COLUSA COUNTY TRANSIT AGENCY, CALIFORNIA

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2009

COLUSA COUNTY TRANSIT AGENCY, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Colusa County Transit Agency
Colusa, California

We have audited the accompanying financial statements of the proprietary fund of the Colusa County Transit Agency, Colusa, California (Agency), as of and for the year ended June 30, 2009, 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, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2010, 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 the 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.

The Agency's management did not prepare the Management Discussion and Analysis that is supplementary information required by Governmental Accounting Standards Board Statement No. 34. In accordance with accounting principles generally accepted in the United States, the omission has no impact on the basic financial statements described in the table of contents, but may impact the user's understanding of those financial statements.

Smith & Newell

Smith & Newell CPA's
Yuba City, California
March 19, 2010

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BASIC FINANCIAL STATEMENTS

Fund Financial Statements

COLUSA COUNTY TRANSIT AGENCY, CALIFORNIA
STATEMENT OF NET ASSETS
JUNE 30, 2009

		2009
ASSETS		
Current Assets		
Cash and investments	$	185,412
Cash with fiscal agent		1,181
Accounts receivable		2,593
Interest receivable		599
Total Current Assets		189,785
Noncurrent Assets		
Capital assets:		
Depreciable, net		628,603
Total Noncurrent Assets		628,603
Total Assets		818,388
LIABILITIES		
Current Liabilities		
Accounts payable		12,249
Compensated absences payable		39,919
Total Current Liabilities		52,168
Noncurrent Liabilities		
Compensated absences payable		32,664
Net OPEB obligation		14,667
Total Noncurrent Liabilities		47,331
Total Liabilities		99,499
NET ASSETS		
Invested in capital assets		628,603
Unrestricted		90,286
Total Net Assets	$	718,889

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

COLUSA COUNTY TRANSIT AGENCY, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	2009
OPERATING REVENUES	
Passenger fares	$ 74,332
Contract revenue	18,861
Donations	1,417
Reimbursed projects	33,553
Total Operating Revenues	128,163
OPERATING EXPENSES	
Salaries and benefits	673,784
Professional services	29,412
Fuel	63,177
Repairs and maintenance	44,188
Office and administration	16,115
Insurance	23,776
Depreciation	66,738
Total Operating Expenses	917,190
Operating Income (Loss)	(789,027)
NON-OPERATING REVENUES (EXPENSES)	
Local transportation fund allocation	431,371
State transit assistance fund allocation	78,237
Interest income	5,566
Grant revenue	79,886
Other revenue	5,253
Gain on sale of assets	4,801
Total Non-Operating Revenues (Expenses)	605,114
Change in Net Assets	(183,913)
Total Net Assets - Beginning	902,802
Total Net Assets - Ending	718,889

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

COLUSA COUNTY TRANSIT AGENCY, CALIFORNIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

		2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	131,411
Payments to suppliers		(173,764)
Payments to employees		(659,900)
Net Cash Provided (Used) by Operating Activities		(702,253)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local transportation funds allocated		431,371
State transit assistance funds allocated		78,237
Grant proceeds		79,886
Other non-operating revenue		5,253
Net Cash Provided (Used) by Noncapital Financing Activities		594,747
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets		4,801
Net Cash Provided (Used) by Capital and Related Financing Activities		4,801
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments		6,192
Net Cash Provided (Used) by Investing Activities		6,192
Net Increase (Decrease) in Cash and Cash Equivalents		(96,513)
Balance - Beginning of the Year		283,106
Balance - End of the Year	$	186,593
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$	(789,027)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		66,738
Decrease (increase) in:		
Accounts receivable		3,248
Increase (decrease) in:		
Accounts payable		2,904
Compensated absences payable		(783)
Net OPEB obligation		14,667
Net Cash Provided (Used) by Operating Activities	$	(702,253)

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

BASIC FINANCIAL STATEMENTS
Notes to Basic Financial Statements

COLUSA COUNTY TRANSIT AGENCY, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 accounting methods and procedures adopted by the Agency conform to generally accepted accounting principles as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14.

The governmental reporting entity consists of the Agency (Primary Government) and its component units. Component units are legally separate organizations for which the Agency is financially accountable or other organizations whose component units nature and significant relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the Agency's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the Agency.

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

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the Agency.

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, fund equity, 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.

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

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.

For its proprietary fund, the Agency has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting For Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Agency has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

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 enterprise 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 every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the Agency's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of investments.

The County has established a treasury oversight committee to monitor and review the management of 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.

COLUSA COUNTY TRANSIT AGENCY, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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

E. Cash and Investments (Continued)

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

F. Receivables

In the proprietary fund statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the proprietary funds are user fees, local transportation funds, and interest earnings.

G. Inventory and Prepaid Costs

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

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:

Depreciable Asset	Estimated Lives
Equipment	5-10 years
Structures and improvements	10-30 years

I. 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 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.

J. 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.

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

K. 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.

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: DETAILED NOTES

A. Cash and Investments

As of June 30, 2009, the Agency's cash and investments consisted of the following:

Cash:	
Deposits with Fiscal Agents	$ 1,181
Total Cash	1,181
Investments:	
Colusa County Treasurer's Pool	185,412
Total Investments	185,412
Total Cash and Investments	$ 186,593

Cash

At year end, the carrying amount of the Agency's cash deposits (including amount in checking accounts and deposits with fiscal agents) was $1,181 and the bank balance was $1,181.

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 the Federal Deposit Insurance Corporation coverage must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The Agency does not have a formal investment policy that further limits its deposits.

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 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 limit the exposure to custodial credit risk.

COLUSA COUNTY TRANSIT AGENCY, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2: DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

Investments (Continued)

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 consisted of structures and improvements and equipment as of June 30, 2009 as follows:

	Balance July 1, 2008	Additions	Retirements	Adjustments	Balance June 30, 2009
Capital Assets, Being Depreciated:					
Structures and improvement	$ 585,477	$ -	$ -	$ -	$ 585,477
Equipment	927,842	-	(140,035)	18,745	806,552
Total Capital Assets, Being Depreciated	1,513,319	-	(140,035)	18,745	1,392,029
Less Accumulated Depreciation for:					
Structures and improvement	(234,192)	(19,516)	-	-	(253,708)
Equipment	(583,786)	(47,222)	140,035	(18,745)	(509,718)
Total Accumulated Depreciation	(817,978)	(66,738)	140,035	(18,745)	(763,426)
Total Capital Assets, Being Depreciated, Net	$ 695,341	($ 66,738)	$ -	$ -	$ 628,603

Depreciation expense was charged as follows:

Transit	$ 66,738
Total Depreciation Expense	$ 66,738

C. Long-Term Liabilities

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2009:

	Balance July 1, 2008	Additions/ Adjustments	Retirements	Balance June 30, 2009	Amounts Due Within One Year
Compensated absences	$ 73,366	$ 41,575	($ 42,358)	$ 72,583	$ 39,919
Net OPEB obligation	-	29,885	(15,218)	14,667	-
Total Long-Term Liabilities	$ 73,366	$ 71,460	($ 57,576)	$ 87,250	$ 39,919

D. 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, 2009 were as follows:

	June 30, 2009
Personnel and benefits	$ 659,117
Administrative overhead charges	10,763
Total Charges	$ 669,880

NOTE 2: DETAILED NOTES (CONTINUED)

D. Related Party Transactions (Continued)

Employee's Retirement Plan

The Agency employee's are considered to be County employees and receive the same pension benefits offered to County employees. Pension contributions for the Agency for the year ended June 30, 2009, were $90,594. Required disclosure information regarding employee's retirement plan can be found in the County's audited financial statements.

Post-Employment Benefits Other Than Pensions

The Agency employee's are considered to be County employees and as such are covered under the post-employment benefit plan of the County of Colusa. The net OPEB obligation at June 30, 2009 for the Agency was $14,667. Required disclosure information regarding post-employment benefits can be found in the County's audited financial statements.

NOTE 3: 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, 2009, the fare ratio was 11.58 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2009, is as follows:

	June 30, 2009
Passenger Fares	$ 74,332
Contract Revenue	18,861
Donations	1,417
Total Fare Revenue	$ 94,610
Total Operating Expenses	$ 917,190
Allowable TDA adjustments:	
Depreciation	(66,738)
Reimbursed projects	(33,553)
Net Operating Expenses	$ 816,899
Fare Revenue Ratio	11.58%

NOTE 4: 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.

OTHER REPORT AND SCHEDULES

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 Directors
Colusa County Transit Agency
Colusa, California

We have audited the financial statements of the proprietary fund of Colusa County Transit Agency, Colusa, California (Agency), as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 19, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations to be significant deficiencies in internal control over financial reporting. (09-FS-01, 09-FS-02, and 09-FS-03)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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.

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Board of Directors
Colusa County Transit Agency
Colusa, California

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 responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. We did not audit the Agency's responses, and, accordingly, we express no opinion on them.

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

Smith & Newell, CPA's
Yuba City, California
March 19, 2010

COLUSA COUNTY TRANSIT AGENCY, CALIFORNIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009

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

09-FS-02 OPERATING CRITERIA (Financial Reporting: Significant Deficiency)

Condition

During our audit we noted that the operating cost and revenue reported on the operating criteria prepared by the Agency did not agree to actual expenses and revenues reported in the general ledger.

Cause

The Agency has not reconciled revenues and expenses reported on the operating criteria worksheet to the expenses and revenues reported in the general ledger.

Criteria

Actual revenues and expenses should be used in the calculation of the farebox recovery ratio on the operating criteria worksheet.

Effect of Condition

The farebox recovery ratio calculated on the operating criteria worksheet was incorrectly stated.

Recommendation

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.

09-FS-02 OPERATING CRITERIA (Financial Reporting: Significant Deficiency) (CONTINUED)

Corrective Action Plan

On a monthly basis, the expenses incurred and revenue earned are factored into the calculation for the farebox recovery ratio on the operating criteria worksheet. In some circumstances, an estimate of an annual expense, i.e. insurance, is divided equally among the twelve months and included in the monthly calculation. This is done consistently for all months up through June 30th of each year, including the accrual period of July. Past practice has shown that once we move past the accrual period, any subsequent adjustments to either revenue or expenses are not included in the operating criteria worksheet and the farebox ratio is not recalculated. Fortunately, during this fiscal year, the subsequent revisions were immaterial as our worksheet showed an 11.33% ratio and the audit showed an 11.58% ratio. We understand the need to have revenue and expenses on our operating criteria worksheet agree with the actual figures as shown in our annual audit. Starting with 2009-10 Fiscal Year, the Transit Agency will work closely with the Auditor's office to make sure that the figures on the operating criteria worksheet reflect the actual year end totals from our accounting system.

09-FS-03 NET OPEB OBLIGATION (Financial Reporting: Significant Deficiency)

Condition

During our audit we noted that actual OPEB contributions were not used in the calculation of the Net OPEB obligation for the agency.

Cause

The County of Colusa calculated the net OPEB obligation for the Agency using an allocation method based on number of employees by department.

Criteria

The actual OPEB contribution paid during the year should be used in the calculation of the Net OPEB Obligation.

Effect of Condition

The Net OPEB Obligation was understated at June 30, 2009.

Recommendation

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.

Corrective Action Plan

The OPEB obligation is an actuarial estimate which is revised bi-annually by an actuary based on current information and assumptions. The Net OPEB obligation was determined by taking the total OPEB obligation provided by the actuary and reducing the obligation by the total health insurance payments made on behalf of retirees (pay-as-you-go). After the net was determined for the entire County it was allocated to each Fund (including Proprietary Funds) based on the number of employees. Starting in 2009-10 the County will first allocate the total OPEB obligation provided by the actuary to each Fund based on the number of employees and then reduce the obligation by the actual pay-as-you-go for each Fund.

COLUSA COUNTY TRANSIT AGENCY, CALIFORNIA
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009

Audit Reference	Status of Prior Year Audit Recommendation

08-FS-01

STATEMENT ON AUDITING STANDARDS NO. 112

Recommendation

The Agency may consider the following possible actions:

1. Provide training opportunities for its accounting staff that would enable them to become more familiar with the general disclosure requirements. This training should include, but is not limited to, the usage of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked.
2. Hire an external accountant to confirm that the financial statements and related disclosures are in accordance with GAAP.
3. Take no action. The Agency may find that the costs outweigh the benefits to adhere to this standard. No action will continue to result in a significant deficiency in the Authority's internal controls over the preparation of the financial statements.

Status

Implemented

08-FS-02

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

Not Implemented