
Total Fare Revenue	<u>\$ 107,127</u>
Total Operating Expenses	\$ 903,721
Allowable TDA adjustments:	
Depreciation	78,347
Net Operating Expenses	<u>\$ 825,374</u>
Fare Revenue Ratio	<u>12.98%</u>

NOTE 4: RISK MANAGEMENT

The Transit funds are 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 Transit Agency is covered under the County of Colusa's risk management programs.