

**COLUSA COUNTY  
TRANSIT AGENCY,  
(A Component Unit of the Colusa County Local  
Transportation Commission, California)**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2012**

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**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County**  
**Local Transportation Commission, California)**  
**Annual Financial Report**  
**For the Year Ended June 30, 2012**

**Table of Contents**

	Page
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report. . . . .	1-2
Basic Financial Statements:	
Fund Financial Statements:	
Proprietary Funds:	
Statement of Net Assets. . . . .	3
Statement of Revenues, Expenses, and Changes in Net Assets. . . . .	4
Statement of Cash Flows. . . . .	5
Notes to Basic Financial Statements. . . . .	6-13
<b>OTHER REPORT AND SCHEDULES</b>	
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. . . . .	14-15
Status of Prior Year Recommendations. . . . .	16

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## **FINANCIAL SECTION**

- **Independent Auditor's Report**
- **Basic Financial Statements**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Board of Commissioners  
Colusa County Transit Agency  
Colusa, California

We have audited the accompanying financial statements of the proprietary fund of the Colusa County Transit Agency, (Agency) a component unit of the Colusa County Local Transportation Commission, California, as of and for the year ended June 30, 2012, 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. The prior year summarized comparative information has been derived from Colusa County Transit Agency's June 30, 2011 financial statements, and, in our report dated March 26, 2012, we expressed an unqualified opinion on those financial statements.


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 proprietary fund of the Agency as of June 30, 2012, 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 March 19, 2013, 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 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 should be considered in assessing the results of our audit.

To the Board of Directors and Board of Commissioners  
Colusa County Transit Agency  
Colusa, California

Management has omitted the Management's Discussion and Analysis report 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.

  
Smith & Newell CPAs  
Yuba City, California  
March 19, 2013



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## **Basic Financial Statements**

- **Fund Financial Statements**

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**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Statement of Net Assets**  
**June 30, 2012**  
**(With Comparative Totals for June 30, 2011)**

	<b>Totals</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ 9,984	\$ 2,690
Accounts receivable	3,661	5,688
Interest receivable	16	-
	<b>13,661</b>	<b>8,378</b>
<b>Total Current Assets</b>		
Noncurrent Assets:		
Capital assets:		
Depreciable, net	452,787	516,900
	<b>452,787</b>	<b>516,900</b>
<b>Total Noncurrent Assets</b>		
	<b>466,448</b>	<b>525,278</b>
<b>Total Assets</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	8,532	3,271
Interest payable	-	45
Compensated absences payable	8,638	19,767
	<b>17,170</b>	<b>23,083</b>
<b>Total Current Liabilities</b>		
Noncurrent Liabilities:		
Compensated absences payable	27,093	26,355
Net OPEB obligation	60,257	44,769
	<b>87,350</b>	<b>71,124</b>
<b>Total Noncurrent Liabilities</b>		
	<b>104,520</b>	<b>94,207</b>
<b>Total Liabilities</b>		
<b>NET ASSETS</b>		
Invested in capital assets	452,787	516,900
Unrestricted	(90,859)	(85,829)
	<b>\$ 361,928</b>	<b>\$ 431,071</b>
<b>Total Net Assets</b>		

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

**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2012**  
**(With Comparative Totals for June 30, 2011)**

	<b>Totals</b>	
	<b>2012</b>	<b>2011</b>
<b>OPERATING REVENUES</b>		
Passenger fares	\$ 79,059	\$ 72,101
Contract revenue	10,811	26,195
Donations	872	616
Reimbursed projects	30,209	37,667
<b>Total Operating Revenues</b>	120,951	136,579
<b>OPERATING EXPENSES</b>		
Salaries and benefits	678,660	681,483
Professional services	40,898	48,483
Fuel	94,484	83,387
Repairs and maintenance	56,056	59,176
Office and administration	18,486	17,160
Insurance	21,330	21,630
Depreciation	64,113	64,114
<b>Total Operating Expenses</b>	974,027	975,433
<b>Operating Income (Loss)</b>	(853,076)	(838,854)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Local transportation fund allocation	606,058	507,850
State transit assistance fund allocation	91,002	-
Interest income	510	22
Grant revenue	77,264	77,415
Other revenue	9,099	4,643
<b>Total Non-Operating Revenues (Expenses)</b>	783,933	589,930
<b>Change in Net Assets</b>	(69,143)	(248,924)
<b>Total Net Assets - Beginning</b>	431,071	679,995
<b>Total Net Assets - Ending</b>	361,928	431,071

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

**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2012**  
**(With Comparative Totals for June 30, 2011)**

	<b>Totals</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 122,978	\$ 135,739
Payments to suppliers	(225,993)	(233,604)
Payments to employees	(673,563)	(678,330)
	<b>(776,578)</b>	<b>(776,195)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local transportation funds allocated	606,058	507,850
State transit assistance funds allocated	91,002	-
Grant proceeds	77,264	161,887
Other non-operating revenue	9,099	4,643
	<b>783,423</b>	<b>674,380</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	449	1,956
	<b>449</b>	<b>1,956</b>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>449</b>	<b>1,956</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>7,294</b>	<b>(99,859)</b>
<b>Balance - Beginning of the Year</b>	<b>2,690</b>	<b>102,549</b>
<b>Balance - End of the Year</b>	<b>\$ 9,984</b>	<b>\$ 2,690</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (853,076)	\$ (838,854)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	64,113	64,114
Decrease (increase) in:		
Accounts receivable	2,027	(840)
Increase (decrease) in:		
Accounts payable	5,261	(3,768)
Compensated absences payable	(10,391)	(11,968)
Net OPEB obligation	15,488	15,121
	<b>(776,578)</b>	<b>(776,195)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (776,578)</b>	<b>\$ (776,195)</b>

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

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## **Basic Financial Statements**

- **Notes to Basic Financial Statements**

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**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Colusa County Transit Agency (Agency) 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 Agency's accounting policies are described below.

**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 Agency is considered to be a component unit of the Colusa County Local Transportation Commission. The entities are legally separate from each other. However, the Commission elected officials have a continuing full or partial oversight responsibility over and accountability for fiscal matters of the Agency. The criteria used to determine the scope of the reporting entity for financial reporting purposes are (1) exercise of oversight responsibility over such agencies by the governmental unit's elected officials, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

Although the Agency is considered to be a component unit of the Colusa County Local Transportation Commission, the Agency has not been presented as a blended component unit in the Colusa County Local Transportation Commission financial statements as required by generally accepted accounting principles.

**B. Basis of Presentation**

Fund financial statements of the Agency are organized into one fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, net assets, revenues, and expenses. The fund of the Agency is organized into the proprietary category and is treated as a major fund. 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.

**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (Continued)**

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 and State transit assistance revenue. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their enterprise fund, subject to the same limitation. The Agency has elected not to follow subsequent private-sector guidance.

**D. Cash, Cash Equivalents and Investments**

The Agency pools all cash and investments except for cash on deposit with one bank, with the County of Colusa. The Treasurer invests on behalf of most funds of the County and external participants in accordance with the California State Government Code and the County's investment policy.

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 the 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 Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Cash, Cash Equivalents and Investments (Continued)**

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 at 546 Jay Street, Colusa, CA 95932.

For purposes of the accompanying statement of cash flows, the Agency considers all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasurer's investment pool, to be cash equivalents.

**E. Accounts Receivable**

Accounts receivable consist mainly of user fees and interest earnings. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

**F. Inventory**

Purchases of supplies are recorded as an expense when purchased rather than when consumed. Records are not maintained of inventory and supplies on hand although these amounts are not considered material.

**G. Capital Assets**

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their estimated fair market value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets estimated useful life. The range of estimated useful lives by type of asset is as follows:

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

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

**H. 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 proprietary 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.

**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. 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.

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2012, the Agency's cash and investments consisted of the following:

Cash:	
Deposits	\$ <u>911</u>
Total Cash	<u>911</u>
Investments:	
Colusa County Treasurer's Pool	<u>9,073</u>
Total Investments	<u>9,073</u>
Total Cash and Investments	<u><u>\$ 9,984</u></u>

**B. Cash**

At year end, the carrying amount of the Agency's cash deposits was \$911 and the bank balance was \$911.

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 Agency will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Agency follows the investment policy of the County. The County's investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, interest bearing 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. The first \$250,000 of the County's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250,000 insured amount are collateralized. The County's investment policy does not further limit its deposits.

**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments**

Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund
- Mutual Funds
- Medium Term Corporate Notes
- Money Market Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements/Reverse Repurchase Agreements
- Securities of the Federal Government or its Agencies.

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. One of the ways the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. 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. State law and the County's investment policy limit investments in commercial paper to the rating of A1 or better by Standard & Poor's or P-1 or better by Moody's Investors Service; and corporate bonds to the rating of A or better by both Standard & Poor's and Moody's Investors Service. The Agency does not have a formal investment policy that would further limit its investment choices.

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 Agency 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 a 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 Agency'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. All investments of the Agency are in the County investment pool which contains a diversification of investments.

**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012 was follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital Assets, Being Depreciated:				
Structures and improvements	\$ 585,477	\$ -	\$ -	\$ 585,477
Equipment	<u>758,201</u>	<u>-</u>	<u>(15,683)</u>	<u>742,518</u>
Total Capital Assets, Being Depreciated	<u>1,343,678</u>	<u>-</u>	<u>(15,683)</u>	<u>1,327,995</u>
Less Accumulated Depreciation for:				
Structures and improvements	( 292,740)	( 19,516)	-	( 312,256)
Equipment	<u>(534,038)</u>	<u>(44,597)</u>	<u>15,683</u>	<u>(562,952)</u>
Total Accumulated Depreciation	<u>(826,778)</u>	<u>(64,113)</u>	<u>15,683</u>	<u>(875,208)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 516,900</u>	<u>(\$ 64,113)</u>	<u>\$ -</u>	<u>\$ 452,787</u>

Depreciation expense of \$64,113 was charged to operations.

**NOTE 4: LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 46,122	\$ 37,434	\$ 47,825	\$ 35,731	\$ 8,638
Net OPEB obligation	<u>44,769</u>	<u>31,319</u>	<u>15,831</u>	<u>60,257</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 90,891</u>	<u>\$ 68,753</u>	<u>\$ 63,656</u>	<u>\$ 95,988</u>	<u>\$ 8,638</u>

**NOTE 5: 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”.

**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 5: NET ASSETS (CONTINUED)**

**Net Asset 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 assets are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

**NOTE 6: EMPLOYEE BENEFITS**

**A. Employee's Retirement Plan**

The Agency employees are covered under the retirement plan of the County of Colusa.

The County contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office - 400 Q Street, Lincoln Plaza East, Sacramento, CA 95811.

Required disclosure information regarding employee's retirement plan can be found in the County's audited financial statements.

**B. Other Postemployment Benefits (OPEB)**

The Agency employees are covered under the postemployment benefit plan of the County of Colusa.

The County contributes to California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit postemployment healthcare plan administrator ("the Retiree Health Plan"). An employee is eligible for lifetime medical benefits under the Plan, along with his/her spouse at the time of retirement, if he or she retires from the County under CalPERS.

A portion of the County's postemployment benefit costs have been allocated to the Agency as follows:

Annual Required Contribution	\$ 32,792
Interest on Prior Year Net OPEB Obligation	1,810
Adjustment to Annual Required Contribution	( 3,283)
Annual OPEB Cost	31,319
Contributions Made:	
Pay As You Go Contribution	( 15,831)
Increase in Net OPEB Obligation	15,488
Net OPEB Obligation - Beginning of Year	<u>44,769</u>
Net OPEB Obligation - End of Year	<u>\$ 60,257</u>

Required disclosure information regarding postemployment benefits can be found in the County's audited financial statements.

**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 7: RISK MANAGEMENT**

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

**NOTE 8: RELATED PARTY TRANSACTIONS**

**Management and Administration**

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 benefits offered to County employees. Total administrative and personnel costs provided by the County to the Agency for the year ended June 30, 2012 were as follows:

	<u>June 30, 2012</u>
Personnel and benefits	\$ 678,660
Administrative overhead charges	5,590
Total Charges	\$ 684,250

**NOTE 9: OTHER INFORMATION**

**A. Subsequent Events**

Management has evaluated events subsequent to June 30, 2012 through March 19, 2013, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**B. 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, 2012, the fare ratio was 10.32 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2012, is as follows:

	<u>June 30, 2012</u>
Passenger Fares	\$ 79,059
Contract Revenue	10,811
Donations	872
Total Fare Revenue	\$ 90,742
Total Operating Expenses	\$ 974,027
Allowable TDA adjustments:	
Depreciation	( 64,113)
Reimbursed projects	( 30,209)
Net Operating Expenses	\$ 879,705
Fare Revenue Ratio	10.32%



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## **OTHER REPORT AND SCHEDULES**

- **Other Report**
- **Status of Prior Year Recommendations**

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

To the Board of Directors and Board of Commissioners  
Colusa County Transit Agency  
Colusa, California

We have audited the financial statements of the proprietary fund of Colusa County Transit Agency (Agency), a component unit of the Colusa County Local Transportation Commission, California, as of and for the year ended June 30, 2012, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 19, 2013. 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 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.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

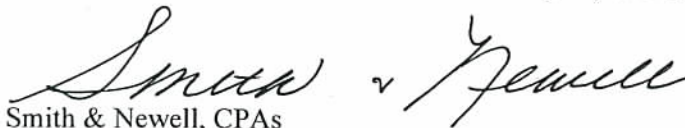
To the Board of Directors and Board of Commissioners  
Colusa County Transit Agency  
Colusa, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 of the Agency's compliance with the specific tasks identified in the California Code of Regulations Section 6667 that are applicable to the Agency. 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.

This report is intended solely for the information and use of management, others within the organization, the Board of Directors, the Colusa County Transportation Commission, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script, appearing to read "Smith & Newell".

Smith & Newell, CPAs  
Yuba City, California  
March 19, 2013

**COLUSA COUNTY TRANSIT AGENCY**  
**(A Component Unit of the Colusa County Local Transportation Commission, California)**  
**Status of Prior Year Recommendations**  
**For the Year Ended June 30, 2012**

**Audit Reference**

**Status of Prior Year Audit Recommendations**

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**11-FS-01**

**Revenue Recognition**

**Recommendation**

We recommend that the Agency review LTF monies to verify that revenue recognition is in accordance with generally accepted accounting principles.

**Status**

The policy followed by Colusa County is to only allocate revenue for accrued and actual current expenses therefore all revenue received is considered earned.

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