



Gold Coast Transit
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2010 and 2009



Gold Coast Transit 2010 Board of Directors



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Supervisor 5th District, County of Ventura
Alternate Director, Supervisor Steve Bennett



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Alternate Director, Mayor Pro Tem Sylvia Muñoz Schnopp



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Introductory Section



August 15, 2010

The Board of Directors
Gold Coast Transit
Oxnard, California

Members of the Board:

In fiscal year 2010, Gold Coast Transit (GCT) delivered 3.52 million passenger trips and operated 2.18 million miles of revenue service in western Ventura County, California. While that represents a 3.6% reduction in both passenger trips and revenue service miles from the prior year, the past year has been extraordinarily challenging for all public transit agencies in California and I am proud that GCT was able to continue serving our constituents with only minor service reductions and emerge in relatively strong financial condition.

The transit services provided by GCT are increasingly important to our local residents as they cope with the impacts of the economic recession. These vital services continue to be made possible through the continued and generous funding support of GCT's five member governments: the Cities of Oxnard, Ventura, Port Hueneme and Ojai, and the County of Ventura.

Key developments at GCT during the 2010 fiscal year included:

- Finalized an American Recovery and Reinvestment Act of 2009 (ARRA) grant of nearly \$7.6M, which will fund eight buses, supervisory vehicles, new fareboxes, facility upgrades, bus stop enhancements and support for both fixed route and paratransit operations.
- Took delivery of eight new low-floor 35-foot CNG NABI buses funded by ARRA. These new buses increase our fixed route bus fleet to 54, and will enable GCT to provide increased bus service as additional operating funds become available.
- Development by the Board of an updated GCT Strategic Plan, including a new mission statement and updated goals and objectives.
- GCT led and coordinated a countywide "try transit" marketing promotion funded by a grant from the Ventura County Air Pollution Control District (VCAPCD) which resulted in over 5,500 promotional ride tickets redeemed on GCT buses and another 2,500 redeemed by other Ventura County transit providers.
- Installed new Guide-a-Ride signs at 300 key bus stops throughout the service area to assist bus riders with bus stop and route connection information.
- Completed the Transit Service Strategy Plan (TSSP), which will serve as a blueprint for future transit expansion in the GCT service area.
- Initiated the Vineyard Corridor Study, using funding from CalTrans for a study and public outreach effort to gather information and establish transit options to better serve the Vineyard Avenue corridor.
- Upgraded the GCT website, Goldcoasttransit.org, and began using social media sites Facebook, Twitter and MySpace, to provide the public easier access to more up-to-date information.

As I have announced my retirement effective October 5, 2010, I would like to express my appreciation for having been given the privilege of serving the Board, member governments, transit riders and area residents as GCT's general manager. I thank the Board for its unflagging leadership and support throughout my tenure. I know that under the leadership of the Board and GCT's management team we can look forward to continued improvements in transit service in western Ventura County.



Deborah C. Linelfan
General Manager

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August 15, 2010

Board of Directors
Gold Coast Transit
Oxnard, California

Members of the Board:

This is Gold Coast Transit's Comprehensive Annual Financial Report (CAFR) covering the fiscal year ended June 30, 2010 and is submitted in compliance with Section 4(b) of our Joint Powers Agreement.

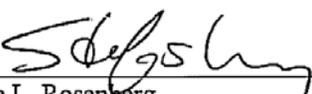
The CAFR has been prepared by the Office of the Director of Administrative Services in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). This Office is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures.

We believe that the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of GCT. All disclosures necessary to enable the reader to gain the maximum understanding of GCT financial affairs have been included.

The CAFR represents the culmination of all budgeting and accounting activities engaged in by GCT during the fiscal year. The CAFR is organized into three sections:

1. The **Introductory Section** is intended to familiarize the reader with the organizational structure of GCT and the nature and scope of the provided services.
2. The **Financial Section** includes a Management Discussion and Analysis narrative to introduce the financial statements and analyze the financial activities during the fiscal year. This section also includes the Independent Auditor's Report, audited financial statements, disclosure notes, supplementary budget information, supporting statements and schedules necessary to fairly present the financial position and the results of the operations of GCT in conformity with generally accepted accounting principles.
3. The **Statistical Section** contains comparative statistical data on GCT's financial, physical, economic and social characteristics.

The preparation of this Comprehensive Annual Financial Report required the cooperation of GCT management, staff and independent auditors, Charles Z. Fedak & Co., CPAs. I wish to express my appreciation to all those individuals who contributed to the preparation of this report, with special recognition to Lili Marlene T. Tomen, GCT's Accounting Manager, who, again this year, worked diligently preparing for this year's financial audit and whose professionalism and dedication continues to be invaluable to this organization.



Steve L. Rosenberg
Director, Administrative Services

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Gold Coast Transit *Organizational Information*

History¹

South Coast Area Transit (SCAT) was established in 1973. On July 17, 1973 the Cities of Ojai, Oxnard, Port Hueneme and San Buenaventura executed a Joint Powers Agreement that created SCAT to develop and operate local and intercity public transportation in western Ventura County. The County of Ventura became a SCAT member agency in October of 1977.

Prior to SCAT's creation, two municipal bus lines operated the region's public transit service. Ventura Transit City Lines operated local service in Ventura and intercity service to Ojai. Oxnard Municipal Bus Lines served Oxnard and Port Hueneme. Following a national trend, the bus systems flourished through the mid 1940's but both ridership and service levels declined in the years following. By the late 1960's it became increasingly difficult for cities to maintain municipal bus lines with local general funds.

The outlook for public transit systems in California brightened in 1971 when the State Legislature created a source of dedicated transportation funding through passage of the Transportation Development Act (TDA). The availability of TDA funds to local governments provided an impetus for forming a single regional transit entity to operate coordinated transit services across municipal boundaries and in some unincorporated areas of western Ventura County.

After SCAT's creation in 1973, the operating systems of Ventura Transit City Lines and Oxnard Municipal Bus Lines were merged to create the SCAT regional transit system. Bus service was implemented on November 4, 1973. SCAT originally operated from two facilities located in Ventura and Oxnard. In February of 1980 all SCAT functions were consolidated in a single administrative, operating and maintenance facility on a three-acre site at 301 E. Third Street in Oxnard. In June 2008, SCAT's Joint Powers Agreement was amended to, among other changes, rename the agency from South Coast Area Transit to Gold Coast Transit; this change became effective July 1, 2007.

Services

GCT provides fixed-route bus and paratransit services in the cities of Ojai, Oxnard, Port Hueneme and Ventura, and in the unincorporated County areas between the cities. The service area is approximately 91 square miles with an estimated population of 375,000.

GCT served 3.52 million passenger boardings in fiscal year 2010, an decrease of 3.6% from the previous year, and operated 2.18 million miles of revenue service. GCT operates a fleet of 54 full-size (35-foot and 40-foot) buses on fixed route service and 24 cutaway buses primarily on paratransit service, all using clean burning compressed natural gas (CNG). GCT added eight (8) new 35-foot North American Bus Industries (NABI) buses to its fleet in fiscal year 2010 as a result of funding provided by the American Recovery and Reinvestment Act of 2009. Only eleven of GCT's 78 revenue vehicles are more than four years old. GCT has for many years operated its own onsite CNG fueling station, and fiscal year 2010 marked the first full year of operation for GCT's new state-of-the-art CNG fueling station.

In fiscal year 2010, GCT fixed-route service served 3.44 million passenger boardings, a decrease of 3.5% from the previous year, while the ACCESS paratransit system transported 79,985 passengers, a decrease of 5.7% over the previous year.

¹ Historical information excerpted from "A Historical Summary of Gold Coast Transit," by Peter G. Drake, retired SCAT general manager.

Gold Coast Transit ***Organizational Information***

Mission Statement

GCT's mission is to provide a safe, efficient, quality bus transportation system for the western Ventura County area, which serves the needs of the greatest number of people by:

- Balancing the needs of customers with the need for operational efficiency;
- Providing transit services which appeal to increasing numbers of people;
- Operating responsibly and cost effectively within budgets;
- Coordinating services with other public transportation operators in Ventura County; and
- Providing services that contribute to a safer, cleaner and less congested environment.

Board of Directors

Gold Coast Transit is a joint powers agency governed by a Board of Directors. Each of GCT's five member agencies appoints one elected official from its governing body to serve on the Board of Directors and a second to serve as an alternate member. The Board of Directors regular monthly meetings are held on the first Wednesday of each month at 10 a.m.

Management

The General Manager is appointed by the Board of Directors and is charged with carrying out the Board's policies and directives. The General Manager leads a management team made up of four internal directors who head departments and one manager. The current General Manager has served in the position since February 2001. Members of the fiscal year 2010 management team are:

Deborah C. Linehan, General Manager
Steven P. Brown, Director of Planning and Marketing
Steve L. Rosenberg, Director of Administrative Services
Robert Lurie, Director of Fleet and Facilities
Andrew Mikkelson, Director of Transit Operations
Ken Mills, Buyer and DBE Officer

As the end of fiscal year 2010, GCT has 137 employees, the majority of whom provide or supervise bus service. The operations department has 102 employees including 94 bus operators, six transit supervisors, an operations support specialist and a director. The maintenance department has 20 employees and the administration department has 15 employees. Service Employees International Union Local 721 represents all bus operators, most maintenance employees and five administrative employees.

In addition to GCT's directly operated fixed route bus service, GCT contracts with MV Transportation, Inc for the management and operation of GCT ACCESS, a regional paratransit service providing curb-to-curb transportation for people with disabilities and senior citizens.

In June 2010, General Manager Linehan announced her retirement effective October 5, 2010. The GCT Board of Directors on September 1, 2010 announced the appointment of Steven P. Brown, currently GCT's Director of Planning and Marketing, as GCT's next General Manager.

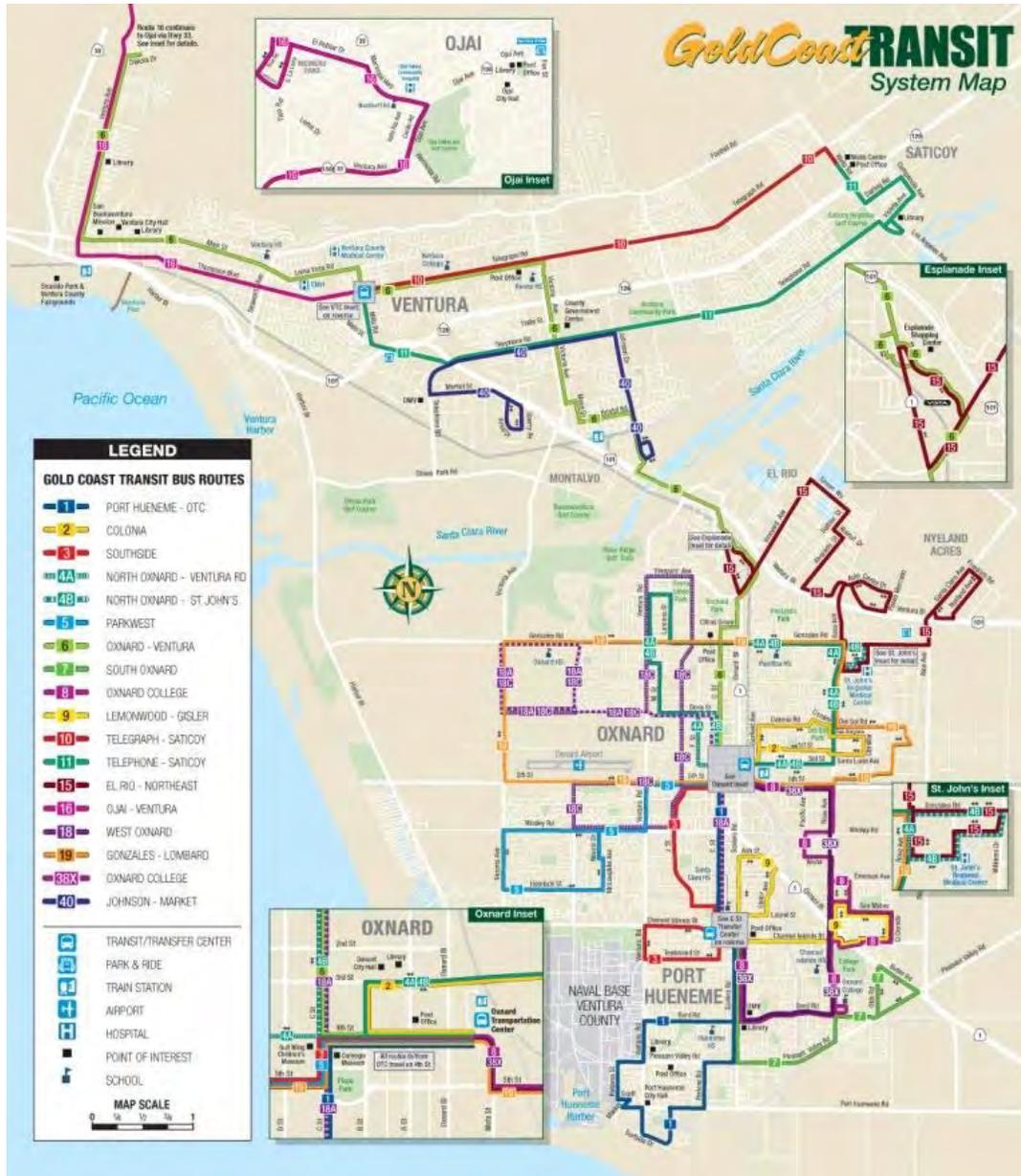
Gold Coast Transit
Organizational Information

Map of Ventura County, California



Gold Coast Transit Organizational Information

Gold Coast Transit Bus System Map



Financial Section



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

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Independent Auditor's Report

Board of Directors
Gold Coast Transit
Oxnard, California

We have audited the accompanying financial statements of the Gold Coast Transit (GCT) as of and for the years ended June 30, 2010 and 2009, which collectively comprise GCT's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of GCT's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Gold Coast Transit as of June 30, 2010 and 2009, and the results of its operations and cash flows for the years 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 a report dated August 15, 2010, on our consideration of GCT's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Independent Auditor's Report, continued

Our audits were conducted for the purpose of forming opinions on the basic financial statements of GCT taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments*. The Schedule of Federal Financial Assistance 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.

The accompanying introductory section and statistical section listed in that table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

August 15, 2010
Cypress, California

Chris H. Cooper CPA
An Accountancy Corporation

Gold Coast Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2010 and 2009

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of Gold Coast Transit (GCT) provides an introduction to the financial statements of GCT for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the Introductory Section and with the statements and related notes contained in the Statistical Section.

Activities and Highlights

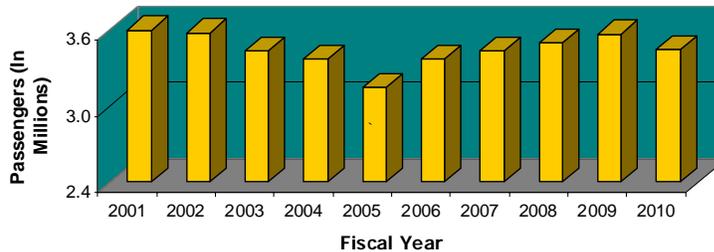
GCT provides bus and paratransit services in the cities of Ojai, Oxnard, Port Hueneme and Ventura, and in the unincorporated County areas between the cities. The service area is approximately 91 square miles with a population of approximately 375,000.

GCT owns 78 revenue vehicles which are 100% fueled with clean burning compressed natural gas (CNG), primarily from GCT's owned and operated CNG fueling station, which recently underwent a complete renovation. In FY 2010, GCT vehicles carried over 3.52 million passengers while traveling over 2.18 million revenue miles.

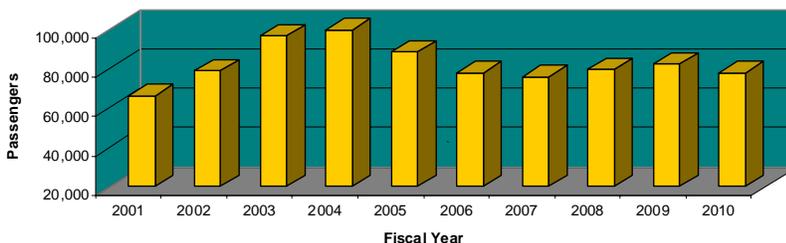
GCT operates a fleet of 54 fixed-route buses. In FY 2010, GCT fixed-route buses operated 1.68 million miles of revenue service and served 3.44 million passenger boardings, a decrease of 3.5% over the previous year. In FY 2009-10, the ACCESS paratransit system transported 77,985 passengers, a decrease of 5.6% from the previous year. GCT owns the paratransit fleet consisting of 24 vans, which are operated under contract by MV Transportation, Inc.

| | <u>2010</u> | <u>2009</u> | <u>Increase/ (Decrease)</u> |
|---|-------------------------|-------------------------|---------------------------------|
| Fixed-Route Passengers Trips | 3,442,005 | 3,568,028 | (3.5%) |
| ACCESS Paratransit One-Way Trips | <u>77,985</u> | <u>82,655</u> | (5.6%) |
| Total Boardings | <u>3,519,990</u> | <u>3,650,683</u> | <u>(3.6%)</u> |

Fixed Route Bus Ridership – Unlinked Passenger Trips from 2001 to 2010



ACCESS Paratransit Ridership – One-way Trips from 2001 to 2010



Gold Coast Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2010 and 2009

GCT is unique compared to the majority of transit operations in California since it provides transit service without support from direct sales tax measures, tax levies or dedicated general funds. As GCT does not have the authority to levy taxes, the use of Local Transportation Funds (LTF) from a quarter-cent sales tax provided by the Transportation Development ACT (TDA) has historically been the only local means available to GCT to support transit services. In July 2007, GCT's Joint Powers Agreement (JPA) was revised to give the agency the authority to accept local funds from other sources (in the form of route guarantees) to support local transit services.

In FY 2010, TDA funds were just over 50% of the total revenue for operating expense, while fares and other local funds accounted for just over 20%. The State previously announced its intention to eliminate State Transportation Assistance (STA) Funds for five years starting in FY 2010, so our support from this revenue stream was limited to a small amount of previously unclaimed funds, less than one-half of one percent. While STA accounted for only 1.6% of GCT revenues in FY 2009, it has historically provided significant funding for other Ventura County transit priorities. The most significant impact to GCT of the loss of STA funds was in reduced regionally-shared LTF funds available to GCT's members. In March 2010, the state consequently enacted legislation which restored STA going forward by replacing the sales tax on fuel with an increase in the fuel excise tax rate. GCT's use of Federal funds increased from 24% to 28%, as the loss of STA funds and a reduced level of Federal formula funds were offset by Federal funds from the American Recovery and Reinvestment Act (ARRA) of 2009 and a new Congestion Mitigation and Air Quality (CMAQ) grant which provides three-year funding for a GCT demonstration route.

Financial Position Summary

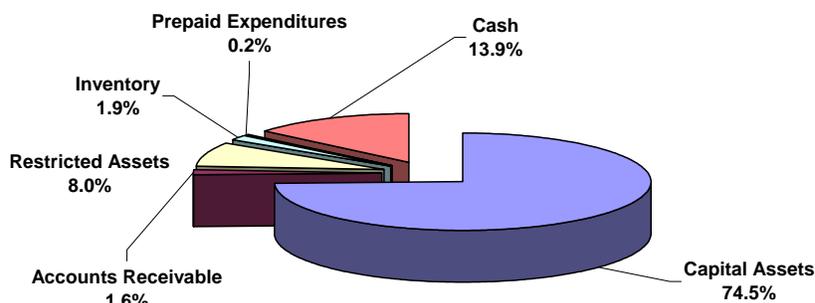
Total net assets serve over time as a useful indicator of GCT's financial position. GCT's assets exceed liabilities by \$25,288,324 as of June 30, 2010, a 5.6% increase from June 30, 2009. A condensed summary of net assets at June 30 is shown below:

| Condensed Statement of Net Assets | | | |
|--|----------------------|-------------------|------------------|
| | 2010 | 2009 | Change |
| Assets: | | | |
| Current assets | \$ 7,343,202 | 7,701,443 | (358,241) |
| Capital assets, net | 21,473,376 | 20,274,686 | 1,198,690 |
| Total assets | 28,816,578 | 27,976,129 | 840,449 |
| Liabilities: | | | |
| Current liabilities | 3,528,254 | 4,034,464 | (506,210) |
| Total liabilities | 3,528,254 | 4,034,464 | (506,210) |
| Net assets: | | | |
| Net investment in capital assets | 21,473,376 | 20,274,686 | 1,198,690 |
| Restricted for capital projects | 2,292,862 | 2,480,894 | (188,032) |
| Unrestricted | 1,522,086 | 1,186,085 | 336,001 |
| Total net assets | 25,288,324 | 23,941,665 | 1,346,659 |
| Total liabilities and net assets | \$ 28,816,578 | 27,976,129 | 840,449 |

The largest portion of GCT's net assets (\$21,473,376 or 85% at June 30, 2010) represents its net investment in capital assets, such as buses, buildings, improvements, and equipment. GCT uses these capital assets to provide services to its passengers; consequently, these assets are not available for future spending. Restricted net assets have been set aside to fund the purchase of future capital projects and transit vehicle acquisitions. The remaining unrestricted net assets (\$1,522,086 or 6% at June 30, 2010) may be used to meet GCT's capital and ongoing operating obligations.

Gold Coast Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2010 and 2009

Total Assets - FY2009-10



GCT Passenger Fares

Passenger fares are set by the Board of Directors and changed when determined necessary by the Board. Prior to FY 2010 the most recent increase had taken place effective July 1, 2004, when the adopted fare policy included a “tie bar” requiring that the paratransit fare automatically be set at twice the amount of the fixed route fares. During FY 2010, the Board of Directors approved a two-phase fare increase. The first phase took effect on January 24, 2010, increasing the base cash fare from \$1.25 to \$1.35. The second phase is scheduled to take effect in July 2011. GCT’s current fare structure is as follows:

Fixed Route Service Fares – Effective January 24, 2010

Cash Fares

| | |
|---|---------|
| Adult | \$ 1.35 |
| Youth (through age 18) | 1.35 |
| Seniors* | 0.65 |
| Medicare (with Medicare Card) | 0.65 |
| Disabled (Medicare card or GCT I.D.) | 0.65 |
| Seniors 75+ (with GCT I.D. – restricted hours) | FREE |
| Seniors 75+ (with GCT I.D. – am and pm rush hours) | 0.65 |
| Children under 45” tall (when accompanied by paid fare) | FREE |
| Day Pass(One-Day/Unlimited Boardings) | 3.25 |
| Day Pass for Seniors/Medicare/Disabled | 1.60 |

Multi-Ride Ticket or Monthly Pass

| | |
|------------------------|----------|
| Adult | |
| 10-Ride | \$ 12.50 |
| 20-Ride | 23.50 |
| 30-Ride | 32.50 |
| Monthly Pass | 44.50 |
| Youth | |
| 10-Ride | \$ 10.00 |
| 20-Ride | 18.50 |
| 30-Ride | 26.00 |
| Monthly Pass | 35.00 |
| Senior/Disabled | |
| 10-Ride | \$ 6.00 |
| 20-Ride | 11.00 |
| 30-Ride | 15.75 |
| Monthly Pass | 19.50 |

Gold Coast Transit
Management's Discussion and Analysis
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GCT ACCESS Transit Service Fares – Fiscal Year 2010

Cash Fare (one-way)

| | |
|---|----------|
| ADA Certified and Senior* | \$2.70 |
| Senior Nutrition Program (registered with County program) | Donation |

Book of Ten Tickets

| | |
|---------------------------|---------|
| ADA Certified and Senior* | \$27.00 |
|---------------------------|---------|

* 65 years of age and older with proof of age

Financial Operations Highlights

Operating revenues decreased by 2.1% from \$3,206,142 in FY 2009 to \$3,137,831 in FY 2010, primarily as the result of fixed route fare revenue being down 4.9% based on fixed route passenger boardings being down 5.6%.

Operating expenses before depreciation increased by 2.4% from \$15,187,283 to \$15,557,203. The increase was driven by:

- ◆ A 5.6% increase in labor and benefit costs resulting primarily from increased hours worked and increased wage and benefit costs attributable to the second year of the Memoranda of Understanding (MOUs) between GCT and Service Employees International Union (SEIU) Local 721, which took effect November 1, 2008.
- ◆ A 9.8% increase in materials and supplies costs resulting primarily from increased repair parts costs attributable to obsolete parts associated with the disposition of GCT's old Orion bus fleet.

Cost increases were offset by:

- ◆ A 9.8% decrease in Paratransit contract costs attributable to reduced ridership and corresponding reduction in the level of service being provided.
- ◆ A 13.5% decrease in insurance costs.

Capital contributions received in the form of grants from the federal and state governments and matching funds from local governments decreased from \$8,322,085 in FY 2009 to \$4,177,698 in FY 2010. GCT received ARRA funds for eight (8) new 35-foot NABI buses in FY 2010, however last year's contribution reflected not only nine (9) new buses but substantial completion of GCT's new Compressed Natural Gas (CNG) dispensing station.

Revenues generally equal expenditures before depreciation in order to comply with State Transportation Development Act requirements of GCT, as a publicly funded transportation entity.

Gold Coast Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2010 and 2009

Condensed Statement of Revenues, Expenses and Changes in Net Assets

| | <u>2010</u> | <u>2009</u> | <u>Change</u> |
|---|----------------------|---------------------|--------------------|
| Operating revenues | \$ 3,137,831 | 3,206,142 | (68,311) |
| Operating expenses | <u>(15,557,202)</u> | <u>(15,187,284)</u> | <u>(369,918)</u> |
| Operating loss before depreciation | (12,419,371) | (11,981,142) | (438,229) |
| Depreciation | <u>(2,831,039)</u> | <u>(1,817,089)</u> | <u>(1,013,950)</u> |
| Operating loss | (15,250,410) | (13,798,231) | (1,452,179) |
| Non-operating revenues | <u>12,419,371</u> | <u>11,981,142</u> | <u>438,229</u> |
| Loss before capital contributions | (2,831,039) | (1,817,089) | (1,013,950) |
| Capital contributions | <u>4,177,698</u> | <u>8,322,086</u> | <u>(4,144,388)</u> |
| Change in net assets | 1,346,659 | 6,504,997 | (5,158,338) |
| Net assets – beginning of period | <u>23,941,665</u> | <u>17,436,668</u> | <u>6,504,997</u> |
| Net assets – end of period | <u>\$ 25,288,324</u> | <u>23,941,665</u> | <u>1,346,659</u> |

Revenues

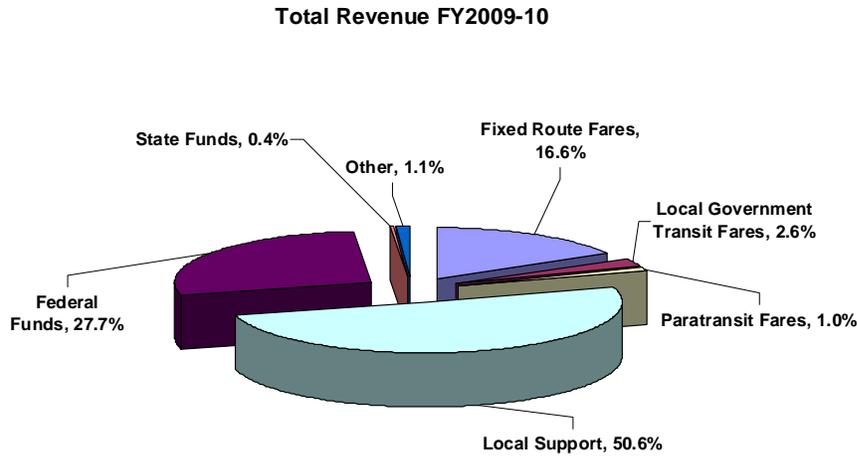
A summary of revenues for the year ended June 30, 2010 including the amount and percentage of change in relation to prior year amounts is as follows:

| | <u>2010</u> | <u>Percentage of Total</u> | <u>2009</u> | <u>Increase (Decrease)</u> | <u>% Increase (Decrease)</u> |
|-------------------------------|----------------------|--------------------------------|-------------------|--------------------------------|----------------------------------|
| Operating: | | | | | |
| Fixed-route passenger fares | \$ 2,575,992 | 16.6% | 2,709,666 | (133,674) | -4.9% |
| Local government transit fees | 400,000 | 2.6% | 335,000 | 65,000 | 19.4% |
| ACCESS paratransit fares | <u>161,839</u> | <u>1.0%</u> | <u>161,476</u> | <u>363</u> | <u>0.2%</u> |
| Total operating | <u>3,137,831</u> | <u>20.2%</u> | <u>3,206,142</u> | <u>(68,311)</u> | <u>-2.1%</u> |
| Nonoperating: | | | | | |
| Local assistance | 7,869,282 | 50.6% | 7,618,873 | 250,409 | 3.3% |
| Federal funding | 4,314,074 | 27.7% | 3,925,318 | 388,756 | 9.9% |
| State funding | 66,989 | 0.4% | 245,741 | (178,752) | -72.7% |
| Other | <u>169,026</u> | <u>1.1%</u> | <u>191,210</u> | <u>(22,184)</u> | <u>-11.6%</u> |
| Total nonoperating | <u>12,419,371</u> | <u>79.8%</u> | <u>11,981,142</u> | <u>438,229</u> | <u>3.7%</u> |
| Total revenues | <u>\$ 15,557,202</u> | <u>100.0%</u> | <u>15,187,284</u> | <u>369,918</u> | <u>2.4%</u> |

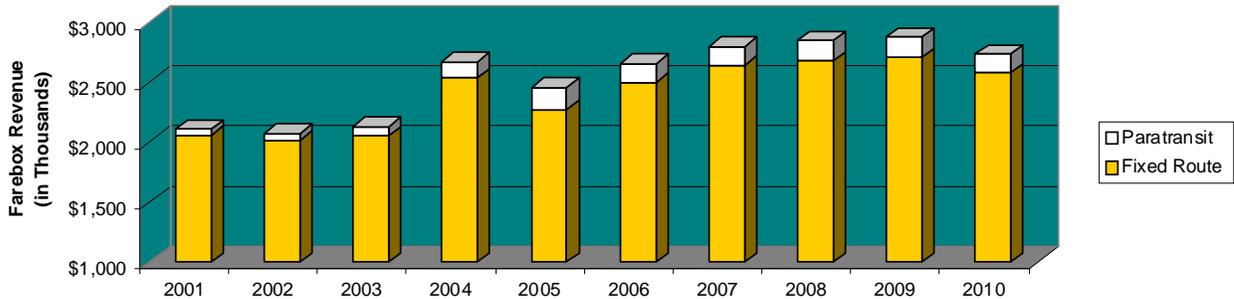
The total revenue increase of 2.4% included increased reliance on federal funds, specifically \$500,000 in ARRA funds, also known as “stimulus” funds, used to support the provision of paratransit service. Increased reliance on local transportation funding (TDA and Local Government Transit Fares) was required, despite reduced availability of such funds to our member agencies, because State Transit Assistance (STA) funds were not provided by the state for FY 2009. Passenger fares were down for fixed route and flat for paratransit, and increased advertising revenue partially offset substantially reduced interest income resulting from both lower cash balances and lower interest rates.

Gold Coast Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2010 and 2009

The following chart shows the major sources of operating and non-operating revenues for the year ended June 30, 2010 (fares, grants and others).



The following chart shows GCT's farebox revenues over the past ten years:



Expenses

A summary of expenses for the year ended June 30, 2010, including the amount and percentage of change in relation to prior year amounts, is as follows:

| | <u>2010</u> | <u>Percentage of Total</u> | <u>2009</u> | <u>Increase (Decrease)</u> | <u>% Increase (Decrease)</u> |
|---------------------------------------|----------------------|--------------------------------|-------------------|--------------------------------|----------------------------------|
| Operating expenses: | | | | | |
| Vehicle operation | \$ 8,332,929 | 45.3% | 7,943,918 | 389,011 | 4.9% |
| Vehicle maintenance | 2,606,205 | 14.2% | 2,218,968 | 387,237 | 17.5% |
| Planning and marketing | 772,908 | 4.2% | 678,804 | 94,104 | 13.9% |
| Operations and administration | 1,683,058 | 9.2% | 1,877,436 | (194,378) | -10.4% |
| Paratransit | 2,162,102 | 11.8% | 2,468,158 | (306,056) | -12.4% |
| Operating expenses before depr | <u>15,557,202</u> | <u>84.6%</u> | <u>15,187,284</u> | <u>369,918</u> | <u>2.4%</u> |
| Depreciation | 2,831,039 | 15.4% | 1,817,089 | 1,013,950 | 55.8% |
| Total operating expenses | <u>\$ 18,388,241</u> | <u>100.0%</u> | <u>17,004,373</u> | <u>1,383,868</u> | <u>8.1%</u> |

Gold Coast Transit
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For the Years Ended June 30, 2010 and 2009

Fixed Route costs for FY 2010 were 4.9% higher than in FY 2009. Wages and benefits represent 86% of Fixed Route operations costs. The increase in Fixed Route costs for FY 2008-09 is primarily attributable to a 4.36% increase in revenue service hours as well as somewhat higher wages and benefit contributions levels, and a modest increase in fuel cost resulting from the expiration of the Alternative Fuel Excise Tax Credit on December 31, 2009. These costs were partially offset by lower Workers' Compensation costs and reduced expenditures for operations supplies. These higher costs were anticipated, as Operations finished FY 2010 at 1.4% under budget.

Maintenance costs for FY 2010 were 17.5% higher than in FY 2009. To view that in context, GCT Maintenance costs in FY 2009 were the lowest since FY 2004. The increase in Maintenance costs for FY 2009 is attributable to increased wage and benefits costs driven primarily by a 9.8% increase in labor hours worked resulting from an unusually high level of long-term employee absences in FY 2008-09. Additional factors included increased costs for parts and vehicle contract repair, partially offset by lower Workers' Compensation costs and reduced expenditures for supplies. Higher costs were anticipated, as Maintenance finished FY 2010 at 6.8% under budget.

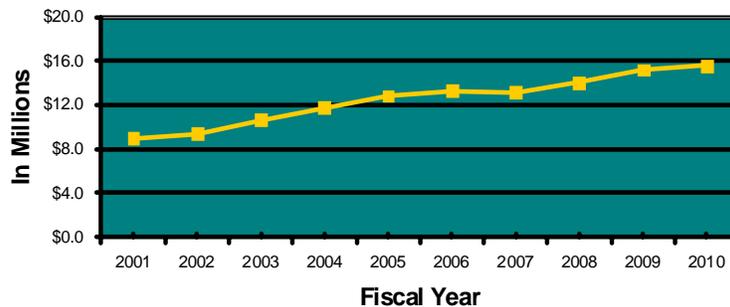
Paratransit operations costs for FY 2010 were 12.4% lower than in FY 2009. The paratransit service contract represented over 90% of paratransit operations costs. The decrease in Paratransit costs is attributable to reduced ridership and corresponding reduction in the level of service being provided, in addition to reduced fuel costs resulting from eliminating the need to send paratransit vehicles to fuel at a retail CNG facility as was necessary last year during construction of GCT's new fueling facility. Paratransit service finished FY 2010 at 12.7% under budget.

Administration department costs for FY 2010 were 10.4% lower than in FY 2009. The decrease in Administration costs is attributable primarily to lower contract services costs, as a large planning project was completed prior to the end of the previous fiscal year and no comparable project was performed in FY 2010. Additionally, GCT's insurance costs decreased by 13.5% in FY 2010. Administration finished FY 2010 at 11.3% under budget.

Planning and Marketing department costs were 13.9% higher than in FY 2009, attributable to a number of planning and marketing projects, some of which were funded by available grants or other governmental programs. These costs were partially offset by cost savings generated by implementing a more cost-efficient process for publishing our Bus Book, which contains route schedules, maps and other information for customers. These costs were anticipated and budgeted, as Planning and Marketing finished FY 2010 at 9% under budget.

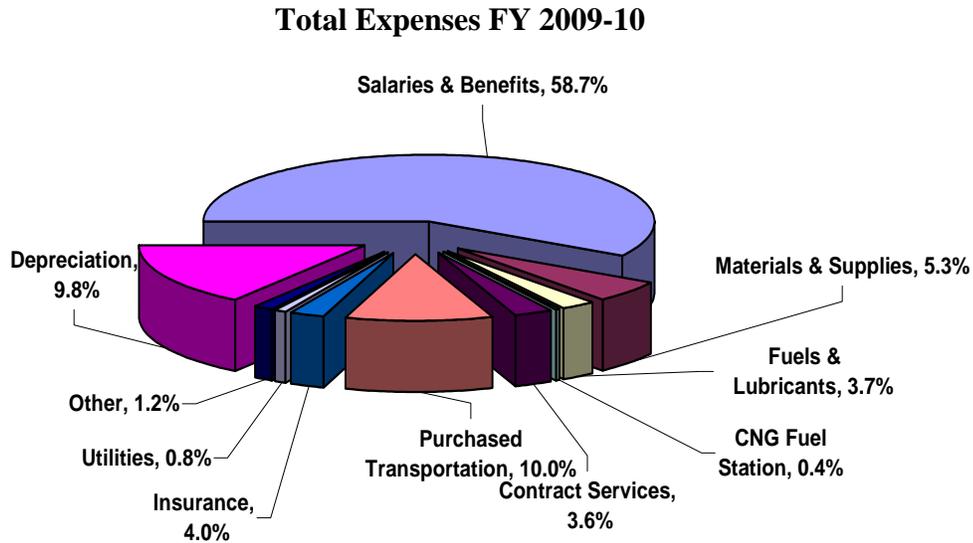
The 55.8% increase in depreciation expense is the result of adding the new CNG Station and nine new buses to our depreciable asset base.

Total operating expenses before depreciation were 2.4% higher than the previous year. The following chart shows operating expense trends over a ten-year period.



Gold Coast Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2010 and 2009

The following chart shows the major cost categories and the percentage of operating expenses for the year ended June 30, 2010:



Financial Statements

GCT's basic financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board. GCT is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and (except for land and construction in progress) depreciated over their estimated useful lives. See the notes to the financial statements for a summary of GCT's significant accounting policies.

Capital Asset Acquisition

During FY 2009-10, GCT added \$4,564,364 in capital additions. This included \$4,244,972 for nine (9) 35-foot NABI CNG transit buses (including one delivered late last year), \$75,451 for three (3) new Honda CNG service vehicles, \$133,290 for upgrades to GCT's on-board video and audio systems, \$85,291 for upgrades to GCT's business systems and \$23,360 toward the completion of GCT's CNG fueling station. Capital asset acquisitions are capitalized at cost. Acquisitions are funded using primarily federal grants with matching local funds. In FY 2010 GCT also expended federal ARRA funds as well as state grants from the Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) and Safety and Security programs. Additional information on GCT's capital assets can be found in the notes to the financial statements.

Gold Coast Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2010 and 2009

Economic and Other Factors

Gold Coast Transit is committed to developing and delivering quality public transportation service. In carrying out this mission, GCT provides fixed route bus and paratransit service and carries out these activities in a cost-effective, fiscally responsible manner. Furthermore, GCT recognizes its responsibility to work with governments and agencies to meet the transportation needs of the people, communities and businesses of western Ventura County.

Despite weak economic conditions and reductions in state transit funding, GCT's financial condition continues to be relatively strong. The agency has a young fleet 100% powered by CNG, a clean, domestically produced, plentiful and currently inexpensive fuel. This year we took delivery of eight (8) 35-foot NABI buses funded 100% by the American Recovery and Reinvestment Act (ARRA). In addition, we have acquired ARRA funding to support paratransit and fixed route operations as well as fully fund several important capital projects, including upgraded fareboxes and a facility modernization program.

Fiscally, we have a capital reserve fund adequate to meet its projected short-term needs and a reasonable cash position backed up by a one million dollar line of credit. Just as for every California transit agency that depends on State funding, these are tenuous times. Local Transportation Fund revenues were down in FY 2009-10 and are forecast to remain down through at least FY 2011. The State Transit Assistance (STA) program, eliminated completely a year ago, has been resurrected as the result of a compromise agreement reached after the California Transit Association (CTA) prevailed in a lawsuit against the state, however, it is anticipated to provide a lower level of funding than in the past.

The passage of SB 716 in October 2009 requires that, with some exceptions, cities in GCT's service area begin using all of their TDA funds for public transit purposes by July 2014. It further requires the Ventura County Transportation Commission to submit, by December 31, 2011, a report to the Legislature analyzing options for organizing public mass transportation services in the county and for expenditure of revenues in the local transportation fund, along with a recommended legislative proposal. This implies not only that additional funding may become available for public transit purposes, but that as the county's largest local transit provider, GCT's role can be expected to evolve.

The demand for GCT services can be expected to increase as the economy improves, more people go back to work and the increased demand for gasoline drives fuel prices higher. It can be anticipated that citizens will demand more and better public transit. GCT's goal is to position itself to be ready for higher public transit demand. This will require making the financial commitment during the next several years to acquire and develop a new, larger facility to support the anticipated growth that a higher level of public transit service will require. While funding has yet to be identified, GCT's ten-year capital project plan provides for the major investment of site acquisition and construction of a new Operations, Maintenance and Administration facility as well as the scheduled replacement and gradual expansion of the CNG fixed route and paratransit fleets.

Requests for Information

This financial report is designed to provide GCT's funding sources, customers, stakeholders and other interested parties with an overview of GCT's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Director of Administrative Services at Gold Coast Transit, 301 E. Third St., Oxnard, California, 93030-6048.

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Basic Financial Statements

**Gold Coast Transit
Statement of Net Assets
June 30, 2010 and 2009**

| <i>Assets</i> | 2010 | 2009 |
|--|----------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents (note 2) | \$ 4,004,181 | 2,801,077 |
| Accrued interest receivable | 1,463 | 4,318 |
| Accounts receivable – federal funding | 310,002 | 1,310,097 |
| Accounts receivable – state funding | - | 151,458 |
| Accounts receivable – other | 145,312 | 336,170 |
| Materials and supplies inventory | 536,877 | 562,703 |
| Prepaid expenditures | 52,505 | 54,726 |
| Total current assets | <u>5,050,340</u> | <u>5,220,549</u> |
| Restricted assets – current: | | |
| Cash and cash equivalents (note 2) | 2,284,514 | 2,471,268 |
| Accrued interest receivable | 8,348 | 9,626 |
| Total restricted assets – current | <u>2,292,862</u> | <u>2,480,894</u> |
| Total current assets | 7,343,202 | 7,701,443 |
| Non-current assets: | | |
| Capital assets, net (note 3) | <u>21,473,376</u> | <u>20,274,686</u> |
| Total assets | <u>\$ 28,816,578</u> | <u>27,976,129</u> |
| <hr/> <i>Liabilities and Net Assets</i> <hr/> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 888,598 | 1,589,835 |
| Accrued salaries and wages | 365,014 | 328,882 |
| Compensated absences (note 4) | 560,428 | 545,258 |
| Deferred revenue | 11,330 | 10,150 |
| Deferred revenue – PTMISEA (note 5) | - | - |
| Deferred revenue – CA Prop. 1B (note 6) | - | 2,563 |
| Deferred local transportation funding (note 7) | 1,702,884 | 1,557,776 |
| Total liabilities | <u>3,528,254</u> | <u>4,034,464</u> |
| Net assets: (note 9) | | |
| Net investment in capital assets | 21,473,376 | 20,274,686 |
| Restricted for capital acquisitions (note 8) | 2,292,862 | 2,480,894 |
| Unrestricted (note 10) | 1,522,086 | 1,186,085 |
| Total net assets | <u>25,288,324</u> | <u>23,941,665</u> |
| Total liabilities and net assets | <u>\$ 28,816,578</u> | <u>27,976,129</u> |

See accompanying notes to the basic financial statements

Gold Coast Transit
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2010 and 2009

| | 2010 | 2009 |
|---|----------------------|---------------------|
| Operating revenues: | | |
| Passenger fares: | | |
| Fixed route | \$ 2,975,992 | 3,044,666 |
| Paratransit | 161,839 | 161,476 |
| Total operating revenues | 3,137,831 | 3,206,142 |
| Operating expenses: | | |
| Vehicle operation | 8,332,929 | 7,943,918 |
| Vehicle maintenance | 2,606,205 | 2,218,968 |
| Planning and marketing | 772,908 | 678,804 |
| Operations and administration | 1,683,058 | 1,877,436 |
| Paratransit | 2,162,102 | 2,468,158 |
| Total operating expenses | 15,557,202 | 15,187,284 |
| Operating loss before depreciation | (12,419,371) | (11,981,142) |
| Depreciation: | | |
| Capital assets – operations | 2,258,355 | 1,633,003 |
| Capital assets – paratransit operations | 572,684 | 184,086 |
| Total depreciation | 2,831,039 | 1,817,089 |
| Operating loss | (15,250,410) | (13,798,231) |
| Non-operating revenues(expenses): | | |
| Local transportation funding | 7,869,282 | 7,618,873 |
| Federal funding – operating grants | 3,714,074 | 3,409,318 |
| Federal funding – matching grants | 600,000 | 516,000 |
| State funding – operating grants | 66,989 | 245,741 |
| Interest earnings | 16,874 | 52,444 |
| Advertising revenue | 133,328 | 120,534 |
| Other, net | 18,824 | 18,232 |
| Total non-operating revenues, net | 12,419,371 | 11,981,142 |
| Loss before capital contributions | (2,831,039) | (1,817,089) |
| Capital contributions: | | |
| Federal capital grants | 4,129,557 | 6,564,741 |
| State capital grants | 2,574 | 485,105 |
| Local capital grants | 45,567 | 1,272,240 |
| Total capital contributions | 4,177,698 | 8,322,086 |
| Change in net assets | 1,346,659 | 6,504,997 |
| Net assets – beginning of period | 23,941,665 | 17,436,668 |
| Net assets – end of period | \$ 25,288,324 | 23,941,665 |

See accompanying notes to the basic financial statements

Gold Coast Transit
Statement of Cash Flows
For the Years Ended June 30, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Receipts from passenger fares – fixed route | \$ 3,166,850 | 2,992,243 |
| Receipts from passenger fares – paratransit | 161,839 | 161,476 |
| Payments to employees for salaries and wages | (7,135,512) | (6,510,242) |
| Payments to vendors for services | (9,044,961) | (8,441,382) |
| Net cash used in operating activities | <u>(12,851,784)</u> | <u>(11,797,905)</u> |
| Cash flows from non-capital financing activities: | | |
| Proceeds from local transportation funding | 8,014,390 | 7,469,158 |
| Proceeds from federal funding – operating grants | 3,714,074 | 3,409,318 |
| Proceeds from federal funding – matching grants | 600,000 | 516,000 |
| Proceeds from state funding – operating grants | 66,989 | 245,741 |
| Other non-operating revenue, net | 152,152 | 138,766 |
| Net cash provided by non-capital financing activities | <u>12,547,605</u> | <u>11,778,983</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (4,029,729) | (8,135,368) |
| Proceeds from federal capital grants | 5,129,652 | 5,522,809 |
| Proceeds from state capital grants | 154,032 | 333,647 |
| Proceeds from local capital grants | 45,567 | 1,272,240 |
| Net cash provided(used) by capital and related financing activities | <u>1,299,522</u> | <u>(1,006,672)</u> |
| Cash flows from investing activities: | | |
| Interest earnings on cash and cash equivalents | 21,007 | 70,789 |
| Net cash provided by investing activities | <u>21,007</u> | <u>70,789</u> |
| Net increase(decrease) in cash and cash equivalents | 1,016,350 | (954,805) |
| Cash and cash equivalents, beginning of year | <u>5,272,345</u> | <u>6,227,150</u> |
| Cash and cash equivalents, end of year | <u>\$ 6,288,695</u> | <u>5,272,345</u> |
| Reconciliation of cash and cash equivalents to statement of net assets: | | |
| Cash and cash equivalents | \$ 4,004,181 | 2,801,077 |
| Restricted assets – cash and cash equivalents | <u>2,284,514</u> | <u>2,471,268</u> |
| Total cash and cash equivalents | <u>\$ 6,288,695</u> | <u>5,272,345</u> |

Continued on next page

See accompanying notes to the basic financial statements

Gold Coast Transit
Statement of Cash Flows, continued
For the Years Ended June 30, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|---|------------------------|---------------------|
| Reconciliation of operating income to net cash used in operating activities: | | |
| Operating loss | \$ (15,250,410) | (13,798,231) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 2,831,039 | 1,817,089 |
| Change in assets – (increase)decrease: | | |
| Accounts receivable – other | 190,858 | (52,423) |
| Materials and supplies inventory | 25,826 | (40,495) |
| Prepaid expenditures | 2,221 | 6,839 |
| Change in liabilities – increase(decrease): | | |
| Accounts payable and accrued expenses | (701,237) | 449,214 |
| Accrued salaries and wages | 36,132 | 52,472 |
| Compensated absences | 15,170 | 31,564 |
| Deferred revenue | 1,180 | 4,929 |
| Deferred revenue – grant funding | (2,563) | (268,863) |
| Total adjustments | <u>2,398,626</u> | <u>2,000,326</u> |
| Net cash used in operating activities | <u>\$ (12,851,784)</u> | <u>(11,797,905)</u> |

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The principal business activity of Gold Coast Transit (GCT) is to provide public transportation service to customers in the geographic area known as western Ventura County located in Southern California.

GCT is a joint powers authority created in 1973 by the Cities of Ojai, Oxnard, Port Hueneme and San Buenaventura for the purpose of operating a public transportation system within and about Western Ventura County. Subsequent to the initial creation of the agency, the City of Santa Paula and County of Ventura were added as participating members. Each of these governments is represented on GCT's Board of Directors.

On October 5, 1994, the City of Santa Paula withdrew from the joint powers authority agreement and surrendered its representation on the Board of Directors. Santa Paula's member equity was reallocated to the other members during the fiscal year ended June 30, 1995.

B. Basis of Accounting and Measurement Focus

GCT reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of GCT is that the costs (including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges (passenger fares) and transportation grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows takes place.

Operating revenues, such as passenger fares, result from exchange transactions associated with the principal activity of GCT. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funding and investment income, result from nonexchange transactions in which GCT gives (receives) value without directly receiving (giving) value in exchange.

C. Financial Reporting

GCT's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34), and all of its amendments. This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements and amendments provide for a revised view of financial information and a restructure of the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Under GASB No. 34, enterprise funds, such as GCT, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. GCT has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Assets

1. 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 disclosures of contingent assets and liabilities as of the date of the financial statements and the reported changes in GCT's equity during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

GCT maintains its cash and investments in accordance with an investment policy adopted by its Board of Directors. The investment policy is more restrictive than applicable state statutes. GCT's investment policy authorizes investments in securities of the U.S. government or its agencies (i.e., Treasury notes or bonds), certificates of deposit, the Ventura County Investment Pool Fund (VCIPF) and the State of California Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code (Code) Section 16429 and is under the management of the State of California Treasurer's Office with oversight provided by the Local Agency Investment Advisory Board. Oversight of the VCIPF is conducted by the Ventura County Treasury Oversight Committee.

LAIF and the VCIPF are carried at fair value based on the value of each participating dollar as provided by the LAIF and VCIPF, respectively. The fair value of GCT's position in the LAIF and VCIPF is the same as the value of the pooled shares. Investments in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices. Bank balances are secured by the pledging of a pool of eligible securities to collateralize GCT's deposits with the bank in accordance with the Code.

3. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of bus replacement parts, supplies for vehicle maintenance, spare components, vehicle fuel and oil. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

4. Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

5. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. GCT policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Revenue vehicles – fixed route – 10 to 12 years
- Facilities – 15 to 30 years
- Equipment and furniture – 3 to 10 years
- Revenue vehicles – paratransit – 4 to 5 years
- Paratransit equipment – 3 to 5 years

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Assets, continued

6. Restricted Assets

Restricted assets consist of funds for capital asset acquisitions that are held in the Capital Reserve Fund administered by the Ventura County Treasurer's Office.

7. Compensated Absences

GCT's policy is to permit employees to accumulate earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for GCT's obligation to the employees for the amount owed. It is management's belief that the majority of the obligation will be used up within the next fiscal year. Sick leave can be accumulated, but, under GCT's policy, is not paid until termination or retirement with a minimum of ten years of service. Payment shall be made in an amount of 50% of accrued sick leave upon termination, retirement or death of the employee. Accordingly, 50% of the accumulated sick leave is accrued at year-end to account for GCT's obligation to the employees for the amount owed.

8. Deferred Local Transportation Funding

Authorized and received Local Transportation Funds that exceed current year expenditure requirements are deferred to future periods.

9. Grant Funding

Grants for operating assistance and capital acquisitions are included in their respective non-operating and capital contribution sections of the statement of activities. Grant funds are claimed on a reimbursement basis and receivables for grant funds are recorded as the related obligations are incurred. Grant funds advanced but not yet earned are treated as deferred revenue until the respective obligations the grants were funded for are incurred.

10. Non-Operating Revenues and Capital Contributions

GCT receives Local Transportation Funds (LTF) under provisions of the State of California's Transportation Development Act of 1971. This act provides that a portion of state sales tax proceeds be made available for support and development of public transportation. These funds are generated within Ventura County and are allocated based on annual claims filed by GCT and approved by the Ventura County Transportation Commission (VCTC). A portion of these proceeds (at the discretion of GCT's Board of Directors) is set aside to fund capital acquisitions and is classified as local capital grants in the capital contribution section of the statement of activities. The remaining portion of local transportation funding is used to subsidize current operations and is included in the non-operating revenue section of the statement of revenues, expense and changes in net assets.

Under provisions of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Act of 2005, Federal planning and capital assistance grants (under Section 5307) are made available to local urbanized mass transportation systems on a formula basis. Federal operating and matching grants provided to GCT under this act are included in the non-operating revenue section of the statement of revenues, expense and changes in net assets, and capital grants are reported as federal capital grants in the capital contribution section of the statement of revenues, expense and changes in net assets.

State operating grants are included in the non-operating revenue section of the statement of activities, and state capital grants are reported as state capital grants in the capital contribution section of the statement of revenues, expense and changes in net assets.

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Assets, continued

11. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

(2) Cash, Cash Equivalents and Investments

Cash and cash equivalents as June 30, are classified in the accompanying financial statements as follows:

| | 2010 | 2009 |
|---|--------------|-------------|
| Cash and cash equivalents | \$ 4,004,181 | 2,801,077 |
| Restricted assets - cash and cash equivalents | 2,284,514 | 2,471,268 |
| Total | \$ 6,288,695 | 5,272,345 |

Cash and cash equivalents as of June 30, consist of the following:

| | 2010 | 2009 |
|--|--------------|-------------|
| Cash on hand | \$ 14,772 | 54,806 |
| Deposits held with financial institutions | 1,465,964 | 1,597,443 |
| Deposits held with California Local Agency Investment Fund (LAIF) | 2,523,445 | 1,148,828 |
| Deposits held with the Ventura County Investment Pool Fund (VCIPF) | 2,284,514 | 2,471,268 |
| Total | \$ 6,288,695 | 5,272,345 |

As of June 30, SCAT's authorized deposits had the following maturities:

| | 2010 | 2009 |
|--|-------------|-------------|
| Deposits held with California Local Agency Investment Fund (LAIF) | 203 days | 235 days |
| Deposits held with the Ventura County Investment Pool Fund (VCIPF) | 344 days | 346 days |

Authorized Deposits and Investments

GCT's investment policy only authorizes investments in the local government investment pools administered by the Ventura County Treasurer (VCIPF) and the State of California (LAIF). GCT's investment policy does not contain any specific provisions intended to limit GCT's exposure to interest rate risk, credit risk, and concentration of credit risk.

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(2) Cash, Cash Equivalents and Investments, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and GCT's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure GCT's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of GCT's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in GCT's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and GCT's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and VCIPF).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. GCT's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2010 and 2009, GCT's investment in the VCIPF was rated by Standard & Poor's as AA Af / S1+. LAIF is not rated.

Concentration of Credit Risk

GCT's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. GCT's deposit portfolio with governmental agencies, LAIF and VCIPF, are 40% and 36% for 2010, respectively, and 22% and 47% for 2009, respectively, of GCT's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of GCT's total investments.

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(3) Capital Assets

Changes in capital assets for 2010 were as follows:

| | <u>Balance 2009</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance 2010</u> |
|--------------------------------|-------------------------|--------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 300,298 | - | - | 300,298 |
| Construction-in-process | 552,976 | 4,046,259 | (4,580,895) | 18,340 |
| Total non-depreciable assets | <u>853,274</u> | <u>4,046,259</u> | <u>(4,580,895)</u> | <u>318,638</u> |
| Depreciable assets: | | | | |
| Revenue vehicles – fixed route | 19,148,962 | 4,244,971 | (1,858,939) | 21,534,994 |
| Facilities | 6,328,699 | 23,361 | - | 6,352,060 |
| Equipment and furniture | 1,613,200 | 296,033 | (33,825) | 1,875,408 |
| Paratransit revenue vehicles | 3,155,344 | - | (886,713) | 2,268,631 |
| Paratransit equipment | 170,756 | - | (4,180) | 166,576 |
| Total depreciable assets | <u>30,416,961</u> | <u>4,564,365</u> | <u>(2,783,657)</u> | <u>32,197,669</u> |
| Accumulated depreciation | | | | |
| Revenue vehicles – fixed route | (5,808,788) | (1,553,756) | 1,858,939 | (5,503,605) |
| Facilities | (2,733,734) | (564,580) | - | (3,298,314) |
| Equipment and furniture | (1,261,707) | (140,019) | 33,825 | (1,367,901) |
| Paratransit revenue vehicles | (1,091,048) | (555,063) | 886,713 | (759,398) |
| Paratransit equipment | (100,272) | (17,621) | 4,180 | (113,713) |
| Total depreciation | <u>(10,995,549)</u> | <u>(2,831,039)</u> | <u>2,783,657</u> | <u>(11,042,931)</u> |
| Total depreciable assets | <u>19,421,412</u> | <u>1,733,326</u> | <u>-</u> | <u>21,154,738</u> |
| Total capital assets, net | <u>\$ 20,274,686</u> | | | <u>21,473,376</u> |

During fiscal year 2010, GCT added \$4,564,365 in depreciable capital asset additions. This included \$4,244,972 for eight (8) 35-foot NABI CNG transit buses, \$77,451 for three (3) new Honda CNG service vehicles and \$241,942 for various other equipment upgrades.

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(3) Capital Assets, continued

Changes in capital assets for 2009 were as follows:

| | <u>Balance 2008</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance 2009</u> |
|--------------------------------|-------------------------|--------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 300,298 | - | - | 300,298 |
| Construction-in-process | 1,687,695 | 8,183,697 | (9,318,416) | 552,976 |
| Total non-depreciable assets | <u>1,987,993</u> | <u>8,183,697</u> | <u>(9,318,416)</u> | <u>853,274</u> |
| Depreciable assets: | | | | |
| Revenue vehicles – fixed route | 16,602,907 | 3,472,395 | (926,340) | 19,148,962 |
| Facilities | 4,301,194 | 3,235,674 | (1,208,169) | 6,328,699 |
| Equipment and furniture | 1,623,834 | 253,659 | (264,293) | 1,613,200 |
| Paratransit revenue vehicles | 1,490,752 | 2,220,252 | (555,660) | 3,155,344 |
| Paratransit equipment | 253,938 | 88,107 | (171,289) | 170,756 |
| Total depreciable assets | <u>24,272,625</u> | <u>9,270,087</u> | <u>(3,125,751)</u> | <u>30,416,961</u> |
| Accumulated depreciation | | | | |
| Revenue vehicles – fixed route | (5,559,480) | (1,175,648) | 926,340 | (5,808,788) |
| Facilities | (3,580,273) | (361,630) | 1,208,169 | (2,733,734) |
| Equipment and furniture | (1,430,275) | (95,725) | 264,293 | (1,261,707) |
| Paratransit revenue vehicles | (1,480,243) | (166,465) | 555,660 | (1,091,048) |
| Paratransit equipment | (253,940) | (17,621) | 171,289 | (100,272) |
| Total depreciation | <u>(12,304,211)</u> | <u>(1,817,089)</u> | <u>3,125,751</u> | <u>(10,995,549)</u> |
| Total depreciable assets | <u>11,968,414</u> | <u>7,452,998</u> | <u>-</u> | <u>19,421,412</u> |
| Total capital assets, net | <u>\$ 13,956,407</u> | | | <u>20,274,686</u> |

During fiscal year 2009, GCT added \$9,270,087 in depreciable capital asset additions. This included \$3,201,610 for the new CNG fueling station, \$3,472,395 for eight (8) 35-foot NABI CNG transit buses, \$2,220,253 for twenty-four (24) new paratransit vehicles, \$212,713 for eight (8) new Honda CNG service vehicles, \$88,106 for paratransit operations equipment, \$40,946 to upgrade facility lighting and \$34,064 to resurface the parking lot.

(4) Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. GCT's liability for compensated absences is determined annually.

The changes to compensated absences balances at June 30, were as follows:

| <u>Balance 2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 2010</u> | <u>Due Within One Year</u> |
|-------------------------|------------------|------------------|-------------------------|--------------------------------|
| \$ 545,258 | 840,028 | (824,858) | 560,428 | 560,428 |
| <u>Balance 2008</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 2009</u> | <u>Due Within One Year</u> |
| \$ 513,694 | 674,123 | (642,559) | 545,258 | 545,258 |

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(5) Deferred Revenue – PTMISEA Grant Funding

The changes to deferred revenue – PTMISEA at June 30, were as follows:

| <u>Balance</u> <u>2008</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>2009</u> |
|-------------------------------|------------------|------------------|-------------------------------|
| \$ 268,863 | 5,758 | (274,621) | - |

(6) Deferred Revenue – CA Prop 1B Grant Funding

The changes to deferred revenue – CA Prop 1B balances at June 30, were as follows:

| <u>Balance</u> <u>2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>2010</u> |
|-------------------------------|------------------|------------------|-------------------------------|
| \$ 2,563 | - | (2,563) | - |

| <u>Balance</u> <u>2008</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>2009</u> |
|-------------------------------|------------------|------------------|-------------------------------|
| \$ - | 60,865 | (58,302) | 2,563 |

(7) Deferred Local Transportation Funding

In accordance with Transportation Development Act statutes and the California Code of Regulations, Title 21, Chapter 3, Subchapter 2, Article 5, Section 6649(b), Local Transportation Funds (LTF) received for operating assistance in excess of the amount that GCT is eligible to receive is recorded as a deferred revenue and is to be recognized as revenue and a reduction of eligible LTF during the following fiscal years.

| <u>Amount</u> <u>Authorized</u> | <u>Year</u> <u>Received</u> | <u>Deferred</u> <u>LTF Amount</u> | <u>Year to be</u> <u>Recognized</u> |
|------------------------------------|--------------------------------|--------------------------------------|--|
| \$ 8,623,976 | 2008-2009 | 1,005,104 | 2010-2011 |
| Ventura Adj. | 2009-2010 | (137,715) | 2010-2011 |
| 8,674,248 | 2009-2010 | 835,495 | 2011-2012 |
| | | \$ <u>1,702,884</u> | |

(8) Net Assets – Restricted for Capital Acquisitions

Local Transportation Funds granted for operating assistance, but are to be used, to purchase new buses, fareboxes, coach equipment, facility and other improvements as part of a service expansion program and related interest earnings included in restricted net assets at June 30, 2010 and 2009, are as follows:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|------------------|
| Balance – beginning of period | \$ 2,480,894 | 2,074,920 |
| Additions: Local transportation funding | - | 1,200,000 |
| Deletions: Capital acquisitions | (233,599) | (849,898) |
| Allocated interest earnings | 45,567 | 55,872 |
| Balance – end of period | \$ <u>2,292,862</u> | <u>2,480,894</u> |

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(9) Net Asset Rollforward

The following is a summary of changes in net assets for the year ended June 30, 2010, as follows:

| | <u>Net Investment in Capital Assets</u> | <u>Restricted Net Assets</u> | <u>Unrestricted Net Assets</u> | <u>Net Assets Total</u> |
|---------------------------------------|---|----------------------------------|------------------------------------|-----------------------------|
| Beginning of period | \$ 20,274,686 | 2,480,894 | 1,186,085 | 23,941,665 |
| Net loss before capital contributions | - | - | (2,831,039) | (2,831,039) |
| Depreciation expense | (2,831,039) | - | 2,831,039 | - |
| Federal capital grants | 4,129,557 | - | - | 4,129,557 |
| State capital grants | 2,574 | - | - | 2,574 |
| Local capital contributions | - | 45,567 | - | 45,567 |
| Capital asset acquisition matching | (102,402) | (233,599) | 336,001 | - |
| Change in net assets | <u>1,198,690</u> | <u>(188,032)</u> | <u>336,001</u> | <u>1,346,659</u> |
| End of period | <u>\$ 21,473,376</u> | <u>2,292,862</u> | <u>1,522,086</u> | <u>25,288,324</u> |

The following is a summary of changes in net assets for the year ended June 30, 2009, as follows:

| | <u>Net Investment in Capital Assets</u> | <u>Restricted Net Assets</u> | <u>Unrestricted Net Assets</u> | <u>Net Assets Total</u> |
|---------------------------------------|---|----------------------------------|------------------------------------|-----------------------------|
| Beginning of period | \$ 13,956,407 | 2,074,920 | 1,405,341 | 17,436,668 |
| Net loss before capital contributions | - | - | (1,817,089) | (1,817,089) |
| Depreciation expense | (1,817,089) | - | 1,817,089 | - |
| Federal capital contributions | 6,564,741 | - | - | 6,564,741 |
| State capital grants | 485,105 | - | - | 485,105 |
| Local capital contributions | - | 1,272,240 | - | 1,272,240 |
| Capital asset acquisition matching | 1,085,522 | (866,266) | (219,256) | - |
| Change in net assets | <u>6,318,279</u> | <u>405,974</u> | <u>(219,256)</u> | <u>6,504,997</u> |
| End of period | <u>\$ 20,274,686</u> | <u>2,480,894</u> | <u>1,186,085</u> | <u>23,941,665</u> |

(10) Unrestricted Net Assets

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|------------------|
| Unrestricted net assets: | | |
| Non-spendable net assets: | | |
| Materials and supplies inventory | \$ 536,877 | 562,703 |
| Prepaid expenditures | 52,505 | 54,726 |
| Total non-spendable net assets | <u>589,382</u> | <u>617,429</u> |
| Spendable net assets are designated as follows: | | |
| Undesignated net assets reserve | 932,704 | 568,656 |
| Total spendable net assets | <u>932,704</u> | <u>568,656</u> |
| Total unrestricted net assets | <u>1,522,086</u> | <u>1,186,085</u> |
| Total net assets | <u>\$ 1,522,086</u> | <u>1,186,085</u> |

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(11) Deferred Compensation Savings Plan

For the benefit of its employees, GCT participates in three 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, GCT is in compliance with this legislation. Therefore, these assets are not the legal property of GCT, and are not subject to claims of GCT's general creditors. Market value of all plan assets held in trust by Nationwide at June 30, 2010 and 2009 were \$823,493 and \$768,195, respectively; The Hartford at June 30, 2010 and 2009 was \$972,980 and \$912,016, respectively, and ICMA Retirement Corp at June 30, 2010 and 2009 was \$624,310 and \$651,301, respectively. GCT has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since GCT has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net assets.

(12) Defined Benefit Pension Plan

Plan Description

GCT contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the GCT. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

Funding Policy

The contribution rate for plan members in the CalPERS 2.7% at 55 Risk Pool Retirement Plan is 8% of their annual covered salary. GCT makes these contributions required of GCT employees on their behalf and for their account. Also, GCT is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal year 2010, 2009 and 2008 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2010, 2009 and 2008, GCT's annual contributions for the CalPERS plan were equal to GCT's required and actual contributions for each fiscal year as follows:

Three-Year Trend Information for CalPERS

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> | <u>APC Percentage of Payroll</u> |
|--------------------|----------------------------------|--------------------------------------|-------------------------------|----------------------------------|
| 2008 | \$ 703,143 | 100% | - | 13.721% |
| 2009 | 795,327 | 100% | - | 12.846% |
| 2010 | 816,525 | 100% | - | 12.489% |

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(13) Risk Management

GCT 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. GCT has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources.

GCT participates in the California Transit Insurance Pool (CalTIP), a joint powers agency created to provide liability and physical damage insurance to its members through an insurance pool. GCT holds property insurance, general and automotive liability, and public officials' errors and omissions liability with CalTIP on a first dollar basis, up to \$20 million on liability.

GCT purchases blanket insurance coverage from commercial brokers for the following:

| Insurance coverage limits: | 2010 | 2009 |
|----------------------------|--------------|-------------|
| CNG fueling station | \$ 3,273,000 | 3,273,000 |
| Buildings and structures | 2,576,600 | 2,576,600 |
| Business and property | 2,264,430 | 2,221,500 |
| Boiler and machinery | 8,957,600 | 8,957,600 |

Some of the above insurance policies are subject to various deductibles.

GCT's employee practices liability insurance coverage is \$2.0 million and handled through Navigators Insurance. Also, GCT participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) a joint powers agency created to provide workers' compensation insurance to its members through a risk retention insurance pool. GCT holds workers' compensation insurance coverage with CSAC-EIA up to statutory limits.

Settled claims have not exceeded any of the coverage amounts in any of the last five fiscal years and there were no reductions in GCT's insurance coverage during those years. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred, but not reported (IBNR).

(14) Commitments

Operating Lease

Beginning October 1, 2001, GCT entered into a lease agreement with the City of Oxnard to rent office space in the Oxnard Transportation Center for customer service and administrative purposes. At the end of the lease, GCT will have the option to extend the term of the lease. In 2010, GCT extended the term of its lease on a month-to-month basis during negotiations. The base rent for the lease premises was \$10,322 and \$9,973 for the years ended June 30, 2010 and 2009, respectively. Interest will be accrued on rent due and unpaid.

Litigation

In the ordinary course of operations, GCT is subject to claims and litigation from outside parties. After consultation with legal counsel, GCT believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Grant Funding

Grant funds received by GCT are subject to review by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. The management of GCT believes that such disallowances, if any, would not be significant.

Gold Coast Transit
Notes to the Basic Financial Statements, continued
June 30, 2010 and 2009

(14) Commitments, continued

Operating Fare Revenue Ratio

GCT is required to maintain a ratio of fares to operating costs of at least 20% to continue to be eligible for Local Transportation Funds. For the years ended June 30, 2010 and 2009, GCT met this requirement with fares to operating costs ratio of 20.17 % and 21.11%, respectively, as calculated below.

| | <u>2010</u> | <u>2009</u> |
|--|----------------------|-------------------|
| Total passenger fare revenue | \$ <u>3,137,831</u> | <u>3,206,142</u> |
| Operating expenses before depreciation | \$ <u>15,557,202</u> | <u>15,187,284</u> |
| Operating fare revenue ratio | <u>20.17%</u> | <u>21.11%</u> |

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Statistical Section

Gold Coast Transit
Financial Ratios
June 30, 2010, 2009 and 2008

Current Ratio:

Measures GCT's ability to meet short-term commitments by dividing current assets by current liabilities.

| | | | |
|-------------|-----------------------|---------------------|--------|
| 2010 | <u>Current Assets</u> | <u>\$ 7,343,202</u> | 2.08:1 |
| | Current Liabilities | \$ 3,528,254 | |
| 2009 | <u>Current Assets</u> | <u>\$ 7,701,443</u> | 1.91:1 |
| | Current Liabilities | \$ 4,034,464 | |
| 2008 | <u>Current Assets</u> | <u>\$ 7,395,124</u> | 1.89:1 |
| | Current Liabilities | \$ 3,914,863 | |

Quick Ratio:

This variation of the current ratio is an indicator of GCT's liquidity by including only those current assets that could be converted readily to cash and receivables due within 30 days.

| | | | |
|-------------|-----------------------------------|---------------------|--------|
| 2010 | Cash and Cash Equivalents plus | \$ 6,288,695 | |
| | <u>Receivables within 30 days</u> | <u>\$ 465,125</u> | 1.91:1 |
| | Current Liabilities | \$ 3,528,254 | |
| 2009 | Cash and Cash Equivalents plus | \$ 5,272,345 | |
| | <u>Receivables within 30 days</u> | <u>\$ 1,811,669</u> | 1.76:1 |
| | Current Liabilities | \$ 4,034,464 | |
| 2008 | Cash and Cash Equivalents plus | \$ 6,227,150 | |
| | <u>Receivables within 30 days</u> | <u>\$ 574,945</u> | 1.74:1 |
| | Current Liabilities | \$ 3,914,863 | |

Debt Ratio:

Reflects the long-term solvency risk, in assessing GCT's financial capacity to meet long-term debts and similar obligations, by dividing total liabilities by total assets. As of the end of each fiscal year, GCT had no long-term debt.

| | | | |
|-------------|--------------------------|---------------------|-------|
| 2010 | <u>Total Liabilities</u> | <u>\$ 3,528,254</u> | 12.2% |
| | Total Assets | \$28,816,578 | |
| 2009 | <u>Total Liabilities</u> | <u>\$ 4,034,464</u> | 14.4% |
| | Total Assets | \$27,976,129 | |
| 2008 | <u>Total Liabilities</u> | <u>\$ 3,914,863</u> | 18.3% |
| | Total Assets | \$21,351,531 | |

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Gold Coast Transit
Operating Revenues and Expenses – Ten Year Comparison
Fiscal Years 2001 to 2010

| | <u>FY 2001</u> | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Passenger Fares | \$2,107,237 | \$2,074,067 | \$2,132,355 | \$2,671,557 | \$2,459,632 | \$2,656,931 | \$2,798,083 | \$3,093,606 | \$3,206,142 | \$3,137,831 |
| Operating Expenses | \$8,993,875 | \$9,421,826 | \$10,657,371 | \$11,740,177 | \$12,825,304 | \$13,286,822 | \$13,153,516 | \$14,059,872 | \$15,187,284 | \$15,557,202 |
| Depreciation Expense | \$1,275,122 | \$1,352,568 | \$1,539,157 | \$1,887,817 | \$1,845,824 | \$1,941,762 | \$2,200,792 | \$1,524,851 | \$1,817,089 | \$2,831,039 |
| Operating Loss | (\$8,161,760) | (\$8,700,327) | (\$10,064,173) | (\$10,956,437) | (\$12,211,496) | (\$12,571,653) | (\$12,556,224) | (\$12,491,117) | (\$13,798,231) | (\$15,250,410) |
| <i>Nonoperating Revenues</i> | | | | | | | | | | |
| Local Transportation Funds | \$4,802,028 | \$4,649,771 | \$5,846,330 | \$5,867,203 | \$6,825,349 | \$6,648,885 | \$6,603,987 | \$7,314,731 | \$7,618,873 | \$7,838,752 |
| Other local funds | \$17,911 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$30,530 |
| State Funds | \$56,071 | \$321,217 | \$62,000 | \$49,500 | \$45,748 | \$59,643 | \$180,151 | \$80,270 | \$245,741 | \$66,989 |
| Federal Funds | \$1,895,387 | \$2,338,000 | \$2,603,163 | \$3,138,092 | \$3,484,050 | \$3,895,600 | \$3,472,655 | \$3,346,048 | \$3,925,318 | \$4,314,074 |
| Interest Income | \$84,128 | \$29,413 | \$10,700 | \$7,622 | \$10,352 | \$20,960 | \$90,513 | \$119,413 | \$52,444 | \$16,875 |
| Other Income | \$31,113 | \$9,358 | \$2,823 | \$6,203 | \$173 | \$4,804 | \$8,127 | \$105,805 | \$138,766 | \$152,152 |
| Total, Nonoperating | \$6,886,638 | \$7,347,759 | \$8,525,016 | \$9,068,620 | \$10,365,672 | \$10,629,892 | \$10,355,433 | \$10,966,266 | \$11,981,142 | \$12,419,372 |
| Net Income (Loss) | (\$1,275,122) | (\$1,352,568) | (\$1,539,157) | (\$1,887,817) | (\$1,845,824) | (\$1,941,761) | (\$2,200,792) | (\$1,524,851) | (\$1,817,089) | (\$2,831,038) |

Operating Expenses - Actual Dollars Compared to Constant Dollars (over Ten Year Period)

| | <u>FY 2001</u> | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Actual Dollars | \$8,993,875 | \$9,421,826 | \$10,657,371 | \$11,740,177 | \$12,825,304 | \$13,286,822 | \$13,153,516 | \$14,059,872 | \$15,187,284 | \$15,557,202 |
| Constant Dollars (2001) | \$8,993,875 | \$9,266,436 | \$10,234,051 | \$10,843,147 | \$11,432,222 | \$11,260,125 | \$10,830,448 | \$10,982,309 | \$12,134,579 | \$12,321,677 |
| CPI Percent Change | -- | 1.7% | 2.4% | 4.0% | 3.6% | 5.2% | 2.9% | 5.4% | -2.2% | 0.9% |
| Index Number (1982=100) | 178.9 | 181.9 | 186.3 | 193.7 | 200.7 | 211.1 | 217.3 | 229.0 | 223.9 | 225.9 |
| Cumulative Percent | -- | 1.7% | 4.1% | 8.3% | 12.2% | 18.0% | 21.4% | 28.0% | 25.2% | 26.3% |

Gold Coast Transit
Passenger Cost By Mode – Ten Year Comparison
Fiscal Years 2001 to 2010

| | <u>FY 2001</u> | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Bus - Fixed Route | | | | | | | | | | |
| Total Passengers | 3,669,452 | 3,579,671 | 3,435,333 | 3,372,170 | 3,145,890 | 3,369,704 | 3,438,989 | 3,495,875 | 3,568,028 | 3,442,005 |
| Passenger Fare Rev. | \$2,058,240 | \$2,019,873 | \$2,054,251 | \$2,536,038 | \$2,275,562 | \$2,499,831 | \$2,641,230 | \$2,681,149 | \$2,709,665 | \$2,575,992 |
| Local Govt. Fare Rev. | | | | | | | | \$250,000 | \$335,000 | \$400,000 |
| Total Operating Cost | \$7,643,231 | \$7,736,699 | \$8,551,749 | \$9,699,066 | \$10,987,915 | \$11,589,399 | \$11,471,558 | \$12,287,726 | \$12,719,127 | \$13,395,100 |
| Excluded increase items | | | | \$84,095 | \$67,823 | | | | | |
| Revenue per passenger | \$0.56 | \$0.56 | \$0.60 | \$0.75 | \$0.72 | \$0.742 | \$0.768 | \$0.767 | \$0.759 | \$0.748 |
| Cost per passenger | \$2.08 | \$2.16 | \$2.49 | \$2.88 | \$3.49 | \$3.44 | \$3.34 | \$3.51 | \$3.56 | \$3.89 |
| Farebox Recovery % | 26.9% | 26.1% | 24.0% | 26.4% | 20.8% | 21.6% | 23.0% | 21.8% | 21.3% | 19.2% |
| Adjusted Farebox Recovery % | | | | | | | | 23.9% | 23.9% | 22.2% |
| Subsidy per passenger | \$1.52 | \$1.60 | \$1.89 | \$2.12 | \$2.77 | \$2.70 | \$2.57 | \$2.75 | \$2.81 | \$3.14 |
| Subsidy % | 73.1% | 73.9% | 76.0% | 73.9% | 79.3% | 78.4% | 77.0% | 78.2% | 78.7% | 80.8% |
| Bus - Paratransit | | | | | | | | | | |
| Total Passengers | 66,298 | 79,128 | 96,986 | 108,024 | 88,563 | 77,982 | 76,054 | 79,686 | 82,655 | 77,985 |
| Passenger Fare Rev. | \$48,997 | \$54,194 | \$78,104 | \$135,519 | \$184,070 | \$157,100 | \$156,854 | \$162,457 | \$161,476 | \$161,839 |
| Total Operating Cost | \$1,350,644 | \$1,685,129 | \$1,968,534 | \$2,041,111 | \$1,837,389 | \$1,697,423 | \$1,681,958 | \$1,772,146 | \$2,468,157 | \$2,162,102 |
| Excluded increase items | | | | \$0 | \$0 | | | | | |
| Revenue per passenger | \$0.74 | \$0.68 | \$0.81 | \$1.25 | \$2.08 | \$2.01 | \$2.06 | \$2.04 | \$1.95 | \$2.08 |
| Cost per passenger | \$20.37 | \$21.30 | \$20.30 | \$18.89 | \$20.75 | \$21.77 | \$22.12 | \$22.24 | \$29.86 | \$27.72 |
| Farebox Recovery % | 3.6% | 3.2% | 4.0% | 6.6% | 10.0% | 9.3% | 9.3% | 9.2% | 6.5% | 7.5% |
| Subsidy per passenger | \$19.63 | \$20.61 | \$19.49 | \$17.64 | \$18.67 | \$19.75 | \$20.05 | \$20.20 | \$27.91 | \$25.65 |
| Subsidy % | 96.4% | 96.8% | 96.0% | 93.4% | 90.0% | 90.7% | 90.7% | 90.8% | 93.5% | 92.5% |
| All Mode - Total | | | | | | | | | | |
| Total Passengers | 3,735,750 | 3,658,799 | 3,532,319 | 3,480,194 | 3,234,453 | 3,447,686 | 3,515,043 | 3,575,561 | 3,650,683 | 3,519,990 |
| Passenger Fare Rev. | \$2,107,237 | \$2,074,067 | \$2,132,355 | \$2,671,557 | \$2,459,632 | \$2,656,931 | \$2,798,083 | \$2,843,606 | \$2,871,141 | \$2,737,831 |
| Total Operating Cost | \$8,993,875 | \$9,421,828 | \$10,520,283 | \$11,740,177 | \$12,825,304 | \$13,286,822 | \$13,153,516 | \$14,059,872 | \$15,187,284 | \$15,557,202 |
| Excluded increase items | | | | \$84,095 | \$67,823 | | | | | |
| Revenue per passenger | \$0.56 | \$0.57 | \$0.60 | \$0.77 | \$0.76 | \$0.77 | \$0.80 | \$0.80 | \$0.79 | \$0.78 |
| Cost per passenger | \$2.41 | \$2.58 | \$2.98 | \$3.37 | \$3.97 | \$3.85 | \$3.74 | \$3.93 | \$4.16 | \$4.42 |
| Farebox Recovery % | 23.4% | 22.0% | 20.3% | 22.9% | 19.3% | 20.0% | 21.3% | 20.2% | 18.9% | 17.6% |
| Adjusted Farebox Recovery % | | | | | | | | | | |
| Subsidy per passenger | \$1.84 | \$2.01 | \$2.37 | \$2.61 | \$3.20 | \$3.08 | \$2.95 | \$3.14 | \$3.37 | \$3.64 |
| Subsidy % | 76.6% | 78.0% | 79.7% | 77.2% | 80.8% | 80.0% | 78.7% | 79.8% | 81.1% | 82.4% |

Gold Coast Transit
Service Cost By Mode – Ten Year Comparison
Fiscal Years 2001 to 2010

| | <u>FY 2001</u> | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Bus - Fixed Route | | | | | | | | | | |
| Revenue Miles | 1,421,734 | 1,540,478 | 1,385,231 | 1,427,681 | 1,405,007 | 1,536,309 | 1,534,611 | 1,610,734 | 1,718,639 | 1,676,728 |
| Revenue Hours | 120,975 | 126,005 | 127,372 | 130,982 | 129,200 | 138,854 | 137,872 | 140,057 | 148,477 | 154,956 |
| Total Operating Cost | \$7,643,231 | \$7,736,699 | \$8,551,749 | \$9,699,066 | \$10,987,915 | \$11,589,399 | \$11,471,558 | \$12,287,726 | \$12,719,127 | \$13,395,100 |
| Cost per Revenue Mile | \$5.38 | \$5.02 | \$6.17 | \$6.79 | \$7.82 | \$7.54 | \$7.48 | \$7.63 | \$7.40 | \$7.99 |
| Cost per Revenue Hour | \$63.18 | \$61.40 | \$67.14 | \$74.05 | \$85.05 | \$83.46 | \$83.20 | \$87.73 | \$85.66 | \$86.44 |
| Bus - Paratransit | | | | | | | | | | |
| Revenue Miles | 460,322 | 477,175 | 517,113 | 559,329 | 536,215 | 519,447 | 528,276 | 528,336 | 537,060 | 502,026 |
| Revenue Hours | 26,433 | 27,840 | 34,680 | 41,810 | 35,189 | 31,230 | 34,924 | 35,636 | 39,218 | 32,993 |
| Total Operating Cost | \$1,350,644 | \$1,685,129 | \$1,968,534 | \$2,041,111 | \$1,837,389 | \$1,697,423 | \$1,681,958 | \$1,772,146 | \$2,468,157 | \$2,162,102 |
| Cost per Revenue Mile | \$2.93 | \$3.53 | \$3.81 | \$3.65 | \$3.43 | \$3.27 | \$3.18 | \$3.35 | \$4.60 | \$4.31 |
| Cost per Revenue Hour | \$51.10 | \$60.53 | \$56.76 | \$48.82 | \$52.21 | \$54.35 | \$48.16 | \$49.73 | \$62.93 | \$65.53 |
| All Mode - Total | | | | | | | | | | |
| Revenue Miles | 1,882,056 | 2,017,653 | 1,902,344 | 1,987,010 | 1,941,222 | 2,055,756 | 2,062,887 | 2,139,070 | 2,255,699 | 2,178,754 |
| Revenue Hours | 147,408 | 153,845 | 162,052 | 172,792 | 164,389 | 170,084 | 172,796 | 175,693 | 187,695 | 187,949 |
| Total Operating Cost | \$8,993,875 | \$9,421,828 | \$10,520,283 | \$11,740,177 | \$12,825,304 | \$13,286,822 | \$13,153,516 | \$14,059,872 | \$15,187,284 | \$15,557,202 |
| Cost per Revenue Mile | \$4.78 | \$4.67 | \$5.53 | \$5.91 | \$6.61 | \$6.46 | \$6.38 | \$6.57 | \$6.73 | \$7.14 |
| Cost per Revenue Hour | \$61.01 | \$61.24 | \$64.92 | \$67.94 | \$78.02 | \$78.12 | \$76.12 | \$80.03 | \$80.91 | \$82.77 |

Gold Coast Transit
Ridership and Service – Ten Year Comparison
Fiscal Years 2001 to 2010

| | <u>FY 2001</u> | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Passengers | | | | | | | | | | |
| Fixed Route | 3,669,452 | 3,579,671 | 3,435,333 | 3,372,170 | 3,145,890 | 3,369,704 | 3,438,989 | 3,495,875 | 3,568,028 | 3,442,005 |
| Paratransit | 66,298 | 79,128 | 96,986 | 108,024 | 88,563 | 77,982 | 76,054 | 79,686 | 82,655 | 77,985 |
| TOTAL | 3,735,750 | 3,658,799 | 3,532,319 | 3,480,194 | 3,234,453 | 3,447,686 | 3,515,043 | 3,575,561 | 3,650,683 | 3,519,990 |
| Revenue Miles | | | | | | | | | | |
| Fixed Route | 1,421,734 | 1,540,478 | 1,385,231 | 1,427,681 | 1,405,007 | 1,536,309 | 1,534,611 | 1,610,734 | 1,718,639 | 1,676,728 |
| Paratransit | 460,322 | 451,439 | 533,939 | 551,794 | 536,215 | 519,447 | 528,276 | 528,336 | 537,060 | 502,026 |
| TOTAL | 1,882,056 | 1,991,917 | 1,919,170 | 1,979,475 | 1,941,222 | 2,055,756 | 2,062,887 | 2,139,070 | 2,255,699 | 2,178,754 |
| Revenue Hours | | | | | | | | | | |
| Fixed Route | 120,975 | 126,005 | 127,372 | 130,982 | 129,200 | 138,854 | 137,872 | 140,057 | 148,477 | 154,956 |
| Paratransit | 26,433 | 30,882 | 34,562 | 41,810 | 35,189 | 31,230 | 34,924 | 35,636 | 39,218 | 32,993 |
| TOTAL | 147,408 | 156,887 | 161,934 | 172,792 | 164,389 | 170,084 | 172,796 | 175,693 | 187,695 | 187,949 |
| Passengers Per Mile | | | | | | | | | | |
| Fixed Route | 2.58 | 2.32 | 2.48 | 2.36 | 2.24 | 2.19 | 2.24 | 2.17 | 2.08 | 2.05 |
| Paratransit | 0.14 | 0.18 | 0.18 | 0.20 | 0.17 | 0.15 | 0.14 | 0.15 | 0.15 | 0.16 |
| TOTAL | 1.98 | 1.84 | 1.84 | 1.76 | 1.67 | 1.68 | 1.70 | 1.67 | 1.62 | 1.62 |
| Passengers Per Hour | | | | | | | | | | |
| Fixed Route | 30.33 | 28.41 | 26.97 | 25.75 | 24.35 | 24.27 | 24.94 | 24.96 | 24.03 | 22.21 |
| Paratransit | 2.51 | 2.56 | 2.81 | 2.58 | 2.52 | 2.50 | 2.18 | 2.24 | 2.11 | 2.36 |
| TOTAL | 25.34 | 23.32 | 21.81 | 20.14 | 19.68 | 20.27 | 20.34 | 20.35 | 19.45 | 18.73 |

Report on Compliance and Internal Controls



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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 Directors
Gold Coast Transit
Oxnard, California

We have audited the basic financial statements of the Gold Coast Transit (GCT) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated August 15, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered GCT's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GCT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GCT's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects GCT's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of GCT's financial statements that is more than inconsequential will not be prevented or detected by GCT's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by GCT's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GCT'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. 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

August 15, 2010
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation

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Single-Audit Section

Gold Coast Transit
Single-Audit Report
For the Year Ended June 30, 2010

**Gold Coast Transit
Single Audit Report
For the Year Ended June 30, 2010**

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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 Directors
Gold Coast Transit
Oxnard, California

We have audited the basic financial statements of the Gold Coast Transit (GCT) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated August 15, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered GCT's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GCT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GCT's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects GCT's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of GCT's financial statements that is more than inconsequential will not be prevented or detected by GCT's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by GCT's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GCT'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. 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

August 15, 2010
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation

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Report on Compliance with Requirements Applicable to Each Major Program and On Internal Control Over Compliance Required by OMB Circular A-133

Board of Directors
Gold Coast Transit
Oxnard, California

Compliance

We have audited the compliance of the Gold Coast Transit (GCT) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. GCT's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of the GCT's management. Our responsibility is to express an opinion on GCT's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the GCT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on GCT's compliance with those requirements.

In our opinion, GCT complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control over Compliance

The management of GCT is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered GCT's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GCT's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects GCT's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of GCT's financial statements that is more than inconsequential will not be prevented or detected by GCT's internal control.

**Report on Compliance with Requirements Applicable to Each Major Program and
On Internal Control Over Compliance Required by OMB Circular A-133, continued**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the GCT as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated August 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. 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.

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

August 15, 2010
Cypress, California

*Ch. Hall; Cypress CA 95633
An Accountancy Corporation*

Gold Coast Transit
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

| <u>Federal Grantor/Program Title:</u> | <u>Federal CFDA Number</u> | <u>Amount Receivable June 30, 2009</u> | <u>Grant Expenditures</u> | <u>Grant Funds Received by June 30, 2010</u> | <u>Amount Receivable June 30, 2010</u> |
|--|------------------------------------|--|-------------------------------|--|--|
| U.S. Department of Transportation Federal Transportation Administration | | | | | |
| Major Program: | | | | | |
| Federal Transit – Formula Grants – Section 5307 | | | | | |
| Operating, Planning and Capital Grants: 20.507 | | | | | |
| Directly Awarded: | | | | | |
| CA-90-X886 | | \$ 13,117 | 25,298 | 38,415 | - |
| CA-90-X999 | | 374 | 165,022 | 165,396 | - |
| CA-90-Y059 | | 201,552 | - | 201,552 | - |
| CA-90-Y115 | | 4,222 | 141,316 | 145,538 | - |
| CA-90-Y190 | | - | 91,174 | 49,619 | 41,555 |
| CA-90-Y265 | | - | 442,500 | 442,500 | - |
| CA-90-Y336 | | 3,072 | 252,449 | 255,521 | - |
| CA-90-Y418 | | - | 76,402 | 48,099 | 28,303 |
| CA-90-Y498 | | - | 40,000 | - | 40,000 |
| CA-90-Y601 | | - | (7,106) | (9,803) | 2,697 |
| CA-90-Y722 | | 1,004,189 | 298,552 | 1,302,741 | - |
| CA-95-Y793 | | - | 3,048,500 | 2,923,928 | 124,572 |
| CA-95-X045 | | 83,571 | 6,236 | 89,807 | - |
| CA-95-X112 | | - | 270,413 | 199,203 | 71,210 |
| CA-96-X006 | | - | 3,592,009 | 3,590,344 | 1,665 |
| Total for CFDA No. | 20.507 | <u>1,310,097</u> | <u>8,442,765</u> | <u>9,442,860</u> | <u>310,002</u> |
| Other Program: | | | | | |
| New Freedom Program 20.521 | | | | | |
| Directly Awarded: | | | | | |
| CA-57-Y601 | | - | 866 | 866 | - |
| Total Federal Assistance | | <u>\$ 1,310,097</u> | <u>8,443,631</u> | <u>9,443,726</u> | <u>310,002</u> |

Notes to Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Gold Coast Transit (GCT) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements

| | |
|--|---------------------|
| Statement of Revenues, Expenses and Changes in net Assets: | |
| Non-operating revenues: | |
| Federal funding – operating grants | \$ 3,714,074 |
| Federal funding – matching grants | 600,000 |
| Capital contributions: | |
| Federal capital grants | <u>4,129,557</u> |
| Total federal awards | 8,443,631 |
| Add – Accounts receivable – federal funding – June 30, 2009 | 1,310,097 |
| Less – Accounts receivable – federal funding – June 30, 2010 | <u>(310,002)</u> |
| Federal receipts or revenues recognized per schedule | <u>\$ 9,443,726</u> |

**Gold Coast Transit
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

| <i>Section I—Summary of Auditor’s Results</i> | <i>Response</i> |
|--|-----------------|
| Financial Statements | |
| Type of auditor’s report issued: | Unqualified |
| Internal control over financial reporting: | |
| • Significant deficiency(ies) identified? | No |
| • Material weakness(es) identified? | No |
| Noncompliance material to financial statements noted? | No |
| <i>Federal Awards</i> | |
| Internal control over major programs: | |
| • Significant deficiency(ies) identified? | No |
| • Material weakness(es) identified? | No |
| Type of auditor’s report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133: | No |
| Identification of major programs tested included: | |
| U.S. Department of Transportation, Federal Transportation Administration | |
| Federal Transit – Formula Grants – Section 5307 Operating, Planning and Capital Grants – CFDA No. 20.507 | |
| Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| Auditee qualified as a low-risk auditee? | Yes |

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

Section IV—Prior Year Findings and Questioned Costs

No matters were reported.