

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**

**FINANCIAL STATEMENTS,**

**REQUIRED SUPPLEMENTARY INFORMATION,**

**AND**

**SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

The Commissioners of Del Norte Local Transportation Commission  
Crescent City, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Del Norte Local Transportation Commission (the Commission) as of and for the year ended June 30, 2012, which collectively comprise the Commission's financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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. 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 3 through 7 and page 21 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates 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.

*Hunter, Hunter & Hunt*

December 4, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2012**

This section of Del Norte Local Transportation Commission's (the Commission's) basic financial statements presents management's overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2012. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

**Introduction to the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commission's audited financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for States and Local Governments*.

The required financial statements include the Government-wide and Fund Financial Statements: Statement of Net Assets and Governmental Funds Balance Sheet; Statement of Activities and Changes in Net Assets and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances; Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets.

These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Commission.

**The Basic Financial Statements**

The Basic Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the Commission's financial activities and financial position.

**The Government-wide Financial Statements**

The Government-wide Financial Statements provide a longer-term view of the Commission's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities and Changes in Net Assets. The Statement of Net Assets provides information about the financial position of the Commission as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the Commission's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the Commission's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the Commission as a whole.

All of the Commission's activities are grouped into Government Activities, as explained below.

**Fund Financial Statements**

The Fund Financial Statements report the Commission's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2012**

Commission's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts. The Fund Financial Statements provide detailed information about each of the Commission's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of the Commission for the year, and may change from year to year as a result of changes in the pattern of the Commission's activities. In the Commission's case, there are two Major Governmental Funds.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements. Major Funds account for the major financial activities of the Commission and are presented individually. All of the Commission's Governmental Funds are considered major.

The Statement of Net Assets and the Statement of Activities present information about the following:

**Governmental Activities** - The Commission's basic services are considered to be governmental activities. These services are supported by specific program revenues from state grants and local transportation claims. Comparisons of Budget and Actual financial information are presented for the Administration Special Revenue Fund.

**Fiduciary Activities** - The Commission's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. Their balances are excluded from the Commission's other financial statements because the Commission cannot use these assets to finance its own operations.

The Fiduciary Statements provide financial information about the activities of the Local Transportation Fund, State Transit Assistance and RSTP Exchange Funds for which the Commission acts solely as agent. The Fiduciary Statements provide information about the cash balances and activities of these funds. These statements are separate from, and their balances are excluded from, the Commission's financial activities.

**Analysis of Major Funds**

**Governmental Funds** - Special Revenue Fund revenue decreased \$43,885 from \$386,118 in the prior fiscal year to \$342,233 this fiscal year. This decrease was mainly due to a decrease in TDA funding as compared to what was available in 2011.

Special Revenue Fund expenditures decreased \$52,529 from \$368,246 in the prior fiscal year to \$316,306 this fiscal year. This was mainly due to decreases in planning funding as compared to what was available in 2011.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2012**

**Governmental Activities**

**Table 1  
Governmental Net Assets**

	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ 129,753	\$ 108,899
Accounts Receivable	54,956	30,334
Capital Assets, Net of Accumulated Depreciation	26,129	8,247
Total Assets	\$ 210,838	\$ 147,480
Accounts Payable	\$ 32,963	\$ 13,414
Total Liabilities	32,963	13,414
Net Assets		
Invested in Capital Assets	26,129	8,247
Restricted	151,746	125,819
Total Net Assets	\$ 177,875	\$ 134,066

The Commission's governmental net assets amounted to \$177,875 as of June 30, 2012, an increase of \$43,809 over 2011. This increase is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The Commission's net assets as of June 30, 2012 comprised the following:

Net assets invested in capital assets of \$26,129, representing the Commission's investment in capital assets used in Governmental activities;

Restricted – includes \$151,746 of net assets that can only be used for specific purposes.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2012**

The Statement of Activities presents general revenues in detail. These elements are summarized below in the Changes in Governmental Net Assets.

**Table 2  
Changes in Governmental Net Assets**

	<b>2012</b>	<b>2011</b>
<b><u>Expenses:</u></b>		
Services	\$ 22,055	\$ 21,269
Planning and Administration	276,369	357,973
Total Expenses	298,424	379,242
<b><u>Program Revenues:</u></b>		
Grants	317,772	362,973
General Revenues		
SAFE	24,123	22,385
Interest	338	760
Total Revenues	342,233	386,118
Change in Net Assets	\$ 43,809	\$ 6,876

The Major Special Revenue Funds that the Commission uses to account for its governmental activities are described below.

**SAFE** - This fund accounts for service authority for freeway emergencies. The major revenue source for this fund is state vehicle license fees. Expenditures are made for service authority for freeway emergencies projects. Expenditures in the amount of \$10,084 were made for services and supplies and \$29,854 were made for the purchase of call boxes in the current year. The fund's net assets decreased by \$24,037 from \$83,531 at the end of the prior fiscal year, to \$59,494 at the end of the current fiscal year.

**Administration Fund** - This is the operating fund of the Commission. The major revenue source for this fund is state regional planning funds. Expenditures in the amount of \$276,369 were made for planning and administration and services and supplies in the current year. The fund's net assets increased by \$49,964 from \$42,288 at the end of the prior fiscal year, to \$92,252 at the end of the current fiscal year.

**Capital Assets**

GASB Statement No. 34 requires the Commission to record all its capital assets that were not recorded in prior years. Detail on capital assets can be found in Note 3.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2012**

**Debt Administration**

The Commission does not utilize long-term debt to fund operations or growth.

**Economic Outlook and Major Initiatives**

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various communities served by the Commission.

The economic condition of the Commission as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The Commission continues to be encouraged by development throughout its boundaries. The Commission will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

**Contacting the Commission's Financial Management**

These financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of the Commission's finances. Questions about this Report should be directed to Executive Director, Del Norte Local Transportation Commission, 1301 B. Northcrest Drive #16, Crescent City, California, 95531.

## **FINANCIAL STATEMENTS**

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Investments	\$ 129,753
Accounts Receivable	<u>54,956</u>
Total Current Assets	<u>184,709</u>
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	<u>26,129</u>
Total NonCurrent Assets	<u>26,129</u>
Total Assets	<u>210,838</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	<u>32,963</u>
Total Current Liabilities	<u>32,963</u>
Total Liabilities	<u>32,963</u>
<b>Net Assets:</b>	
Invested in Capital Assets	26,129
Restricted	<u>151,746</u>
Total Net Assets	<u><u>\$ 177,875</u></u>

See accompanying notes.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
Governmental Activities:			
Callbox Services and Supplies	\$ 22,055	\$ -	\$ (22,055)
Planning and Administration	<u>276,369</u>	<u>-</u>	<u>(276,369)</u>
Total Governmental Activities	<u>298,424</u>	<u>-</u>	<u>(298,424)</u>
General Revenues:			
State Sales Tax (Transportation Development Act Funds)			56,910
State Planning, Programming, and Monitoring Funds			84,000
State Rural Planning Assistance Funds			176,861
State Vehicle License Fees			24,123
Interest			<u>338</u>
Total Revenues			<u>342,233</u>
Change in Net Assets			43,809
Net Assets - Beginning of Year			<u>134,066</u>
Net Assets - End of Year			<u>\$ 177,875</u>

See accompanying notes.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	<b>Fund 618 SAFE</b>	<b>Fund 602 Administration</b>	<b>Total</b>
<b>Assets</b>			
Current Assets:			
Cash and Investments	\$ 56,089	\$ 73,664	\$ 129,753
Accounts Receivable	4,345	50,611	54,956
Total Assets	\$ 60,434	\$ 124,275	\$ 184,709
 <b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts Payable	\$ 940	\$ 32,023	\$ 32,963
Total Liabilities	940	32,023	32,963
 <b>Fund Balance:</b>			
Restricted	59,494	92,252	151,746
Total Fund Balance	59,494	92,252	151,746
Total Liabilities and Fund Balance	\$ 60,434	\$ 124,275	\$ 184,709
 Total Fund Balance - Government Fund			\$ 151,746
 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 funds. The total capital assets, net of accumulated depreciation are:			26,129
 Net Assets for Governmental Activities			\$ 177,875

See accompanying notes.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012**

	<b>Fund 618 SAFE</b>	<b>Fund 602 Administration</b>	<b>Total</b>
<b>Revenues:</b>			
Grants	\$ -	\$ 317,772	\$ 317,772
Service Authority for Freeway Emergencies	24,123	-	24,123
Interest	277	61	338
Total Revenues	24,400	317,833	342,233
<b>Expenditures:</b>			
Services	10,084	-	10,084
Call Boxes	29,853	-	29,853
Planning and Administration	-	276,369	276,369
Total Expenditures	39,937	276,369	316,306
Excess of Revenue over Expenditures	(15,537)	41,464	25,927
<b>Other Financing Sources (Uses):</b>			
Transfers In	-	8,500	8,500
Transfers (Out)	(8,500)	-	(8,500)
Total Other Financing Sources (Uses)	(8,500)	8,500	-
Net Change in Fund Balances	(24,037)	49,964	25,927
Fund Balances, Beginning of Year	83,531	42,288	125,819
Fund Balances, End of Year	\$ 59,494	\$ 92,252	\$ 151,746
 Net Change in Fund Balance - Governmental Fund			\$ 25,927
 Equipment purchases are an expenditure in the governmental funds, but the purchases increase capital assets in the statement of net assets.			26,572
 Amounts reported for governmental activities in the Statement of Activities are different because some expenses reported in the Statement of Activities do not require use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. These expenses are:			
Depreciation			(8,690)
Change in Net Assets of Governmental Activities			\$ 43,809

See accompanying notes.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2012**

	<b>Expendable Trust Funds</b>				<b>Total</b>
	<b>Fund 637</b>	<b>Fund 626</b>	<b>Fund 619</b>	<b>Fund 647</b>	
	<b>Local</b>	<b>State</b>	<b>RSTP</b>	<b>Transit</b>	
	<b>Transportation</b>	<b>Transit</b>	<b>Exchange</b>	<b>Security</b>	
	<b>Fund</b>	<b>Assistance</b>	<b>Fund</b>	<b>Fund</b>	
<b>Assets:</b>					
Cash and Investments	\$ 32,442	\$ 205,080	\$ 996,869	\$ 319	\$ 1,234,710
Sales Tax Receivable	83,800	42,149	216,447	-	342,396
<b>Total Assets</b>	<b>116,242</b>	<b>247,229</b>	<b>1,213,316</b>	<b>319</b>	<b>1,577,106</b>
<b>Liabilities:</b>					
Accounts Payable	64,500	-	260,352	-	324,852
<b>Total Liabilities</b>	<b>64,500</b>	<b>-</b>	<b>260,352</b>	<b>-</b>	<b>324,852</b>
<b>Net Assets:</b>					
Held in Trust for Pedestrian Bike	24,570	-	-	-	24,570
Held in Trust	27,172	247,229	952,964	319	1,227,684
<b>Total Net Assets</b>	<b>\$ 51,742</b>	<b>\$ 247,229</b>	<b>\$ 952,964</b>	<b>\$ 319</b>	<b>\$ 1,252,254</b>

See accompanying notes.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2012**

	<b>Expendable Trust Funds</b>				<b>Total</b>
	<b>Fund 637</b>	<b>Fund 626</b>	<b>Fund 619</b>	<b>Fund 647</b>	
	<b>Local Transportation</b>	<b>State Transit Assistance</b>	<b>RSTP Exchange Fund</b>	<b>Transit Security Fund</b>	
<b>Revenue:</b>					
Sales Tax	\$ 539,325	\$ -	\$ -	\$ -	\$ 539,325
State Exchange Funds	-	-	216,447	-	216,447
State Transit Assistance Funds	-	162,405	-	-	162,405
State Proposition 1B Funds	-	309,447	-	-	309,447
Interest	239	649	3,450	47	4,385
Total Revenue	<u>539,564</u>	<u>472,501</u>	<u>219,897</u>	<u>47</u>	<u>1,232,009</u>
<b>Expenditures:</b>					
Administration and Planning	56,912	-	-	-	56,912
Redwood Coast Transit Authority	492,609	225,367	-	-	717,976
Consolidated Transit Services Agency	24,415	-	-	-	24,415
Pedestrian Bike	64,500	-	-	-	64,500
Proposition 1B Projects - CalEMA	-	-	-	20,270	20,270
Streets Overlays	-	-	285,611	-	285,611
Total Expenditures	<u>638,436</u>	<u>225,367</u>	<u>285,611</u>	<u>20,270</u>	<u>1,169,684</u>
Change in Net Assets	<u>(98,872)</u>	<u>247,134</u>	<u>(65,714)</u>	<u>(20,223)</u>	<u>62,325</u>
Net Assets, Beginning of Year	150,614	95	1,018,678	20,542	1,189,929
Net Assets, End of Year	<u>\$ 51,742</u>	<u>\$ 247,229</u>	<u>\$ 952,964</u>	<u>\$ 319</u>	<u>\$ 1,252,254</u>

See accompanying notes.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Del Norte Local Transportation Commission (the Commission) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This summary of significant accounting policies of the Commission is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

**Reporting Entity and Nature of Activities**

The Commission is the regional transportation planning agency for the County of Del Norte and was created pursuant to Title 3 of Government Code Section 29535. The Commission is responsible for transportation planning activities as well as administration of the Local Transportation Trust Fund and the State Transit Assistance Fund. The Commission does not exercise control over any other governmental agency authority. Criteria used in determining the reportable entity was based on control or dependence determined on the basis of budget adoption, funding, and appointment of the respective governing board.

**Basis of Presentation**

Government-Wide Financial Statements

The statement of net assets and statement of activities and changes in net assets (statement of activities) display information about the reporting government as a whole and include all funds of the reporting entity, except for fiduciary activities. Governmental activities generally are financed through taxes and other non-exchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational needs of a particular program, and fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets.

Revenues not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds and major individual fiduciary funds are reported as separate columns in the fund financial statements.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

The Commission's resources are accounted for based on the purposes for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds within the governmental categories. 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 (or expenses) of the individual governmental funds are at least 10 percent of the corresponding total for all funds of that category or type.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and their reporting in the financial statements.

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Fiduciary funds are not included in the government-wide financial statements.

Fund Financial Statements

The governmental fund types use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. General capital asset acquisitions are reported as expenditures in governmental funds.

Those revenues susceptible to accrual are Transportation Development Act (TDA) funds, grants and interest revenue.

Non-exchange transactions, in which the Commission gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Commission may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The Commission's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

The governmental funds consist of:

*Service Authority for Freeway Emergencies (SAFE) Fund:* The major revenue source for this fund is state vehicle license fees. Expenditures are made for SAFE projects.

*Administration Fund:* This is the operating fund of the Commission. The major revenue source for this fund is local transportation funds. Expenditures are made for administration.

The fiduciary funds account for assets held by the Commission as a trustee or agent for other units of government. Expendable trust funds are used by the Commission for the following purposes:

*Local Transportation Fund (LTF)* - This fund is utilized by the Commission, as trustee, to receive the 1/4 of 1% retail sales tax that is returned to each County by the State Board of Equalization. These funds are apportioned and allocated by the Commission to eligible claimants for transit, transportation planning, and for administration of the TDA. While it is legal to allocate LTF funds for street and road purposes under certain conditions, the Commission has adopted a Local Transportation Reserve Fund policy that precludes any street and roads allocations.

*State Transit Assistance (STA) Fund* - This fund is utilized by the Commission, as trustee, to receive sales tax derived from statewide sales of gasoline and diesel fuel. Each County receives its share of these funds based upon a population and operator revenue formula. These funds are allocated by the Commission to transit operators.

*Regional Surface Transportation Program (RSTP) Exchange Fund* - This fund is utilized by the Commission, as trustee, to receive non-federal RSTP account funds from the California Department of Transportation. These funds are then allocated to the City of Crescent City and other claimants for eligible projects.

*Transit Security Fund* - This fund is utilized by the Commission, as trustee, to receive Proposition 1B California Transit Security Grant funds which are required to be accounted for separately.

**Budgets**

*Operating Funds* - The Commission annually adopts a budget through the preparation of an overall work program. This work program describes the projects, or work elements, that are to be funded, and the type of funds that will pay for the expenditures, such as Rural Planning Assistance, State Subvention, Local Transportation, or Federal Transportation Administration (FTA – formerly UMTA). The work program in draft form is prepared by Commission staff, submitted and approved by the Commission, and submitted to the State of California, Department of Transportation (Caltrans) before June 30. Caltrans, as the grantor of Rural Planning Assistance, State Subvention and FTA funds, approves the work program, which then becomes the budget for the operating fund of the Commission.

*Expendable Trust Funds* - There are three expendable trust funds, the Local Transportation Fund (LTF), the State Transit Assistance Fund (STA), and the Exchange Funds. The LTF funds are available for transit, streets and roads, pedestrian and bicycle, administration of the TDA, and transportation planning.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

The STA funds are available for transit purposes. The eligible recipients are the Commission, the County of Del Norte, Crescent City and any governmental agency that is operating a transit operation within the County of Del Norte. The process for delivering the LTF and STA funds to the various recipients is as follows:

The County Auditor-Controller estimates the amount of funds to be available in the LTF, and notifies the Commission before February 1 of each year.

The LTF fund's net asset balance has \$24,570 held in trust for pedestrian bicycle projects.

The Commission determines how much funding it will need for the planning and administration of the TDA. The Commission then determines the split of LTF funds between the Redwood Coast Transit Authority and other claimants based upon the population amounts provided by the State of California Department of Finance. Each recipient is then notified of the amount of LTF funds available in its area of apportionment (apportionment being the process of dividing the funds based upon population). Each agency then submits a claim for LTF funds, with transit needs required to be met before any streets and roads funds can be claimed.

The Commission acts upon the claims, adopting resolutions, and preparing allocation instructions that notify the recipient of the funds approved, and notifies the County Auditor- Controller of what expenditures are approved, and when they are to be paid.

The STA process is similar, except that the estimate is made by the State of California Controller's Office, and the funds cannot be used for administration, streets and roads, or pedestrian and bicycle facilities.

**Cash and Cash Equivalents**

The Commission's cash is maintained with the County of Del Norte. This is the Commission's only authorized investment vehicle. Cash deposits in external investment pools are considered to be cash equivalents when deposits and withdrawals may be made at any time without prior notice or penalty. The County of Del Norte allocates interest to the various funds based upon the average monthly cash balances. The Commission's cash on deposit with the County of Del Norte Treasury at June 30, 2012, was \$129,753 reported in governmental activity funds, and \$1,234,710 reported in fiduciary funds.

**Accounts Receivable**

Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations as a bad debt expense.

**Capital Assets**

In the government-wide financial statements fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

Depreciation of capital assets is charged as an expense against its operations, with accumulated depreciation reflected in the statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Callboxes and equipment	5 years
-------------------------	---------

**Net Assets and Fund Balance Classification Policy**

The difference between fund assets and liabilities is called “net assets” in the government-wide and proprietary fund financial statements and it is called “fund balance” in the governmental fund financial statements.

Government-wide and proprietary fund financial statements have the following categories of net assets:

Investment in capital assets, net of related debt, represents capital assets, net of accumulated depreciation reduced by the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets include amounts that can be spent only for specific purposes as stipulated by law, external resource providers, contract, or through enabling legislation.

Unrestricted net assets are neither restricted nor invested in capital assets, net of related debt.

In accordance with the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the governmental fund financial statements have the following categories of fund balance:

Nonspendable fund balance includes amounts in fund balance that cannot be spent because they are either not in spendable form or because they are legally or contractually required to be maintained intact;

Restricted fund balance includes amounts that can be spent only for specific purposes as stipulated by law, external resource providers, contract, or through enabling legislation.

Committed fund balance includes amounts that can be spent only for specific determined by a formal action of the Commission. Commitments may be changed or lifted only by the Commission taking the same formal action.

Assigned fund balance includes amounts that are intended to be spent for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Commission, a Commission created committee, or an official designated by the Commission to which it delegates the authority.

Unassigned fund balance represents the residual classification for resources that cannot be classified into any of the other categories.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

The Commission establishes fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the Commission.

As of June 30, 2012, the Commission's restricted funds of \$151,746 include \$86,562 of State Transportation Improvement Program funds to be used for project planning, programming and monitoring activities and \$65,184 of funds to be used for SAFE projects and projects to be authorized by the Commission.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, followed by committed, assigned, and unassigned resources as they are needed.

**Interfund Transactions - Transfers Among Funds**

Resources may be transferred from one Commission fund to another. The purpose of the transfers is to reimburse a fund that has made an expenditure on behalf of another fund. During the fiscal year ended June 30, 2012, the SAFE fund reimbursed the Administration fund \$8,500 for SAFE expenses in that fund.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Contingencies**

The Commission receives revenue from Federal, State and Local agencies that have requirements to be followed when expending these revenues. If the requirements are not followed, the unauthorized expenditures would be a liability to be refunded to the appropriate agency. Although that is a possibility, management currently deems the contingency remote based upon their knowledge of the objectives of the agencies and the provisions of the funding agreements. Accordingly, no amount has been accrued as a contingent liability in the accompanying financial statements.

**NOTE 2 - CASH AND INVESTMENT FUNDS**

The Commission maintains specific cash deposits with the County of Del Norte and involuntarily participates in the external investment pool of the County of Del Norte. The County of Del Norte is restricted by state code in the types of investments it can make. Furthermore, the County of Del Norte Treasurer has a written investment policy, approved by the Board of Supervisors, on an annual basis. Also, the County of Del Norte has a Treasury Oversight Committee, which performs regulatory oversight for its pool.

The County of Del Norte's investment policy authorizes the County of Del Norte to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

investment pool. As of June 30, 2012, the Commission's cash with the County of Del Norte's Treasurer is stated at fair value. Both the fair value and carrying value of the pool shares was \$1,234,710 as of June 30, 2012.

**NOTE 3 - CAPITAL ASSETS**

The change in the capital assets in the SAFE fund for the year ended June 30, 2012, is as follows:

	<u>Balance</u> <u>6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/12</u>
Equipment	\$ 96,755	\$ 26,572	\$ -	\$ 123,327
Less: Accumulated Depreciation	<u>(88,508)</u>	<u>(8,690)</u>	<u>-</u>	<u>(97,198)</u>
Net Capital Assets	<u>\$ 8,247</u>	<u>\$ 17,882</u>	<u>\$ -</u>	<u>\$ 26,129</u>

Depreciation expense of \$8,690 was recorded to the SAFE fund for the year ended June 30, 2012.

**NOTE 4 - PUBLIC TRANSIT MODERNIZATION**

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements for rolling stock procurement, rehabilitation or replacement. During the year ended June 30, 2012, the Commission received and expended Proposition 1B PTMISEA funds within the STA Fund as follows:

Unexpended PTMISEA Funds at June 30, 2011	\$ -
Proceeds Received During 2012:	
PTMISEA	309,447
Interest Earned	<u>513</u>
Total Proceeds	309,960
Expenditures Incurred During 2012:	
Funding provided to RCTA for Purchase of Buses	<u>(98,891)</u>
Unexpended PTMISEA Funds at June 30, 2012	<u>\$ 211,069</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE BY WORK ELEMENT - ADMINISTRATIVE FUND - BUDGET TO ACTUAL**  
For the Year Ended June 30, 2012  
**(UNAUDITED)**

	Original/ Final Budget	Actual				Total	Variance with Final Budget
		TDA	SAFE	Regional Planning Assistance	STIP		
<b>Revenues:</b>							
Regional Planning Assistance	\$ 216,000	\$ -	\$ -	\$ 176,861	\$ -	\$ 176,861	\$ (39,139)
PPM Funds	84,000	-	-	-	84,000	84,000	-
Local Transportation Funds Interest	67,386	56,911	-	-	-	56,911	(10,475)
SAFE	12,500	-	8,500	-	-	8,500	(4,000)
Interest	-	61	-	-	-	61	61
<b>Total Revenues</b>	<u>379,886</u>	<u>56,972</u>	<u>8,500</u>	<u>176,861</u>	<u>84,000</u>	<u>326,333</u>	<u>(53,553)</u>
<b>Expenditures:</b>							
Highway Planning (A)	12,000	-	-	12,000	-	12,000	-
Transit Planning (B)	25,000	25,000	-	-	-	25,000	-
Aviation Planning (C)	6,000	-	-	6,000	-	6,000	-
Federal Legislation Planning (D)	7,000	-	-	7,000	-	7,000	-
TDA Planning & Administration (E) *	34,346	20,958	-	12,000	-	32,958	(1,388)
Special Studies (F)	21,000	-	-	14,700	-	14,700	(6,300)
Transportation Planning Process (G)	20,040	-	-	15,000	-	15,000	(5,040)
Overall Work Program (H)	7,000	-	-	7,000	-	7,000	-
SAFE Planning & Administration (I)	12,500	-	8,500	-	-	8,500	(4,000)
Rural Counties Task Force (J)	6,000	-	-	6,000	-	6,000	-
Travel & Training (K)	10,000	9,336	-	-	-	9,336	(664)
STIP Planning, Prog & Monitoring (L)	43,000	-	-	-	28,500	28,500	(14,500)
Electronic Records Management (M)	20,000	1,616	-	15,000	-	16,616	(3,384)
Transit Emergency Preparedness (N)	45,000	-	-	45,000	-	45,000	-
Project Planning & Initiation (O)	77,120	-	-	37,161	5,598	42,759	(34,361)
<b>Total Expenditures</b>	<u>346,006</u>	<u>56,910</u>	<u>8,500</u>	<u>176,861</u>	<u>34,098</u>	<u>276,369</u>	<u>(69,637)</u>
Excess of Revenue over Expenditures	33,880	62	-	-	49,902	49,964	<u>\$ 16,084</u>
Fund Balances, Beginning of Year	42,288	6,218	-	-	36,070	42,288	
Fund Balances, End of Year	<u>\$ 76,168</u>	<u>\$ 6,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,972</u>	<u>\$ 92,252</u>	

\* Includes \$24,346 authorized through board resolutions.

References to A - O above represent work elements of the Overall Work Program.

See accompanying notes.

## **SUPPLEMENTARY INFORMATION**

**DEL NORTE LOCAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2012**  
**(UNAUDITED)**

	<u>Fund 618</u> <u>SAFE</u>	<u>Fund 602</u> <u>Administration</u>	<u>Total</u>
<b>Revenues:</b>			
Regional Planning Assistance	\$ -	\$ 176,861	\$ 176,861
PPM Funds	-	84,000	84,000
Local Transportation Funds Interest	24,123	56,911	81,034
SAFE	277	61	338
Interest	-	-	-
<b>Total Revenues</b>	<u>24,400</u>	<u>317,833</u>	<u>342,233</u>
<b>Expenditures:</b>			
Highway Planning (A)	-	12,000	12,000
Transit Planning (B)	-	25,000	25,000
Aviation Planning (C)	-	6,000	6,000
Federal Legislation Planning (D)	-	7,000	7,000
TDA Planning & Administration (E)	-	32,958	32,958
Special Studies (F)	-	14,700	14,700
Transportation Planning Process (G)	-	15,000	15,000
Overall Work Program (H)	-	7,000	7,000
SAFE Planning & Administration (I)	-	8,500	8,500
Rural Counties Task Force (J)	-	6,000	6,000
Travel & Training (K)	-	9,336	9,336
STIP Planning, Prog & Monitoring (L)	-	28,500	28,500
Electronic Records Management (M)	-	16,616	16,616
Transit Emergency Preparedness (N)	-	45,000	45,000
Project Planning & Initiation (O)	-	42,759	42,759
Interest	-	-	-
SAFE Services & Supplies	36,656	-	36,656
SAFE Communication Expenses	3,281	-	3,281
<b>Total Expenditures</b>	<u>39,937</u>	<u>276,369</u>	<u>316,306</u>
Excess of Revenue over Expenditures	(15,537)	41,464	25,927
Transfer to Admin From SAFE	(8,500)	8,500	-
Fund Balances, Beginning of Year	83,531	42,288	125,819
<b>Fund Balances, End of Year</b>	<u>\$ 59,494</u>	<u>\$ 92,252</u>	<u>\$ 151,746</u>

See accompanying notes.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION  
SCHEDULE OF ALLOCATIONS AND EXPENDITURES  
LOCAL TRANSPORTATION FUND  
For the Year Ended June 30, 2012  
(UNAUDITED)**

	<b>Public Utilities Code Section</b>				
	<b>Administration 99233.1</b>	<b>Pedestrian &amp; Bike Facilities 99234</b>	<b>Community Transit Services 99275</b>	<b>Contracted Transit Service 99260</b>	<b>Total</b>
<b>Revenues:</b>					
Sales tax	\$ 67,386	\$ 9,965	\$ 24,415	\$ 492,609	\$ 594,375
Total Revenues	67,386	9,965	24,415	492,609	594,375
<b>Expenditures:</b>					
Redwood Transit Authority	-	-	-	492,609	492,609
Administration & Planning	62,386	-	-	-	62,386
Pedestrian & Bike	-	9,965	-	-	9,965
Del Norte County Auditor's Office	5,000	-	-	-	5,000
Consolidated Transportation Service Agency	-	-	24,415	-	24,415
Total Expenditures	67,386	9,965	24,415	492,609	594,375
Unexpended (Overexpended) Allocations	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes.

**DEL NORTE LOCAL TRANSPORTATION COMMISSION  
SCHEDULE OF ALLOCATIONS AND EXPENDITURES  
STATE TRANSIT ASSISTANCE FUND  
For the Year Ended June 30, 2012  
(UNAUDITED)**

	<u>General Public 6730</u>	<u>Proposition 1B Funds</u>	<u>Total</u>
<b>Revenues:</b>			
State of California STA Funds	\$ 162,405	\$ 309,447	\$ 471,852
Interest	136	560	696
Total Revenues	<u>162,541</u>	<u>310,007</u>	<u>472,548</u>
<b>Expenditures:</b>			
Redwood Transit Authority	126,476	98,891	225,367
Capital Outlay	-	20,270	20,270
Total Expenditures	<u>126,476</u>	<u>119,161</u>	<u>245,637</u>
Unexpended (Overexpended) Allocations	36,065	190,846	226,911
Available at Beginning of Year	95	20,542	20,637
Available at End of Year	<u>\$ 36,160</u>	<u>\$ 211,388</u>	<u>\$ 247,548</u>

See accompanying notes.

John B. Hunter, CPA  
James A. Hunter, CPA  
Scott E. Hunt, CPA/ABV  
Donna L. Taylor, CPA, CFE



Eileen Sacra Capaccio, CPA  
Carol Mayes, CPA, CFE  
Kim Windsor, CPA/ABV  
Jennifer J. Hillegeist, CPA  
Patrick M. Shanahan, CPA

**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**

The Commissioners of Del Norte Local Transportation Commission  
Crescent City, California

We have audited the financial statements of the Del Norte Local Transportation Commission as of and for the year ended June 30, 2012, which collectively comprise the Del Norte Local Transportation Commission's financial statements and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As part of obtaining reasonable assurance about whether Del Norte Local Transportation Commission'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 expenditures paid by Del Norte Local Transportation Commission Transportation Development Act Funds were made in accordance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 6661, 6662, and 6751 that are applicable to Del Norte Local Transportation Commission Transportation Development Act Funds. Also as part of our audit, we performed tests of compliance to determine whether certain state bond funds were received and expended in accordance with the applicable bond act and state accounting requirements. In connection with our audit, nothing came to our attention that caused us to believe the Del Norte Local Transportation Commission failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act. 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.

As of June 30, 2012, PTMISEA funds received and expended, in the current fiscal year, were verified in the course of our audit as follows:

Unexpended PTMISEA Funds at June 30, 2011	\$ -
Proceeds Received During the Year Ending June 30, 2012:	
PTMISEA	309,447
Interest Earned	<u>513</u>
Total Proceeds	309,960
Expenditures Incurred During the Year Ending June 30, 2012:	
Purchase of Buses	<u>(98,891)</u>
Unexpended PTMISEA Funds at June 30, 2012	<u>\$ 211,069</u>

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

*Hunter, Hunter & Hunt*

December 4, 2012