COLUSA COUNTY TRANSIT AGENCY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006

SMITH AND NEWELL
CERTIFIED PUBLIC ACCOUNTANTS
1425 BUTTE HOUSE ROAD, SUITE B
YUBA CITY, CALIFORNIA 95993

COLUSA COUNTY TRANSIT AGENCY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

FINANCIAL SECTION

- Independent Auditor's Report
- Basic Financial Statements

SMITH & NEWELL
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Colusa County Transit Agency
County of Colusa
Colusa, California

We have audited the accompanying financial statements of the business-type activities of the Colusa County Transit Agency, Colusa, California (Agency), as of and for the year ended June 30, 2006, 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 business-type activities of the Transit Agency as of June 30, 2006, 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 April 3, 2007, 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 has not presented a Management Discussion and Analysis report that the Governmental Accounting Standards Board has determined is required supplementary information, although not required to be part of the basic financial statements.

Smith - Newell

Smith & Newell CPA's
Yuba City, California
April 3, 2007

1425 BUTTE HOUSE ROAD YUBA CITY, CA 95993 TEL: (530) 673-9790 FAX: (530) 673-1305

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

COLUSA COUNTY TRANSIT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2006

		2006
ASSETS		
Current Assets		
Cash and investments	$	185,903
Cash with fiscal agent		3,973
Accounts receivable		36,483
Interest receivable		1,651
Total Current Assets		228,010
Noncurrent Assets		
Capital assets (net)		545,092
Total Noncurrent Assets		545,092
Total Assets		773,102
LIABILITIES		
Current Liabilities		
Accounts payable		7,503
Compensated absences payable		19,801
Total Current Liabilities		27,304
Noncurrent Liabilities		
Compensated absences payable		36,119
Total Noncurrent Liabilities		36,119
Total Liabilities		63,423
NET ASSETS		
Invested in capital assets, net of related debt		545,092
Unrestricted		164,587
Total Net Assets	$	709,679

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

COLUSA COUNTY TRANSIT AGENCY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	2006
OPERATING REVENUES	
Passenger fares	$ 72,540
Total Operating Revenues	72,540
OPERATING EXPENSES	
Salaries and benefits	488,762
Professional services	40,425
Fuel	60,286
Repairs and maintenance	47,502
Office and administration	12,200
Insurance	29,750
Depreciation	48,085
Total Operating Expenses	727,010
Operating Income (Loss)	(654,470)
NON-OPERATING REVENUES (EXPENSES)	
Local transportation fund allocation	477,408
State transit assistance fund allocation	49,093
Interest income (expense)	2,301
Grant revenue	61,190
Other revenue	10,338
Other (reimbursed projects)	26,864
Total Non-Operating Revenues (Expenses)	627,194
Change in net assets	(27,276)
Total Net Assets - Beginning	671,066
Prior period adjustment	65,889
Total Net Assets - Beginning, Restated	736,955
Total Net Assets - Ending	$ 709,679

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

COLUSA COUNTY TRANSIT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	2006
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 71,062
Payments to suppliers	(193,163)
Payments to employees	(485,397)
Net Cash Provided (Used) by Operating Activities	(607,498)
CASH FLOWS FROM NONCAPITAL FIINANCING ACTIVITIES	
Local transportation funds allocated	477,408
State transit assistance funds allocated	49,093
Grant proceeds	28,826
Other non-operating revenue	37,421
Net Cash Provided (Used) by Noncapital Financing Activities	592,748
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	650
Net Cash Provided (Used) by Investing Activities	650
Net Increase (Decrease) in Cash and Cash Equivalents	(14,100)
Balance - Beginning of the Year	203,976
Balance - End of the Year	$ 189,876
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ (654,470)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	48,085
Decrease (increase) in:	
Accounts receivable	(1,478)
Increase (decrease) in:	
Accounts payable	(3,000)
Compensated absences payable	3,365
Net Cash Provided (Used) by Operating Activities	$ (607,498)

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

BASIC FINANCIAL STATEMENTS

Notes to the Financial Statements

COLUSA COUNTY TRANSIT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

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

A. Reporting Entity

The Colusa County Transit Agency is governed by a Board of Directors consisting of three representatives from the County of Colusa, two representatives from the City of Colusa and one representative from the City of Williams.

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 Board of Directors 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 the Agency is an independent entity from the County of Colusa and has also determined that there are no component units of the Agency.

B. Basis of Presentation

Fund Financial Statements

Fund financial statements of the reporting entity 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 Agency 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.

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. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

C. Basis of Accounting and Measurement Focus (Continued)

For its business-type activities, 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 enterprise fund considers all highly liquid investments, including cash with fiscal agent, with a maturity of three months or less when purchased, and their equity in the County of Colusa investment pool, to be cash equivalents.

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. 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.

F. Receivables

In the proprietary fund statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Business-type activities report user fees and interest earnings as their major receivables.

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

G. 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 allocated expense in the Statement of Activities, 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

H. Compensated Absences

The Agency's policy regarding vacation is to permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the fund financial statements. The current portion of this debt is estimated based on historical trends. The Agency includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

I. 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.

J. 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.

K. Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Restatement of Net Assets

During the current year, the Agency corrected a prior year misstatement of cash and changed the useful life of vehicles from 5 years to 10 years.

The impact of the restatements on the net assets on the financial statements as previously reported is presented below:

Net Assets, June 30, 2005, as previously reported	$ 671,066
Adjustment associated with:	
Correction of cash	220
Correction of capital assets	65,669
Total adjustments	65,889
Net Assets, July 1, 2005, as restated	$ 736,955

NOTE 3: DETAILED NOTES

A. Cash and Investments

Total cash and investments of the Agency at fair value are comprised of the following:

Investments:	
Colusa County Treasurer's Pool	$ 185,903
With fiscal agents	3,973
Total Cash and Investments	$ 189,876

Deposits

The California Government Code requires California banks and savings and loan associations to collateralize the Agency's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of the Agency's deposits. California law also allows financial institutions to collateralize the Agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of the Agency's total deposits. The Agency may waive collateral requirements for deposits which are fully insured up to $100,000 by Federal Deposit Insurance.

At year end the Agency had no deposits outside the County Treasury.

Investments

As of June 30, 2006, the Agency had the following investments:

	Maturities				
	0-1 year	1-5 years	Over 5 years	Fair Value	Weighed Average Maturity (Years)
Investments held by fiscal agents					
Investments	$ 3,973	$ -	$ -	$ 3,973	-
Total Investments held by Fiscal Agents	3,973	-	-	3,973	-
Total Fair Value of Investments	$ 3,973	$ -	$ -	$ 3,973	-

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 invested in accordance with the investment policies of the County of Colusa. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3: DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

Credit Risk

Generally, 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 by Standards & Poor's or P-1 by Moody's Investors Service. State law also limits investments in corporate bonds to the rating of A by both Standards & Poor's and Moody's Investors Service. The Agency has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The Agency has invested all cash, other than cash with fiscal agents, in the County investment pool. Given an investment pool's natural diversification, GASB 40 exempts the investment in the Colusa County Treasurer's pool from concentration of credit risk disclosures .

B. Capital Assets

Capital assets consisted of equipment as of June 30, 2006 as follows:

	Balance July 1, 2005	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2006
Business-Type Activities				
Capital Assets, Being Depreciated:				
Structures and improvement	$ 585,477	$ -	$ -	$ 585,477
Equipment	628,535	-	-	628,535
Total Capital Assets, Being Depreciated	1,214,012	-	-	1,214,012
Less Accumulated Depreciation for:				
Structures and improvement	(175,643)	(19,516)	-	(195,159)
Equipment	(510,861)	(28,569)	65,669	(473,761)
Total Accumulated Depreciation	(686,504)	(48,085)	65,669	(668,920)
Total Capital Assets, Being Depreciated, Net	$ 527,508	($ 48,085)	$ 65,669	$ 545,092

Depreciation expense was charged to the business-type functions as follows:

Transit	$ 48,085
Total Depreciation Expense – Business-Type Activities	$ 48,085

C. Long-Term Liabilities

The following is a summary of all long-term liabilities transactions for the year ended June 30, 2006:

	Balance July 1, 2005	Additions/ Adjustments	Retirements	Balance June 30, 2006	Amounts Due Within One Year
Compensated absences	$ 52,555	$ 33,334	($ 29,969)	$ 55,920	$ 19,801
Total Business-Type Liabilities - Long-Term Liabilities	$ 52,555	$ 33,334	($ 29,969)	$ 55,920	$ 19,801

NOTE 3: DETAILED NOTES (CONTINUED)

D. Related Party Transactions

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 pension and other benefits offered to County employees. Details of employee pension information can be found in the County's annual financial report. Pension contributions for the year ended June 30, 2006 were $74,861. Total administrative and personnel costs provided by the County to the Agency for the year ended June 30, 2006 were as follows:

	June 30, 2006
Personnel and benefits	$ 488,762
Administrative overhead charges	13,744
Total Charges	$ 502,506

NOTE 4: 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, 2006, the fare ratio was 10.68 percent. The calculation of the fare revenue ratio for fiscal year ending June 30, 2006, is as follows:

	June 30, 2006
Fare Revenue	$ 72,540
Total Operating Expenses	$ 727,010
Allowable TDA adjustments:	
Depreciation	48,085
Net Operating Expenses	$ 678,925
Fare Revenue Ratio	10.68%

OTHER REPORT

SMITH & NEWELL

CERTIFIED PUBLIC ACCOUNTANTS

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

Colusa County Transit Agency
County of Colusa
Colusa, California

We have audited the accompanying financial statements of the Colusa County Transit Agency, Colusa, California (Agency), as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated April 3, 2007. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

We also performed tests of the Agency's compliance with Sections 6664 and 6667 of Article 5.5 of the Statutes as Amended and Related Sections of the California Code of Regulations and Adopted by the Department of Transportation, issued by the State of California Business, Transportation and Housing Agency, Department of Transportation, and Division of Mass Transportation and certain provisions of laws, regulations, and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management, others within the organization, the County Board of Supervisors, the Colusa County Local Transportation Commission, and the State Controller's Office and is not intended and should not be used by anyone other than these specified parties.

Smith & Newell

Smith & Newell, CPA's
Yuba City, California
April 3, 2007

1425 BUTTE HOUSE ROAD YUBA CITY, CA 95993 TEL: (530) 673-9790 FAX: (530) 673-1305