

**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, 2010**

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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, 2010**

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# **FINANCIAL SECTION**

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- **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

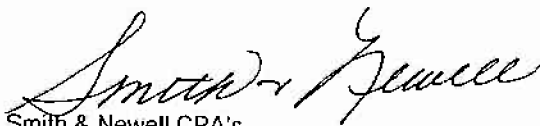
We have audited the accompanying financial statements of the proprietary fund of the Colusa County Transit Agency, (Agency) a component unit of the Colusa County Local Transportation Commission, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial 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, 2010, 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 February 22, 2011, 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.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Smith & Newell CPA's  
Yuba City, California  
February 22, 2011

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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, 2010**

(With comparative totals for June 30, 2009)

	<b>Totals</b>	
	<b>2010</b>	<b>2009</b>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and investments	\$ 101,639	\$ 185,412
Cash with fiscal agent	910	1,181
Accounts receivable	4,848	2,593
Due from other governmental agencies	84,472	-
Interest receivable	1,889	599
<b>Total Current Assets</b>	<b>193,758</b>	<b>189,785</b>
Noncurrent Assets		
Capital assets:		
Depreciable, net	581,014	628,603
<b>Total Noncurrent Assets</b>	<b>581,014</b>	<b>628,603</b>
<b>Total Assets</b>	<b>774,772</b>	<b>818,388</b>
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable	7,039	12,249
Compensated absences payable	44,454	39,919
<b>Total Current Liabilities</b>	<b>51,493</b>	<b>52,168</b>
Noncurrent Liabilities		
Compensated absences payable	13,636	32,664
Net OPEB obligation	29,648	14,667
<b>Total Noncurrent Liabilities</b>	<b>43,284</b>	<b>47,331</b>
<b>Total Liabilities</b>	<b>94,777</b>	<b>99,499</b>
<b><u>NET ASSETS</u></b>		
Invested in capital assets	581,014	628,603
Unrestricted	98,981	90,286
<b>Total Net Assets</b>	<b>\$ 679,995</b>	<b>\$ 718,889</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, 2010**

(With comparative totals for June 30, 2009)

	<b>Totals</b>	
	<b>2010</b>	<b>2009</b>
<b><u>OPERATING REVENUES</u></b>		
Passenger fares	\$ 63,963	\$ 74,332
Contract revenue	25,010	18,861
Donations	997	1,417
Reimbursed projects	38,976	33,553
<b>Total Operating Revenues</b>	128,946	128,163
<b><u>OPERATING EXPENSES</u></b>		
Salaries and benefits	682,712	673,784
Professional services	76,116	29,412
Fuel	63,100	63,177
Repairs and maintenance	47,449	44,188
Office and administration	18,245	16,115
Insurance	28,530	23,776
Depreciation	64,692	66,738
<b>Total Operating Expenses</b>	980,844	917,190
<b>Operating Income (Loss)</b>	(851,898)	(789,027)
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Local transportation fund allocation	585,821	431,371
State transit assistance fund allocation	128,543	78,237
Interest income	7,636	5,566
Grant revenue	84,472	79,886
Other revenue	6,532	5,253
Gain on sale of assets	-	4,801
<b>Total Non-Operating Revenues (Expenses)</b>	813,004	605,114
<b>Change in Net Assets</b>	(38,894)	(183,913)
<b>Total Net Assets - Beginning</b>	718,889	902,802
<b>Total Net Assets - Ending</b>	679,995	718,889

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, 2010**  
(With comparative totals for June 30, 2009)

	<b>Totals</b>	
	<b>2010</b>	<b>2009</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers	\$ 126,691	\$ 131,411
Payments to suppliers	(238,650)	(173,764)
Payments to employees	(682,224)	(659,900)
	<b>(794,183)</b>	<b>(702,253)</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>		
Local transportation funds allocated	585,821	431,371
State transit assistance funds allocated	128,543	78,237
Grant proceeds	-	79,886
Other non-operating revenue	6,532	5,253
	<b>720,896</b>	<b>594,747</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Acquisition of capital assets	(17,103)	-
Proceeds from sale of capital assets	-	4,801
	<b>(17,103)</b>	<b>4,801</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest received on investments	6,346	6,192
	<b>6,346</b>	<b>6,192</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(84,044)</b>	<b>(96,513)</b>
<b>Balance - Beginning of the Year</b>	<b>186,593</b>	<b>283,106</b>
<b>Balance - End of the Year</b>	<b>\$ 102,549</b>	<b>\$ 186,593</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>		
Operating income (loss)	\$ (851,898)	\$ (789,027)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	64,692	66,738
Decrease (increase) in:		
Accounts receivable	(2,255)	3,248
Increase (decrease) in:		
Accounts payable	(5,210)	2,904
Compensated absences payable	(14,493)	(783)
Net OPEB obligation	14,981	14,667
	<b>(794,183)</b>	<b>(702,253)</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, 2010**

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

**A. Reporting Entity**

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

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

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

The 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 for the reporting entity for financial reporting purposes are (1) exercise of oversight responsibility over such agencies by the governmental units 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**

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

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.

**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, 2010**

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

**C. Basis of Accounting and Measurement Focus (Continued)**

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for 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.

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

**D. Cash and Cash Equivalents**

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

**E. Cash and Investments**

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

Participant's equity in the investment pool is determined by the dollar amount of participants deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants each 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 to support the participant equity in the investment pool.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Colusa's financial statements may be obtained by contacting the County of Colusa Auditor-Controller's office at 546 Jay Street, Colusa, CA 95932.

**F. Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Proprietary funds report user fees, local transportation funds, and interest earnings as their major receivables. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts was recorded.

**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, 2010**

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

**G. Inventory**

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

**H. Capital Assets**

In the proprietary fund financial statements, property, plant, and equipment are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. 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

**I. Long-Term Debt**

All long-term debt to be repaid from proprietary fund resources are reported as liabilities in the proprietary fund financial statements. The long-term debt consists primarily of compensated absences and net OPEB obligation.

**J. 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.

**K. Net Assets**

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

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

**L. Revenue and Expenses**

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

**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, 2010**

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

**M. 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.

**N. 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.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Implementation of Governmental Accounting Standards Board Statements**

**GASB Statement No. 51**

GASB has issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce prior inconsistencies in accounting for these assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This change is reported as a cumulative effect of a change in accounting principle or for governments that were classified as phase 3 governments such as the Agency, the Statement may be implemented prospectively. As permitted by GASB Statement No. 51, the financial statements have not been restated for prior year costs, if any, associated with implementing GASB Statement No. 51, but the statement will be prospectively implemented. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

**NOTE 3: DETAILED NOTES**

**A. Cash and Investments**

As of June 30, 2010, the Agency's cash and investments consisted of the following:

Cash:		
Deposits with Fiscal Agents	\$	910
Total Cash		910
Investments:		
Colusa County Treasurer's Pool		101,639
Total Investments		101,639
Total Cash and Investments	\$	102,549

**Cash**

At year end, the carrying amount of the Agency's cash deposits (including amount in checking accounts and deposits with fiscal agents) was \$910 and the bank balance was \$910.

Custodial Credit Risk for Deposits - Custodial credit risk 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. Government Code requires that deposits in excess of \$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 Agency's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250,000 insured amount are collateralized. The Agency does not have a formal investment policy that further limits 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, 2010

**NOTE 3: DETAILED NOTES (CONTINUED)**

**A. Cash and Investments (Continued)**

**Investments**

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the Agency are pooled with the County of Colusa investment pool. The Agency does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses.

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 County investment pool 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. No limits are placed on U.S. Government agency securities and U.S. Treasuries. The Agency does not have a formal investment policy that would further limit its investment choices.

Custodial Credit Risk - Custodial credit risk 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 does not have a formal investment policy that would further limit the exposure to custodial credit risk.

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. The Agency has invested all cash, except cash with fiscal agents, in the County investment pool which contains a diversification of investments.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2010</u>
Capital Assets, Being Depreciated:				
Structures and improvement	\$ 585,477	\$ -	\$ -	\$ 585,477
Equipment	<u>806,552</u>	<u>17,103</u>	<u>(9,430)</u>	<u>814,225</u>
Total Capital Assets, Being Depreciated	<u>1,392,029</u>	<u>17,103</u>	<u>(9,430)</u>	<u>1,399,702</u>
Less Accumulated Depreciation for:				
Structures and improvement	( 253,708)	( 19,516)	-	( 273,224)
Equipment	<u>(509,718)</u>	<u>(45,176)</u>	<u>9,430</u>	<u>(545,464)</u>
Total Accumulated Depreciation	<u>(763,426)</u>	<u>(64,692)</u>	<u>9,430</u>	<u>(818,688)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 628,603</u>	<u>(\$ 47,589)</u>	<u>\$ -</u>	<u>\$ 581,014</u>

Depreciation expense was charged as follows:

Transit	<u>\$ 64,692</u>
Total Depreciation Expense	<u>\$ 64,692</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, 2010**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**C. Long-Term Liabilities**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2010:

	Balance July 1, 2009	Additions/ Adjustments	Retirements	Balance June 30, 2010	Amounts Due Within One Year
Compensated absences (Note 1J)	\$ 72,583	\$ 35,243	(\$ 49,736)	\$ 58,090	\$ 44,454
Net OPEB obligation (Note 4B)	14,667	30,006	( 15,025)	29,648	-
Total Long-Term Liabilities	<u>\$ 87,250</u>	<u>\$ 65,249</u>	<u>(\$ 64,761)</u>	<u>\$ 87,738</u>	<u>\$ 44,454</u>

**NOTE 4: 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 P Street, Sacramento, CA 95814.

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

**B. Other Post-Employment Benefits (OPEB)**

The Agency employees are covered under the post-employment benefit plan of the County of Colusa.

The County contributes to California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit post-employment 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 post-employment benefit costs have been allocated to the Agency as follows:

Annual Required Contribution	\$ 29,975
Interest on Prior Year Net OPEB Obligation	598
Amortization of Prior Year Net OPEB Obligation	( 567)
Annual OPEB Cost	30,006
Contributions Made:	
Pay As You Go Contribution	( 15,025)
Increase in Net OPEB Obligation	14,981
Net OPEB Obligation - Beginning of Year	14,667
Net OPEB Obligation - End of Year	<u>\$ 29,648</u>

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

**NOTE 5: 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, 2010**

**NOTE 6: 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, 2010 were as follows:

	<u>June 30, 2010</u>
Personnel and benefits	\$ 682,712
Administrative overhead charges	10,875
Total Charges	\$ 693,587

**NOTE 7: OTHER INFORMATION**

**A. Subsequent Events**

Management has evaluated events subsequent to June 30, 2010 through February 22, 2011, 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, 2010, the fare ratio was 10.26 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2010, is as follows:

	<u>June 30, 2010</u>
Passenger Fares	\$ 63,963
Contract Revenue	25,010
Donations	997
Total Fare Revenue	\$ 89,970
Total Operating Expenses	\$ 980,844
Allowable TDA adjustments:	
Depreciation	( 64,692)
Reimbursed projects	( 38,976)
Net Operating Expenses	\$ 877,176
Fare Revenue Ratio	10.26%

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**OTHER REPORT AND SCHEDULES**

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**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, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated February 22, 2011. 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

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 opinions 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 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. 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. (10-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.

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.

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

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, CPA's  
Yuba City, California  
February 22, 2011

**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, 2010**

**10-FS-01    UNEARNED REVENUE (Financial Reporting: Significant Deficiency)**

**Condition**

During our audit we noted that the Agency receives grant monies and records the revenue in the period the monies are received as opposed to when they are earned. This is a repeat of a prior year finding.

**Cause**

The Agency has not analyzed grant revenues to verify that the earnings process is complete.

**Criteria**

Unearned revenue is revenue received for which the earnings process is not complete.

**Effect of Condition**

The Agency may be recognizing grant monies prior to the completion of the earnings process.

**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.

**Corrective Action Plan**

We will continue to investigate the surplus in unrestricted net assets and determine if additional amounts should be restricted or if there are unearned revenues to be recorded.

**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, 2010**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
<b>09-FS-01</b>	<p><b>UNEARNED REVENUE</b></p> <p><b>Recommendation</b></p> <p>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.</p> <p><b>Status</b></p> <p>Not Implemented</p>
<b>09-FS-02</b>	<p><b>OPERATING CRITERIA</b></p> <p><b>Recommendation</b></p> <p>We recommend that revenues and expenses reported on the operating criteria worksheet prepared by the Agency be reconciled to actual revenues and expenses reported in the general ledger.</p> <p><b>Status</b></p> <p>Implemented</p>
<b>09-FS-03</b>	<p><b>NET OPEB OBLIGATION</b></p> <p><b>Recommendation</b></p> <p>We recommend that the actual OPEB contribution be used in the calculation of the Net OPEB Obligation. We further recommend that the County and Agency review the method used in allocating the annual required contribution to determine if a more accurate method such as actual salaries paid rather than number of employees would be preferable.</p> <p><b>Status</b></p> <p>Implemented</p>