

**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, 2011**

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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, 2011

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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, 2011, 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.

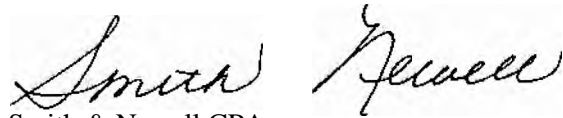
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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 proprietary fund of the Agency as of June 30, 2011, 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 26, 2012, 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.

Handwritten signatures of Smith and Newell in cursive script.

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

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, 2011
(With Comparative Totals for June 30, 2010)

	Totals	
	2011	2010
ASSETS		
Current Assets:		
Cash and investments	\$ 1,780	\$ 101,639
Cash with fiscal agent	910	910
Accounts receivable	5,688	4,848
Due from other governmental agencies	-	84,472
Interest receivable	-	1,889
	8,378	193,758
Noncurrent Assets:		
Capital assets:		
Depreciable, net	516,900	581,014
	516,900	581,014
	525,278	774,772
LIABILITIES		
Current Liabilities:		
Accounts payable	3,271	7,039
Interest payable	45	-
Compensated absences payable	19,767	44,454
	23,083	51,493
Noncurrent Liabilities:		
Compensated absences payable	26,355	13,636
Net OPEB obligation	44,769	29,648
	71,124	43,284
	94,207	94,777
NET ASSETS		
Invested in capital assets	516,900	581,014
Unrestricted	(85,829)	98,981
	\$ 431,071	\$ 679,995

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, 2011
(With Comparative Totals for June 30, 2010)

	Totals	
	2011	2010
OPERATING REVENUES		
Passenger fares	\$ 72,101	\$ 63,963
Contract revenue	26,195	25,010
Donations	616	997
Reimbursed projects	37,667	38,976
Total Operating Revenues	136,579	128,946
OPERATING EXPENSES		
Salaries and benefits	681,483	682,712
Professional services	48,483	76,116
Fuel	83,387	63,100
Repairs and maintenance	59,176	47,449
Office and administration	17,160	18,245
Insurance	21,630	28,530
Depreciation	64,114	64,692
Total Operating Expenses	975,433	980,844
Operating Income (Loss)	(838,854)	(851,898)
NON-OPERATING REVENUES (EXPENSES)		
Local transportation fund allocation	507,850	585,821
State transit assistance fund allocation	-	128,543
Interest income	22	7,636
Grant revenue	77,415	84,472
Other revenue	4,643	6,532
Total Non-Operating Revenues (Expenses)	589,930	813,004
Change in Net Assets	(248,924)	(38,894)
Total Net Assets - Beginning	679,995	718,889
Total Net Assets - Ending	431,071	679,995

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, 2011
(With Comparative Totals for June 30, 2010)

	Totals	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 135,739	\$ 126,691
Payments to suppliers	(233,604)	(238,650)
Payments to employees	(678,330)	(682,224)
	(776,195)	(794,183)
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local transportation funds allocated	507,850	585,821
State transit assistance funds allocated	-	128,543
Grant proceeds	161,887	-
Other non-operating revenue	4,643	6,532
	674,380	720,896
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(17,103)
	-	(17,103)
Net Cash Provided (Used) by Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,956	6,346
	1,956	6,346
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(99,859)	(84,044)
Balance - Beginning of the Year	102,549	186,593
Balance - End of the Year	\$ 2,690	\$ 102,549
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (838,854)	\$ (851,898)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	64,114	64,692
Decrease (increase) in:		
Accounts receivable	(840)	(2,255)
Increase (decrease) in:		
Accounts payable	(3,768)	(5,210)
Compensated absences payable	(11,968)	(14,493)
Net OPEB obligation	15,121	14,981
	(776,195)	(794,183)
Net Cash Provided (Used) by Operating Activities	\$ (776,195)	\$ (794,183)

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, 2011

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, 2011

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 cash and investments, other than cash with fiscal agent, with the County of Colusa. The Agency's share in this pool is displayed in the accompanying financial statements as cash and investments. Interest from pooled investments is allocated to the pool participants based on average balances of the funds entitled to receive interest. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance.

The Agency has stated required investments at fair values as required by GASB Statement No. 31. Fair value is based on published market prices and quotations from major investment brokers.

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.

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, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventory

Purchases of supplies are recorded as an expense at the time of purchase. Records are not maintained of inventory and supplies on hand, however, 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.

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.

J. Comparative Data

Summaries of comparative data for the prior year financial statements have been presented to provide an understanding of changes in the Agency's financial position and operations.

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, 2011

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

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

Cash:	
Deposits with Fiscal Agents	\$ <u>910</u>
Total Cash	<u>910</u>
Investments:	
Colusa County Treasurer's Pool	<u>1,780</u>
Total Investments	<u>1,780</u>
Total Cash and Investments	<u><u>\$ 2,690</u></u>

B. Cash

At year end, the carrying amount of the Agency's cash deposits was \$910 and the bank balance was \$910.

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, deposits in excess of the Federal Deposit Insurance Corporation (FDIC) must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The County's non interest bearing accounts and 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.

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.

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, 2011

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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 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 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.

NOTE 3: CAPITAL ASSETS

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

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Capital Assets, Being Depreciated:				
Structures and improvements	\$ 585,477	\$ -	\$ -	\$ 585,477
Equipment	<u>814,225</u>	<u>-</u>	<u>(56,024)</u>	<u>758,021</u>
Total Capital Assets, Being Depreciated	<u>1,399,702</u>	<u>-</u>	<u>(56,024)</u>	<u>1,343,678</u>
Less Accumulated Depreciation for:				
Structures and improvements	(273,224)	(19,516)	-	(292,740)
Equipment	<u>(545,464)</u>	<u>(44,598)</u>	<u>56,024</u>	<u>(534,038)</u>
Total Accumulated Depreciation	<u>(818,688)</u>	<u>(64,114)</u>	<u>56,024</u>	<u>(826,778)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 581,014</u>	<u>(\$ 64,114)</u>	<u>\$ -</u>	<u>\$ 516,900</u>

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, 2011

NOTE 3: CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$64,114 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, 2011:

	Balance July 1, 2010	Additions/ Adjustments	Retirements	Balance June 30, 2011	Amounts Due Within One Year
Compensated absences	\$ 58,090	\$ 32,830	\$ 44,798	\$ 46,122	\$ 19,767
Net OPEB obligation	29,648	31,049	15,928	44,769	-
Total Long-Term Liabilities	<u>\$ 87,738</u>	<u>\$ 63,879</u>	<u>\$ 60,726</u>	<u>\$ 90,891</u>	<u>\$ 19,767</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”.

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.

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, 2011

NOTE 6: EMPLOYEE BENEFITS (CONTINUED)

A. Employee's Retirement Plan (Continued)

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	\$ 31,977
Interest on Prior Year Net OPEB Obligation	1,279
Adjustment to Annual Required Contribution	<u>(2,207)</u>
Annual OPEB Cost	31,049
Contributions Made:	
Pay As You Go Contribution	<u>(15,928)</u>
Increase in Net OPEB Obligation	15,121
Net OPEB Obligation - Beginning of Year	<u>29,648</u>
Net OPEB Obligation - End of Year	<u><u>\$ 44,769</u></u>

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

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.

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, 2011

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, 2011 were as follows:

	<u>June 30, 2011</u>
Personnel and benefits	\$ 681,483
Administrative overhead charges	21,617
Total Charges	<u>\$ 703,100</u>

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.

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, 2011, the fare ratio was 11.32 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2011, is as follows:

	<u>June 30, 2011</u>
Passenger Fares	\$ 72,101
Contract Revenue	26,195
Donations	616
Total Fare Revenue	<u>\$ 98,912</u>
Total Operating Expenses	\$ 975,433
Allowable TDA adjustments:	
Depreciation	(64,114)
Reimbursed projects	(37,667)
Net Operating Expenses	<u>\$ 873,652</u>
Fare Revenue Ratio	<u>11.32%</u>

OTHER REPORT AND SCHEDULES

- **Other Report**
- **Schedule of Findings and Recommendations**
- **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, 2011**, which collectively comprise the Agency's basic financial statements 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 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations that we consider to be significant deficiencies in internal control over financial reporting. (1 I-FS-01) A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

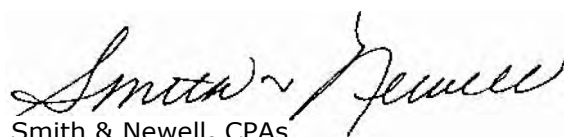
Compliance and Other Matters

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.

The Agency's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. We did not audit the Agency's response and, accordingly, we express no opinion on it.

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.



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

COLUSA COUNTY TRANSIT AGENCY
(A Component Unit of the Colusa County Local Transportation Commission, California)
Schedule of Findings and Recommendations
For the Year Ended June 30, 2011

Schedule of Significant Deficiencies

11-FS-01 Revenue Recognition

Condition

During our audit we noted that the Agency receives Local Transportation Fund (LTF) allocations and records the revenue in the period the monies are received as opposed to when they are earned. In prior years this practice has resulted in a surplus in unrestricted net assets. For the year ended June 30, 2011, the Agency has a deficit in restricted net assets of (\$85,829).

Cause

The Agency recognizes the LTF allocation revenue when received and does not analyze the revenues to verify that the earnings process is complete or that full reimbursement has been received.

Criteria

For proprietary fund accounting, revenue should be recognized on the accrual basis of accounting when the earnings process is complete.

Effect of Condition

The Agency may not be recognizing LTF monies in accordance with generally accepted accounting principles.

Recommendation

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

Corrective Action Plan

We understand that in prior years, this practice has resulted in a surplus in unrestricted net assets, while this year we have a deficit in restricted net assets. We will continue to investigate our practices and analyze our revenues to verify that the earnings process is complete or that full reimbursement has been received.

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, 2011

Audit Reference

Status of Prior Year Audit Recommendations

10-FS-01

UNEARNED REVENUE

Recommendation

We recommend that the Agency review grant monies to determine if the earnings process is complete and record the monies as either current year revenues or unearned revenues.

Status

Partially Implemented