

EASTERN SIERRA TRANSIT AUTHORITY

Financial Statements
For the Year Ended June 30, 2008

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report.....1-2

BASIC FINANCIAL STATEMENTS:

Proprietary Fund –

Statements of Net Assets.....3
Statements of Revenues, Expenses, and Changes
in Net Assets4
Statements of Cash Flows5-6

Notes to Financial Statements7-14

Other Report

Independent Auditor's Report on Compliance and on Internal
Control Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance with
Notes to Financial Statements15-16

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Eastern Sierra Transit Authority
Bishop, California

We have audited the accompanying financial statements of the business-type activities of the Eastern Sierra Transit Authority (the Authority) as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Eastern Sierra Transit Authority as of June 30, 2008, and the respective changes in financial position, and where applicable, the cash flows thereof of 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 September 25, 2008 in consideration of the Authority'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 described 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.

Members of the Board of Directors
Eastern Sierra Transit Authority

The Eastern Sierra Transit Authority has not presented the Management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Eastern Sierra Transit Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Fechter & Company, CPAs



Sacramento, CA
September 25, 2008

EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2008

ASSETS

Current Assets:

Cash	\$ 356,094
Trade Receivables	203,913

Total current assets	<u>560,007</u>
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Capital assets	2,543,020
Accumulated depreciation	<u>(2,020,294)</u>

Net capital assets	<u>522,726</u>
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TOTAL ASSETS	<u>\$ 1,082,733</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued liabilities	\$ 192,667
Payroll liabilities	185,273
Deferred revenues	<u>11,117</u>

Total current liabilities	389,057
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Net Assets

Invested in capital assets, net	522,726
Unrestricted, undesignated	<u>170,950</u>

Total net assets	<u>693,676</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,082,733</u>
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The accompanying notes are an integral part of these financial statements

EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

Operating revenues:	
Fare revenues	\$ 352,636
Other operating revenues	4,985
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Total operating revenues	357,621
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Operating expenses:	
Salaries & benefits	2,072,623
Professional & other services	323,644
Depreciation expense	316,978
Fuel	264,750
Vehicle maintenance	224,147
Insurance	77,988
Advertising	57,147
Miscellaneous expenses	45,598
Parts & supplies	29,516
Rents	33,476
Utilities	26,979
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Total operating expenses	3,472,846
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Operating income (loss)	(3,115,225)
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Non-operating revenues and (expenses):	
Local Transportation Fund allocation	1,542,143
State Transit Assistance allocation	178,503
Operating grants	367,674
Operating assistance	417,949
Rents	9,213
Other revenues	39,043
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Total non-operating revenues and (expenses)	2,554,525
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Income (loss) before contributions	(560,700)
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Capital contributions (grants)	-
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Change in net assets	(560,700)
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Beginning net assets	1,254,376
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Ending net assets	\$ 693,676
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The accompanying notes are an integral part of these financial statements

EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

Cash flows from operating activities:	
Receipts from customers	\$ 357,621
Payments to suppliers	(1,600,446)
Payments to employees	<u>(1,177,482)</u>
Net cash provided by operating activities	<u>(2,420,307)</u>
Cash Flows from non-capital financing activities:	
Grant revenues	1,895,524
Reimbursements and other revenues	<u>456,992</u>
Net cash provided by non-capital financing activities	<u>2,352,516</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(134,678)
Proceeds of line of credit	80,000
Re-payments of line of credit	(80,000)
Fund balance transfer - Inyo-Mono Transit	<u>549,350</u>
Net cash provided by (used in) capital and related financing activities	<u>414,672</u>
Cash flows from investing activities:	
Rental income	<u>9,213</u>
Net cash provided by investing activities	<u>9,213</u>
Net increase (decrease) in cash and cash equivalents	356,094
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 356,094</u></u>

The accompanying notes are an integral part of these financial statements

EASTERN SIERRA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2008

**Reconciliation of operating income (loss) to net cash
provided by (used) by operating activities:**

Operating income (loss)	\$ (3,115,225)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	316,978
Increase (decrease) in accounts payable and accrued liabilities	192,667
Increase (decrease) in payroll liabilities	<u>185,273</u>
Net cash provided (used) by operating activities	<u><u>\$ (2,420,307)</u></u>

The accompanying notes are an integral part of these financial statements

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 1: SIGNIFICANT ACCOUNTING POLICIES

A. THE REPORTING ENTITY

The Eastern Sierra Transit Authority (the Authority) was established in 2007 by a joint powers agreement between Inyo County, Mono County, the City of Bishop, and the Town of Mammoth Lakes to operate a regional transportation system in the Eastern Sierra region.

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", the Authority has reviewed criteria to determine whether other entities with activities that benefit the Authority should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity has a significant operational and financial relationship with the Authority.

The Authority has determined that no other outside entity meets the above criteria and, therefore, no agency has been included as a component unit in the Authority's financial statements. In addition, the Authority is not aware of any entity that has such a relationship to the Authority that would result in the Authority being considered a component unit of that other entity.

B. BASIS OF PRESENTATION

The accounts of the Authority are organized and operated on the basis of funds, each of which is considered an independent fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses, as appropriate. Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing transportation services to customers. Separate financial statements are provided for proprietary and fiduciary funds. The Authority's accounts are organized into the following fund types:

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type

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. Unrestricted net assets for the enterprise fund represent the net assets available for future operations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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. This measurement focus emphasizes the determination of increased/decreased net assets. The accrual basis of accounting is used for the enterprise fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued on and before November 30, 1989 are applied to proprietary operations unless they conflict with GASB pronouncements. The Authority has elected not to apply FASB statements issued subsequent to November 30, 1989.

D. BUDGETARY INFORMATION

State law requires the adoption of an annual budget for the enterprise fund, which must be approved by the Board of Directors. The Budget is prepared on an accrual basis. The board of Directors adopts an annual budget for transit operations. The Executive Director shall have the authority to transfer funds between line items, not to exceed \$5,000 or 20% for any one line item, whichever is greater, with the limits of the overall budget. The Executive Director shall report, on a regular basis, any such transfers to and from budgeted line items. Budget amendments in excess of \$5,000 or 20% of a line item, whichever is greater shall require Board approval.

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CASH AND EQUIVALENTS

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and equivalents.

F. INVESTMENTS

Investments consist of funds deposited in the Local Agency Investment Fund (LAIF) which is a pooled money investment account held with the State of California. Investments are stated at market value. Such investments are within the State Statutes and the Authority's investment policy.

G. CAPITAL ASSETS

Capital assets are stated at historical cost. The cost of normal maintenance and repairs is charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related properties. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Buildings and improvements	40 to 50 years
Buses and maintenance vehicles	4 to 12 years
Light-rail structures and light-rail vehicles	25 to 45 years
Other operating equipment	5 to 15 years

It is the policy of the Authority to capitalize all capital assets with an individual cost of more than \$5,000, and a useful life in excess of one year.

H. COMPENSATED ABSENCES

The Authority's policy allows employees to accumulate earned but unused comprehensive leave and compensated time off, which will be paid to employees upon separation from the Authority's service, subject to a vesting policy.

I. FEDERAL, STATE, AND LOCAL GRANT FUNDS

Grants are accounted for in accordance with the purpose for which the funds are intended. Approved grants for the acquisition of land, building, and equipment are recorded as revenues as the related expenses are incurred. Approved grants for operating assistance are recorded as revenues in which the related grant conditions are met. Advances received on grants are recorded as a liability until related grant conditions are met. The Transportation Development Act (TDA) provides that any funds not earned and not used may be required to be returned to their source.

**EASTERN SIERRA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. FEDERAL, STATE, AND LOCAL GRANT FUNDS (continued)

When both restricted and unrestricted resources are available for the same purpose the Authority uses restricted resources first.

K. USE OF ESTIMATES

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable consist entirely of amounts due from other governmental agencies for operating and capital grants. Management believes its accounts receivable to be fully collectible, and, accordingly, no allowance for doubtful accounts is required.

Note 2: CASH AND INVESTMENTS

The Authority follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Cash & investments consist of the following at June 30, 2008:

Investments in State Treasurer's Investment Pool (LAIF)	\$ 256,479
Deposits held in financial institutions	<u>94,221</u>
Total	<u>\$ 350,700</u>

A. CUSTODIAL CREDIT RISK

At June 30, 2008, the carrying amount of the deposits held at banks was \$94,121 and the bank balances totaled \$277,182. The bank balances are insured by the FDIC for \$100,000 and the remaining was collateralized, as required by California Government Code 53630, by the pledging financial institution with assets held in a common pool for the Authority and other governmental agencies. State law requires that the collateral be equal or greater than 100% of all public deposit is held with the pledging financial institution if government securities are used or 150% if mortgages are used as the collateral.