

**COUNTY OF ALPINE
COUNTY TRANSPORTATION FUND**

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2011**

**COUNTY OF ALPINE
COUNTY TRANSPORTATION FUND**

Table of Contents

	<u>Page</u>
Independent Auditor’s Report.....	1-2
Financial Statements:	
Statement of Net Assets	3
Statement of Revenues, Expenses and Changes in Net Assets.....	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6-10
 <u>Other Reports</u>	
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 <i>Government Auditing Standards</i>	11-12
Independent Auditor’s Report on Compliance Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with the Statutes, Rules, and Regulations of the California Transportation Development Act and the Allocation Instructions and Resolutions of the Local Transportation Commission.....	13-14



INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of Alpine
Markleeville, California

We have audited the accompanying financial statements of the County Transportation Fund (Fund) of the County of Alpine as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Fund's 2010 financial statements and, in our report dated March 14, 2011, we expressed an unqualified opinion on those statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 opinion.

As discussed in Note 1, the financial statements present only the County Transportation Fund and do not purport to, and do not, present fairly the financial position of the County of Alpine as of June 30, 2011, and the changes in its financial position and its cash flows, where applicable, 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 financial position of the County Transportation Fund of the County of Alpine as of June 30, 2011, and the changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Supervisors
County of Alpine
Markleeville, California

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2012, on our consideration of the County Transportation Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this 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.

Gallina LLP

Roseville, California
March 21, 2012

**COUNTY OF ALPINE
COUNTY TRANSPORTATION FUND**

Statement of Net Assets
June 30, 2011
(With Comparative Information as of June 30, 2010)

	2011	2010
<u>Assets</u>		
Current Assets:		
Cash and investments	\$ 46,230	\$ 6,881
Interest receivable	109	157
Due from Local Transportation Commission	--	54,470
Total Current Assets	46,339	61,508
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	41,608	49,173
Total Assets	\$ 87,947	\$ 110,681
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 2,828	\$ 19,951
Deferred revenues	83,624	81,670
Total Current Liabilities	86,452	101,621
Net Assets:		
Invested in capital assets	41,608	49,173
Unrestricted	(40,113)	(40,113)
Total Net Assets	1,495	9,060
Total Liabilities and Net Assets	\$ 87,947	\$ 110,681

The accompanying notes are an integral part of these financial statements

COUNTY OF ALPINE
COUNTY TRANSPORTATION FUND

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011
(With Comparative Information For the Year Ended June 30, 2010)

	2011	2010
Operating Revenues:		
Passenger fares	\$ 2,909	\$ 1,606
Total Operating Revenues	2,909	1,606
Operating Expenses:		
Transit drivers	23,310	7,522
Fuel	3,008	1,512
Insurance	8,065	5,258
Administrative	31,704	37,694
Depreciation	7,565	3,782
Total Operating Expenses	73,652	55,768
Net Operating Income (Loss)	(70,743)	(54,162)
Non-Operating Revenues (Expenses):		
Grant revenues	28,582	50,296
Interest	375	84
Local transportation fund revenues	34,221	--
Total Non-Operating Revenues (Expenses)	63,178	50,380
Income Before Contributions	(7,565)	(3,782)
Capital Contributions:		
State grants	--	51,886
State transit assistance allocation	--	1,069
Change in Net Assets	(7,565)	49,173
Net Assets, Beginning of Year	9,060	(40,113)
Net Assets, End of Year	\$ 1,495	\$ 9,060

The accompanying notes are an integral part of these financial statements

**COUNTY OF ALPINE
COUNTY TRANSPORTATION FUND**

Statement of Cash Flows
For the Year Ended June 30, 2011
(With Comparative Information For the Year Ended June 30, 2010)

	2011	2010
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 2,909	\$ 1,606
Payments to employees	(23,310)	(7,522)
Payments to suppliers	(59,900)	(47,033)
Net Cash Used by Operating Activities	(80,301)	(52,949)
Cash Flows from Investing Activities:		
Interest allocations from pooled investments	423	57
Net Cash Provided (Used) by Investing Activities	423	57
Cash Flows from Capital Related Financing Activities:		
Capital grants	--	56,886
Payments for capital assets	--	(52,955)
Net Cash Provided by Capital Related Financing Activities	--	3,931
Cash Flows from Non-Capital Financing Activities:		
Operating grants and other support	84,757	88,435
Return of funding	(20,000)	--
Interfund loans - proceeds and repayments	54,470	(54,470)
Net Cash Provided by Non-Capital Financing Activities	119,227	33,965
Net Increase (Decrease) in Cash and Cash Equivalents	39,349	(14,996)
Cash and Cash Equivalents, Beginning of the Year	6,881	21,877
Cash and Cash Equivalents, End of the Year	\$ 46,230	\$ 6,881
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (70,743)	\$ (54,162)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	7,565	3,782
Increase (decrease) in accounts payable	(17,123)	(2,569)
Net Cash Used by Operating Activities	\$ (80,301)	\$ (52,949)

The accompanying notes are an integral part of these financial statements.

COUNTY OF ALPINE

County Transportation Fund Notes to Financial Statements June 30, 2011

Note 1: **Summary of Significant Accounting Policies**

The financial statements of the County of Alpine County Transportation Fund (Fund) are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Fund applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. The Reporting Entity

The County of Alpine County Transportation Fund (Fund) receives allocations from the Alpine County Local Transportation Commission to operate and provide public transit services to Alpine County. The Transit Fund is an enterprise fund of the County of Alpine and is included in their annual report.

The financial statements of the County of Alpine County Transportation Fund are intended to present the financial position, results of operations and cash flows of only the portion of the funds of the County of Alpine that is attributable to Transportation Development Act Funds allocated for transit purposes and is not intended to present fairly the financial position and results of operations of the County of Alpine in conformity with accounting principles generally accepted in the United States of America.

B. Basis of Presentation

The Fund's resources are allocated to and accounted for in these financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Fund gives (or receives) value without directly receiving (or giving) equal value in

COUNTY OF ALPINE

County Transportation Fund Notes to Financial Statements June 30, 2011

Note 1: **Summary of Significant Accounting Policies** (continued)

C. **Basis of Accounting** (continued)

exchange, include grants, entitlements and donations. On an accrual basis, revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Fund's principal ongoing operations. The principal operating revenues of the Fund are charges to passengers for public transit services. Operating expenses for the Fund include the cost of transit services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after restricted resources are depleted.

D. **Cash in County Treasury**

Cash is held by the Fund with the County of Alpine in an investment pool in order to facilitate the management of cash. On a quarterly basis, the Treasurer allocates interest to the various funds based upon the average monthly cash balances. Information regarding categorization of investments, risk and fair value reporting can be found in the County of Alpine financial statements. The Alpine County Treasurer Oversight committee oversees the Treasurer's investment policies.

The Fund adheres to the County's deposit or investment policy that addresses specific types of risk.

Required risk disclosures for the Fund's investment in the Alpine County Investment Pool at June 30, 2011, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk (average maturity)	104 days average maturity

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

COUNTY OF ALPINE

County Transportation Fund
Notes to Financial Statements
June 30, 2011

Note 1: **Summary of Significant Accounting Policies** (continued)

E. Cash and Cash Equivalents

For the purpose of the statement of cash flows, all cash and investments with original maturities of three months or less and the Fund's investment in the County of Alpine investment pool are considered to be cash equivalents.

F. Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Fund defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of the assets are as follows:

Transit Vehicles and Equipment	7 – 10 years
--------------------------------	--------------

G. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt) and unrestricted.

- *Invested in Capital Assets* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Unrestricted Net Assets* – This category represents net assets of the Fund not restricted for any project or other purpose.

H. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

COUNTY OF ALPINE

County Transportation Fund
Notes to Financial Statements
June 30, 2011

Note 2: **Capital Assets**

A summary of changes in capital assets during the year ended June 30, 2011, is as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
Vehicle and equipment	\$ 52,955	\$ --	\$ --	\$ 52,955
Accumulated depreciation	<u>(3,782)</u>	<u>(7,565)</u>	<u>--</u>	<u>(11,347)</u>
	<u>\$ 49,173</u>	<u>\$ (7,565)</u>	<u>\$ --</u>	<u>\$ 41,608</u>

Note 3: **Fare Revenue Ratio**

The Alpine County Local Transportation Commission allocated funds for transit services within Alpine County. The County is required by the Transportation Development Act to maintain a minimum fare revenue ratio to operating expense of 10%. On May 4, 2010, the Alpine County Local Transportation Commission adopted a resolution setting the minimum farebox ratio requirement to 1% as allowed by the Transportation Development Act, Section 6633(b) of the California Code of Regulations.

The calculation of the fare revenue ratios for 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Fare Revenues	<u>\$ 2,909</u>	<u>\$ 1,606</u>
Total Operating Expenses (excluding depreciation)	<u>\$ 66,087</u>	<u>\$ 51,986</u>
Fare Revenue Ratio	<u>4.40%</u>	<u>3.09%</u>

Note 4: **Deferred Revenues**

A schedule of changes in deferred revenue for the year ended June 30, 2011 is as follows:

	<u>LTF</u> <u>Operating</u>	<u>STA</u> <u>Capital</u>	<u>Federal</u> <u>Operating</u>	<u>Total</u>
Balance, June 30, 2010	\$ 74,157	\$ 3,931	\$ 3,582	\$ 81,670
Allocations	43,150	--	25,000	68,150
Return of funding	(20,000)	--	--	(20,000)
Adjustment for prior year expenses	16,607	--	--	16,607
Maximum eligibility	<u>(34,221)</u>	<u>--</u>	<u>(28,582)</u>	<u>(62,803)</u>
Balance, June 30, 2011	<u>\$ 79,693</u>	<u>\$ 3,931</u>	<u>\$ --</u>	<u>\$ 83,624</u>

COUNTY OF ALPINE

County Transportation Fund
Notes to Financial Statements
June 30, 2011

Note 4: **Deferred Revenues** (continued)

Local Transportation Fund Maximum Eligibility

Allocations received from the Alpine County Local Transportation Commission are recognized as revenues based on a formula provided in California Public Utilities Code of Regulations Section 6634 which, in general, provides that no transit operator or claimant shall be eligible to receive funds that exceed its operating costs less certain adjustments. Allocations received in excess of this are subject to repayment to the Local Transportation Fund and are deferred at June 30. It is the policy of the Alpine County Local Transportation Commission to require excess funding to be carried over to a subsequent year to offset future transit expenses. At June 30, 2011 and 2010, the Fund had deferred LTF allocations for operating purposes determined as follows:

	<u>2011</u>	<u>2010</u>
Maximum amount allowed:		
Operating Expenses	\$ 73,652	\$ 55,768
Adjustments:		
Depreciation	(7,565)	(3,782)
Farebox revenues	(2,909)	(1,606)
FTA operating assistance	(28,582)	(50,296)
Interest revenues	(375)	(84)
Maximum amount allowed	<u>\$ 34,221</u>	<u>\$ --</u>

An adjustment to the beginning balance of deferred revenues was recognized in the June 30, 2011 report to correct the overstatement of expenses which were taken twice in prior years. The amount of the adjustment was \$16,607.

Note 5: **Insurance and Risk of Loss**

The Fund 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 Fund is insured against these types of losses through various commercial insurance policies and does not participate in a public entity risk pool.

OTHER REPORTS



**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***

Board of Supervisors
County of Alpine
Markleeville, California

We have audited the financial statements of the County Transportation Fund of the County of Alpine (Fund) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund'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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund'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 Supervisors
County of Alpine
Markleeville, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Fund's compliance with certain provisions of laws, regulations, contracts and grants, 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 herein under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gallina LLP

Roseville, California
March 21, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE LOCAL TRANSPORTATION COMMISSION

Board of Supervisors
County of Alpine
Markleeville, California

We have audited the financial statements of the County Transportation Fund of the County of Alpine as of and for the year ended June 30, 2011 and have issued our report thereon dated March 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the County Transportation Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by the Alpine County Local Transportation 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 6667 that are applicable to the County Transportation Fund of the County of Alpine.

In connection with our audit, nothing came to our attention that caused us to believe the County Transportation Fund of the County of Alpine failed to comply with the statutes, rules and regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Transportation Commission. 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.

Board of Supervisors
County of Alpine
Markleeville, California

This report is intended solely for the information and use of the County of Alpine, the Alpine County Local Transportation Commission, management, the California Department of Transportation, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Gallina LLP

Roseville, California
March 21, 2012