

**COLUSA COUNTY LOCAL
TRANSPORTATION COMMISSION,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2011**

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

**Annual Financial Report
For the Year Ended June 30, 2011**

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COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Annual Financial Report
For the Year Ended June 30, 2011

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INTRODUCTORY SECTION

- **Members of the Board**

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Board of Commissioners
For the Year Ended June 30, 2011

Gary Evans	County of Colusa
Tom Indrieri	County of Colusa
Kim Vann	County of Colusa
Tom Reische	City of Colusa
Pat Landreth	City of Colusa
Charles Bergson	City of Williams

FINANCIAL SECTION

- **Independent Auditor's Report**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Supplementary Information**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Colusa County Local Transportation Commission
Colusa, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Colusa County Local Transportation Commission, California (Commission), as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Commission's primary government as listed in the table of contents. These financial statements are the responsibility of the Commission'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.

The financial statements referred to above include only the primary government of the Commission, which consists of all funds, that comprise the Commission's legal entity. The financial statements do not include financial data for the Commission's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Commission's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Commission as of June 30, 2011, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the primary government of the Commission as of June 30, 2011, and the respective changes in financial position 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 26, 2012, on our consideration of the Commission'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.

Board of Commissioners
Colusa County Local Transportation Commission
Colusa, California

The budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's primary government'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. The Schedules of Allocations and Expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.



Smith & Newell CPAs
Yuba City, California
March 26, 2012

Basic Financial Statements

- **Government-Wide Financial Statements**

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Statement of Net Assets
June 30, 2011

	Total Governmental Activities
ASSETS	
Cash and investments	\$ 1,149,426
Accounts receivable	122,405
Interest receivable	7,733
Taxes receivable	83,800
Capital assets:	
Depreciable, net	26,157
Total Assets	1,389,521
LIABILITIES	
Accounts payable	15,841
Total Liabilities	15,841
NET ASSETS	
Invested in capital assets	26,157
Restricted for transportation	1,347,523
Total Net Assets	\$ 1,373,680

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

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Statement of Activities

For the Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs:				
Governmental activities:				
Transportation	\$ 983,177	\$ -	\$ 206,762	\$ -
Total Governmental Activities	<u>983,177</u>	<u>-</u>	<u>206,762</u>	<u>-</u>
Total	<u>\$ 983,177</u>	<u>\$ -</u>	<u>\$ 206,762</u>	<u>\$ -</u>
General revenues:				
Sales and use taxes				792,080
Interest and investment earnings				<u>8,157</u>
Total General Revenues				<u>800,237</u>
Change in Net Assets				23,822
Net Assets - Beginning				<u>1,349,858</u>
Net Assets - Ending				<u>\$ 1,373,680</u>

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

Basic Financial Statements

- **Fund Financial Statements**

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Balance Sheet
Governmental Funds
June 30, 2011

	Local Transportation Planning	Local Transportation	State Transit Assistance	Total
ASSETS				
Cash and investments	\$ 165,664	\$ 983,762	\$ -	\$ 1,149,426
Accounts receivable	122,405	-	-	122,405
Interest receivable	1,069	6,664	-	7,733
Taxes receivable	-	83,800	-	83,800
Total Assets	\$ 289,138	\$ 1,074,226	\$ -	\$ 1,363,364
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,841	\$ -	\$ -	\$ 15,841
Deferred revenues	122,405	-	-	122,405
Total Liabilities	138,246	-	-	138,246
Fund Balances:				
Restricted	150,892	1,074,226	-	1,225,118
Total Fund Balances	150,892	1,074,226	-	1,225,118
Total Liabilities and Fund Balances	\$ 289,138	\$ 1,074,226	\$ -	\$ 1,363,364

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

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2011

Total Fund Balance - Total Governmental Funds	\$ 1,225,118
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	26,157
Other long term assets are not available to pay for current period expenditures and therefore are not reported in the funds or reported as deferred in the governmental funds.	
Deferred revenue	<u>122,405</u>
Net Assets of Governmental Activities	<u><u>\$ 1,373,680</u></u>

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

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	Local Transportation Planning	Local Transportation	State Transit Assistance	Total
REVENUES				
Taxes	\$ -	\$ 792,080	\$ -	\$ 792,080
Aid from other government agencies:				
Rural planning assistance	158,749	-	-	158,749
Use of money	1,063	7,087	7	8,157
Total Revenues	<u>159,812</u>	<u>799,167</u>	<u>7</u>	<u>958,986</u>
EXPENDITURES				
Overall Work Program:				
Transportation administration (1.01)	19,000	-	-	19,000
Participation in transit operations metropolitan and state planning (2.01)	466	-	-	466
Blueprint (2.01)	1,862	-	-	1,862
Planning for transit systems management/operations to increase ridership (4.01)	11,874	-	-	11,874
Emphasize the preservation of the current system (5.01)	85,683	-	-	85,683
STIP PPM expenses	18,103	-	-	18,103
Road maintenance	-	309,401	-	309,401
Allocations:				
Regional transit	-	507,850	-	507,850
Planning and administration	18	19,147	-	19,165
Total Expenditures	<u>137,006</u>	<u>836,398</u>	<u>-</u>	<u>973,404</u>
Net Change in Fund Balances	22,806	(37,231)	7	(14,418)
Fund Balances - Beginning	<u>128,086</u>	<u>1,111,457</u>	<u>(7)</u>	<u>1,239,536</u>
Fund Balances - Ending	<u>\$ 150,892</u>	<u>\$ 1,074,226</u>	<u>\$ -</u>	<u>\$ 1,225,118</u>

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

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (14,418)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(9,773)
Some revenues reported in the statement of activities will not be collected for several months after the Commission's year end and do not provide current financial resources and therefore are not reported as revenue in the governmental funds.	
Change in deferred revenue	<u>48,013</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 23,822</u></u>

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Colusa County Local Transportation Commission (Commission) 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 Commission's accounting policies are described below.

A. Reporting Entity

The Colusa County Local Transportation Commission (Commission), the regional transportation planning agency for the County of Colusa, was established in 1973 pursuant to the Transportation Development Act of 1971. The Commission is responsible for transportation planning activities as well as administration of the Local Transportation Fund and State Transit Assistance Fund.

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

As required by GAAP, these financial statements present the Commission and its component units, entities for which the government is considered to be financially accountable.

Reporting for component units on the Commission's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the Commission'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.

For financial reporting purposes, the Commission's basic financial statements include only the financial activities of the primary government. The financial statements do not include financial data for the Colusa County Transit Agency, the Commission's legally separate component unit. The financial statements of the individual component unit may be obtained by writing to the Colusa County Local Transportation Commission, 1215 Market Street, Colusa, CA 95932.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information on all of the activities of the Commission. These statements include the financial activities of the Commission. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the Commission, which are normally supported by taxes and intergovernmental revenues. The Commission had no business-type activities at June 30, 2011.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

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 Commission'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 Commission 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, liabilities, fund equity, revenues, and expenditures. The funds of the Commission are organized into the governmental category. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Commission or meets the following criteria:

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

The Commission reports the following major governmental funds:

- The Local Transportation Planning fund is a special revenue fund used to account for monies expended in relation to the overall work program.
- The Local Transportation fund is a special revenue fund used to account for local transportation activities.
- The State Transit Assistance fund is a special revenue fund used to account for the receipt and expenditure of State Transit Assistance funds.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Commission 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.

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 thirty 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 assets.

E. Investments

The Commission pools all cash and investments with the County of Colusa. The Colusa County Treasury is an external investment pool for the Commission and the Commission is considered an involuntary participant. 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 Commission'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 monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to 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 LOCAL TRANSPORTATION COMMISSION
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

F. Receivables

Accounts Receivable

Accounts receivable consist mainly of sales taxes and grants. 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. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets are recorded 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 estimated useful life in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3-25 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.

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. 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.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Transactions (Continued)

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.

J. Compensated Absences and Postemployment Benefits

The Commission does not have employees and consequently does not provide compensated absences or postemployment benefits.

K. 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.

L. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 54

For the fiscal year ended June 30, 2011, the Commission implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), "Fund Balance Reporting and Governmental Fund Type Definitions". The requirements of this statement are effective for financial statement periods beginning after June 15, 2010.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing governmental fund type definitions. It establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The initial distinction in reporting fund balance information is identifying amounts that are considered nonspendable. This Statement provides for additional classification as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

GASB 54 also provides guidance for classifying and disclosing information on stabilization amounts. The definitions of the General fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2011, the Commission's cash and investments consisted of the following:

Investments:	
Colusa County Treasurer's Pool	\$ 1,149,426
Total Cash and Investments	<u>\$ 1,149,426</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 Commission will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The County's investment policy requires that deposits in banks must meet 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. The Commission does not have a formal investment policy that further limits its deposits.

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

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.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2011

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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 Standards & Poor's or P-1 or better by Moody's Investors Service; and corporate bonds to the rating of A or better by both Standards & Poor's and Moody's Investors Service. The Commission 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 Commission 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 Commission'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 Commission are in the County investment pool which contains a diversification of investments.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2011</u>
Capital Assets, Being Depreciated:				
Equipment	\$ 77,029	\$ -	-	\$ 77,029
Total Capital Assets, Being Depreciated	<u>77,029</u>	<u>-</u>	<u>-</u>	<u>77,029</u>
Less Accumulated Depreciation for:				
Equipment	(41,099)	(9,773)	-	(50,872)
Total Accumulated Depreciation	<u>(41,099)</u>	<u>(9,773)</u>	<u>-</u>	<u>(50,872)</u>
Capital Assets, Net	<u>\$ 35,930</u>	<u>(\$ 9,773)</u>	<u>\$ -</u>	<u>\$ 26,157</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

Transportation	\$ 9,773
Total Depreciation Expense - Governmental Functions	<u>\$ 9,773</u>

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 4: DEFERRED REVENUE

At June 30, 2011, the Commission recorded deferred revenue of \$122,405 in the Local Transportation Planning fund for the fourth quarter rural planning assistance receivable not meeting the available criteria at June 30, 2011.

NOTE 5: NET ASSETS

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- 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. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- 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, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 6: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balance for governmental funds are made up of the following:

- Nonspendable fund balance - includes amounts that are (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, prepaid amounts, and long-term notes receivable.
- Restricted fund balance - includes amounts that can be spent for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Commission’s highest level of decision-making authority, the Board of Commissioners. Commitments may be changed or lifted only by the Commission taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2011

NOTE 6: FUND BALANCES (CONTINUED)

- Assigned fund balance - comprises amounts intended to be used by the Commission for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the Board of Commissioners or (b) a body (for example: a budget or finance committee) or official to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, that fund would report a negative unassigned fund balance.

The Board of Commissioners establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is considered that restricted resources are used first, followed by the unrestricted committed, assigned and unassigned resources as they are needed.

The fund balances for all governmental funds as of June 30, 2011, were distributed as follows:

	<u>Local Transportation Planning</u>	<u>Local Transportation</u>	<u>State Transit Assistance</u>	<u>Total</u>
Restricted for:				
Transportation	\$ 150,892	\$ 1,074,226	\$ -	\$ 1,225,118
Total Restricted	<u>150,892</u>	<u>1,074,226</u>	<u>-</u>	<u>1,225,118</u>
Total	<u>\$ 150,892</u>	<u>\$ 1,074,226</u>	<u>\$ -</u>	<u>\$ 1,225,118</u>

NOTE 7: RISK MANAGEMENT

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

NOTE 8: RELATED PARTY TRANSACTIONS

The Commission has an agreement with the County of Colusa to manage its operations. The County also provides engineering and construction services to the Commission upon request.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 9: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to June 30, 2011 through March 26, 2012, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**Required Supplementary Information
(Unaudited)**

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Required Supplementary Information
Budgetary Comparison Schedule - Budgetary Basis
Local Transportation Planning - Major Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Aid from other government agencies:				
Rural planning assistance	\$ 227,000	\$ 227,000	\$ 158,749	\$ (68,251)
Use of money	-	-	1,063	1,063
	<u>227,000</u>	<u>227,000</u>	<u>159,812</u>	<u>(67,188)</u>
EXPENDITURES				
Overall Work Program	227,000	227,000	118,885	108,115
STIP PPM expenses	70,192	70,192	18,103	52,089
SAFETEA-LU expenses	96,093	96,093	-	96,093
Planning and administration	-	-	18	(18)
	<u>393,285</u>	<u>393,285</u>	<u>137,006</u>	<u>256,279</u>
Net Change in Fund Balance	(166,285)	(166,285)	22,806	189,091
Fund Balance - Beginning	<u>128,086</u>	<u>128,086</u>	<u>128,086</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (38,199)</u>	<u>\$ (38,199)</u>	<u>\$ 150,892</u>	<u>\$ 189,091</u>

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Required Supplementary Information
Budgetary Comparison Schedule - Budgetary Basis
Local Transportation - Major Special Revenue Fund
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 775,000	\$ 775,000	\$ 792,080	\$ 17,080
Use of money	25,000	25,000	7,087	(17,913)
Total Revenues	800,000	800,000	799,167	(833)
EXPENDITURES				
Allocations:				
Regional transit	775,000	925,000	507,850	417,150
Road maintenance	341,045	959,846	309,401	650,445
Planning and administration	25,000	25,000	19,147	5,853
Total Expenditures	1,141,045	1,909,846	836,398	1,073,448
Net Change in Fund Balance	(341,045)	(1,109,846)	(37,231)	1,072,615
Fund Balance - Beginning	1,111,457	1,111,457	1,111,457	-
Fund Balance - Ending	\$ 770,412	\$ 1,611	\$ 1,074,226	\$ 1,072,615

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Note to Required Supplementary Information

For the Year Ended June 30, 2011

BUDGETARY BASIS OF ACCOUNTING

The following procedures are preformed by the Commission in establishing the budgetary data reflected in the financial statements:

- (1) The Director of Public Works submits to the Board of Commissioners 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 Commissioners review the recommended budget at regularly scheduled meetings, which are open to the public.
- (3) Prior to July 1, the budget is adopted through Board order.
- (4) The Board of Commissioners may amend the budget by motion during the fiscal year.
- (5) Formal budgetary integration is employed as a management control device during the year. The Commission presents a comparison of annual budgets to actual results for all governmental funds. For the year ended June 30, 2011, no budget was adopted for the State Transit Assistance fund because activity was minimal. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Supplementary Information

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Schedule of Allocations and Expenditures
Local Transportation Fund
For the Year Ended June 30, 2011

	<u>Beginning Allocations as Adjusted</u>	<u>Allocated</u>	<u>Expended</u>	<u>Rescinded</u>	<u>Ending Allocations as Adjusted</u>
Colusa County Transit Agency 99260 (a)	\$ -	\$ 507,850	\$ 507,850	\$ -	\$ -
Colusa County Local Transportation Commission 99233.1	-	19,147	19,147	-	-
County of Colusa 99234	309,401	138,588	309,401	-	138,588
City of Colusa 99233.9	338,232	76,365	-	-	414,597
City of Williams 99233.9	312,214	67,880	-	-	380,094
Contingency	150,000	-	-	-	150,000
	<u>\$ 1,109,847</u>	<u>\$ 809,830</u>	<u>\$ 836,398</u>	<u>\$ -</u>	<u>\$ 1,083,279</u>

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Schedule of Allocations and Expenditures
State Transit Assistance Fund
For the Year Ended June 30, 2011

	<u>Allocations Outstanding June 30, 2010</u>	<u>Allocated</u>	<u>Expended</u>	<u>Rescinded</u>	<u>Allocations Outstanding June 30, 2011</u>
Colusa County Transit Agency 6731 (b)	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER REPORT AND SCHEDULES

- **Other Report**

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 Commissioners
Colusa County Local Transportation Commission
Colusa, California

We have audited the financial statements of the governmental activities and each major fund of the Colusa County Local Transportation Commission (Commission), as **of and for the year ended June 30, 2011**, which collectively comprise the basic financial statements of the Commission's primary government and have issued our report thereon dated March 26, 2012. 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 Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission'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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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.

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.

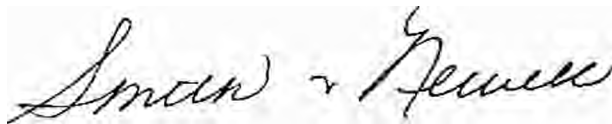
Board of Commissioners
Colusa County Local Transportation Commission
Colusa, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's primary government's financial statements are free of material misstatement, we performed tests 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 Commission were made in accordance with the allocation instructions and resolutions of the Commission and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Section 6666 that are applicable to the Commission 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 riot 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, the Board of Commissioners, others within the organization, 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 26. 2012