

**COLUSA COUNTY LOCAL
TRANSPORTATION COMMISSION,
CALIFORNIA**

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

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COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Annual Financial Report For the Year Ended June 30, 2012

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INTRODUCTORY SECTION

- **Members of the Board**

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COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Board of Commissioners
For the Year Ended June 30, 2012

Gary Evans	County of Colusa
Tom Indrieri	County of Colusa
Kim Vann	County of Colusa
Pat Landreth	City of Colusa
Charles Bergson	City of Williams
Angela Placheck-Fulcher	City of Williams

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FINANCIAL SECTION

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

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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, 2012, 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, 2012, 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, 2012, 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.

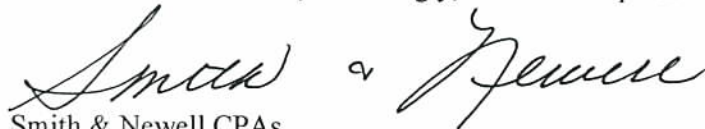
In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2013, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements as a whole. The introductory section and Schedules of Allocations and Expenditures are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedules of Allocations and Expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

The block contains two handwritten signatures in cursive script. The first signature appears to be 'Smith' and the second appears to be 'Newell', separated by a small 'and' symbol.

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

Basic Financial Statements

- **Government-Wide Financial Statements**

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COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Statement of Net Assets
June 30, 2012

	Total Governmental Activities
ASSETS	
Cash and investments	\$ 652,610
Accounts receivable	299,407
Interest receivable	7,896
Taxes receivable	78,700
Capital assets:	
Depreciable, net	<u>17,438</u>
Total Assets	<u>1,056,051</u>
LIABILITIES	
Accounts payable	<u>91,455</u>
Total Liabilities	<u>91,455</u>
NET ASSETS	
Invested in capital assets	17,438
Restricted for transportation	<u>947,158</u>
Total Net Assets	<u><u>\$ 964,596</u></u>

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, 2012**

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Transportation	\$ 1,946,848	\$ -	\$ 447,246	\$ -
				\$ (1,499,602)
Total Governmental Activities	<u>1,946,848</u>	<u>-</u>	<u>447,246</u>	<u>-</u>
				(1,499,602)
Total	<u>\$ 1,946,848</u>	<u>\$ -</u>	<u>\$ 447,246</u>	<u>\$ -</u>
				(1,499,602)
General revenues:				
				1,022,523
Sales and use taxes				
Interest and investment earnings				67,995
				<u>1,090,518</u>
Total General Revenues				1,090,518
Change in Net Assets				(409,084)
Net Assets - Beginning				<u>1,373,680</u>
Net Assets - Ending				<u>\$ 964,596</u>

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

Basic Financial Statements

- **Fund Financial Statements**

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COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Balance Sheet
Governmental Funds
June 30, 2012

	Local Transportation Planning	Local Transportation	State Transit Assistance	Total
ASSETS				
Cash and investments	\$ 62,434	\$ 590,124	\$ 52	\$ 652,610
Accounts receivable	270,216	-	29,191	299,407
Interest receivable	1,488	6,287	121	7,896
Taxes receivable	-	78,700	-	78,700
Total Assets	\$ 334,138	\$ 675,111	\$ 29,364	\$ 1,038,613
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 35,083	\$ 31	\$ -	\$ 35,114
Deferred revenue	240,305	-	29,191	269,496
Total Liabilities	275,388	31	29,191	304,610
Fund Balances:				
Restricted	58,750	675,080	173	734,003
Total Fund Balances	58,750	675,080	173	734,003
Total Liabilities and Fund Balances	\$ 334,138	\$ 675,111	\$ 29,364	\$ 1,038,613

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, 2012

Total Fund Balance - Total Governmental Funds	\$ 734,003
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.	17,438
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	269,496
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Accounts payable	<u>(56,341)</u>
Net Assets of Governmental Activities	<u><u>\$ 964,596</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, 2012

	Local Transportation Planning	Local Transportation	State Transit Assistance	Total
REVENUES				
Taxes	\$ -	\$ 931,536	\$ 90,987	\$ 1,022,523
Aid from other government agencies:				
Rural planning assistance	300,155	-	-	300,155
Use of money	10,603	57,204	188	67,995
Total Revenues	<u>310,758</u>	<u>988,740</u>	<u>91,175</u>	<u>1,390,673</u>
EXPENDITURES				
Overall Work Program:				
Transportation administration (1.01)	28,236	-	-	28,236
Participation in transit operations metropolitan and state planning (2.01)	2,447	-	-	2,447
Blueprint (2.01)	9,786	-	-	9,786
Regional transportation plan (2.02)	1,683	-	-	1,683
Planning for transit systems management/operations to increase ridership (4.01)	38,141	-	-	38,141
Emphasize the preservation of the current system (5.01)	75,885	-	-	75,885
STIP PPM expenditures	112,992	-	-	112,992
SAFETEA-LU expenditures	133,730	-	-	133,730
Road maintenance	-	761,397	-	761,397
Allocations:				
Regional transit	-	606,058	91,002	697,060
Planning and administration	-	20,431	-	20,431
Total Expenditures	<u>402,900</u>	<u>1,387,886</u>	<u>91,002</u>	<u>1,881,788</u>
Net Change in Fund Balances	(92,142)	(399,146)	173	(491,115)
Fund Balances - Beginning	<u>150,892</u>	<u>1,074,226</u>	<u>-</u>	<u>1,225,118</u>
Fund Balances - Ending	<u><u>\$ 58,750</u></u>	<u><u>\$ 675,080</u></u>	<u><u>\$ 173</u></u>	<u><u>\$ 734,003</u></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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (491,115)
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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	(8,719)
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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	147,091
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. reported as revenue in the governmental funds.

Change in accounts payable	(56,341)
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Change in Net Assets of Governmental Activities	\$ (409,084)
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The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Notes to Basic Financial Statements**

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COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Colusa County 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, 2012.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

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. The 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 of that individual governmental 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 of the individual governmental fund are at least 5 percent of the corresponding total for all governmental 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. Funding comes primarily from rural planning assistance and STIP grants.
- The Local Transportation fund is a special revenue fund used to account for local transportation activities. Funding comes primarily from local transportation fund allocations.
- The State Transit Assistance fund is a special revenue fund used to account for the receipt and expenditure of State Transit Assistance funds. Funding comes primarily from state transit assistance fund allocations.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

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 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.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Investments (Continued)

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 Board of Supervisors 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 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

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. 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.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Revenue

Deferred revenue is recorded under the modified accrual basis of accounting when revenue which has been earned during the current period has met the measurable criteria but has not met the available criteria.

J. 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.

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.

K. Compensated Absences and Postemployment Benefits

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

L. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2012, the Commission’s cash and investments consisted of the following:

Investments:	
Colusa County Treasurer’s Pool	\$ 652,610
Total Cash and Investments	<u>\$ 652,610</u>

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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 Commission and County comply with the requirements of the California Government Code. Under this code, interest bearing deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The Commission does not have a formal investment policy that further limits its deposits.

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

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and the County's investment policy limit investments in commercial paper to the rating of A1 or better by Standard & Poor's or P-1 or better by Moody's Investors Service; and corporate bonds to the rating of A or better by both Standard & Poor's and Moody's Investors Service. The 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.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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, 2012, was as follows:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2012</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	(50,872)	(8,719)	-	(59,591)
Total Accumulated Depreciation	<u>(50,872)</u>	<u>(8,719)</u>	<u>-</u>	<u>(59,591)</u>
Capital Assets, Net	<u>\$ 26,157</u>	<u>(\$ 8,719)</u>	<u>\$ -</u>	<u>\$ 17,438</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

Transportation	\$ 8,719
Total Depreciation Expense - Governmental Functions	<u>\$ 8,719</u>

NOTE 4: DEFERRED REVENUE

At June 30, 2012, components of deferred revenue were as follows:

	<u>Deferred</u>
Local Transportation Planning	
Rural planning assistance funds received	\$ 66,427
STIP - PPM advance received	86,000
SAFETEA-LU	87,878
State Transit Assistance Fund	
State transit assistance funds received	<u>29,191</u>
Total	<u>\$ 269,496</u>

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

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”.

Net Asset Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net assets are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 6: 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, 2012, 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 and prepaid amounts.
- 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 is the highest level of decision making authority for the Commission that can, by adoption of an ordinance or resolution or through adoption of the budget and subsequent budget amendments that occur throughout the year, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

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. The Board of Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- Unassigned Fund Balance - is the negative residual amount when expenditures incurred exceed the amounts that are restricted, committed, or assigned.

The fund balances for all governmental funds as of June 30, 2012, were distributed as follows:

	Local Transportation Planning	Local Transportation	State Transit Assistance	Total
Restricted for:				
Transportation	\$ 58,750	\$ 675,080	\$ 173	\$ 734,003
Total Restricted	58,750	675,080	173	734,003
Total	<u>\$ 58,750</u>	<u>\$ 675,080</u>	<u>\$ 173</u>	<u>\$ 734,003</u>

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net assets are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The Board of Commissioners has not adopted a formal fund balance policy which would establish procedures for reporting fund balance classifications and establish a hierarchy for fund balance expenditures. The Commission follows the policy of the County of Colusa for fund balance reporting.

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, 2012

NOTE 9: OTHER INFORMATION

A. Subsequent Events

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

**Required Supplementary Information
(Unaudited)**

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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, 2012

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Aid from other government agencies:				
Rural planning assistance	\$ 147,000	\$ 435,676	\$ 300,155	\$ (135,521)
Use of money	-	-	10,603	10,603
Total Revenues	<u>147,000</u>	<u>435,676</u>	<u>310,758</u>	<u>(124,918)</u>
EXPENDITURES				
Overall Work Program	147,000	259,798	156,178	103,620
STIP PPM expenses	52,026	140,026	112,992	27,034
SAFETEA-LU expenses	69,863	157,741	133,730	24,011
Total Expenditures	<u>268,889</u>	<u>557,565</u>	<u>402,900</u>	<u>154,665</u>
Net Change in Fund Balance	(121,889)	(121,889)	(92,142)	29,747
Fund Balance - Beginning	<u>150,892</u>	<u>150,892</u>	<u>150,892</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 29,003</u>	<u>\$ 29,003</u>	<u>\$ 58,750</u>	<u>\$ 29,747</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, 2012

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 640,000	\$ 642,443	\$ 931,536	\$ 289,093
Use of money	10,000	10,000	57,204	47,204
Total Revenues	<u>650,000</u>	<u>652,443</u>	<u>988,740</u>	<u>336,297</u>
EXPENDITURES				
Allocations:				
Regional transit	782,000	782,000	606,058	175,942
Road maintenance	650,445	933,278	761,397	171,881
Planning and administration	18,000	20,433	20,431	2
Total Expenditures	<u>1,450,445</u>	<u>1,735,711</u>	<u>1,387,886</u>	<u>347,825</u>
Net Change in Fund Balance	<u>(800,445)</u>	<u>(1,083,268)</u>	<u>(399,146)</u>	<u>684,122</u>
Fund Balance - Beginning	<u>1,074,226</u>	<u>1,074,226</u>	<u>1,074,226</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 273,781</u></u>	<u><u>\$ (9,042)</u></u>	<u><u>\$ 675,080</u></u>	<u><u>\$ 684,122</u></u>

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Required Supplementary Information
Budgetary Comparison Schedule - Budgetary Basis
State Transit Assistance - Major Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 99,712	\$ 127,124	\$ 90,987	\$ (36,137)
Use of money	-	-	188	188
Total Revenues	<u>99,712</u>	<u>127,124</u>	<u>91,175</u>	<u>(35,949)</u>
EXPENDITURES				
Allocations:				
Regional transit	<u>99,712</u>	<u>127,124</u>	<u>91,002</u>	<u>36,122</u>
Total Expenditures	<u>99,712</u>	<u>127,124</u>	<u>91,002</u>	<u>36,122</u>
Net Change in Fund Balance	-	-	173	173
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 173</u></u>	<u><u>\$ 173</u></u>

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2012

BUDGETARY BASIS OF ACCOUNTING

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. 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).

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 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.

The Commission does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

Supplementary Information

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COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Schedule of Allocations and Expenditures
Local Transportation Fund
For the Year Ended June 30, 2012

	<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)	\$ -	\$ 606,058	\$ 606,058	\$ -	\$ -
Colusa County Local Transportation Commission					
99233.1	-	20,431	20,431	-	-
County of Colusa					
99234	138,588	166,894	138,588	-	166,894
City of Colusa					
99233.9	414,597	97,353	242,715	-	269,235
City of Williams					
99233.9	380,094	83,445	380,094	-	83,445
Contingency	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
	<u>\$ 1,083,279</u>	<u>\$ 974,181</u>	<u>\$ 1,387,886</u>	<u>\$ -</u>	<u>\$ 669,574</u>

COLUSA COUNTY LOCAL TRANSPORTATION COMMISSION
Schedule of Allocations and Expenditures
State Transit Assistance Fund
For the Year Ended June 30, 2012

	<u>Allocations Outstanding June 30, 2011</u>	<u>Allocated</u>	<u>Expended</u>	<u>Rescinded</u>	<u>Allocations Outstanding June 30, 2012</u>
Colusa County Transit Agency					
6731 (b)	\$ -	\$ 91,002	\$ 91,002	\$ -	\$ -
	<u>\$ -</u>	<u>\$ 91,002</u>	<u>\$ 91,002</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER REPORT

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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**

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, 2012, which collectively comprise the basic financial statements of the Commission's primary government and have issued our report thereon dated March 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the applicable fiscal audit requirements of the Transportation Development Act including Public Utilities Code Section 99245 and the California Code of Regulations Section 6664.

Internal Control Over Financial Reporting

Management of the 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.

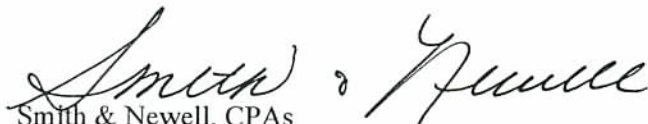
Board of Commissioners
Colusa County Local Transportation Commission
Colusa, California

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 not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported.

This report is intended solely for the information and use of management, 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.


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