

**COUNTY OF PLACER
TAHOE AREA REGIONAL
TRANSIT FUND**

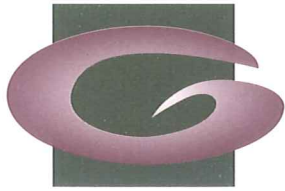
**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2008 AND 2007**

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Tahoe Regional Planning Agency
Elks Point, Nevada**

**Board of Supervisors
County of Placer
Auburn, California**

We have audited the accompanying financial statements of the Tahoe Area Regional Transit Fund (TART) of the County of Placer, California (the County), as of and for the years ended June 30, 2008 and 2007 as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Tahoe Area Regional Transit Fund of the County and do not purport to, and do not, present fairly the financial position of the County of Placer, California, as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows thereof for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tahoe Area Regional Transit Fund of the County of Placer, California as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows thereof for the fiscal 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 our report dated January 21, 2009, on our consideration of the County's internal control over financial reporting as it relates to the Tahoe Area Regional Transit Fund and on 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 should be read in conjunction with this report in considering the results of our audit.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

January 21, 2009

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007**

ASSETS	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Accounts receivable	\$ 131,002	\$ 7,456
Due from other governments	204,441	133,114
Prepaid OPEB asset	41,000	-
	<u>376,443</u>	<u>140,570</u>
TOTAL CURRENT ASSETS	<u>376,443</u>	<u>140,570</u>
CAPITAL ASSETS – NET	<u>6,198,182</u>	<u>6,467,425</u>
TOTAL ASSETS	<u>6,574,625</u>	<u>6,607,995</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	110,847	86,026
Due to other funds	96,692	63,128
Compensated absences	7,273	9,365
	<u>214,812</u>	<u>158,519</u>
TOTAL CURRENT LIABILITIES	<u>214,812</u>	<u>158,519</u>
LONG-TERM LIABILITIES:		
Advance from other County funds	-	300,000
Compensated absences	65,457	53,071
Total long-term liabilities	<u>65,457</u>	<u>353,071</u>
Total liabilities	<u>280,269</u>	<u>511,590</u>
NET ASSETS:		
Invested in capital assets, net of related debt	6,198,182	6,167,425
Restricted for operations center computer server	19,094	-
Unrestricted	77,080	(71,020)
Total net assets	<u>\$ 6,294,356</u>	<u>\$ 6,096,405</u>

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

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Fares	\$ 489,480	\$ 408,723
Operating expenses:		
Salaries and wages – operator	663,199	630,498
Salaries and wages – other	179,582	180,231
Employee benefits	513,613	491,609
Repairs and maintenance	386,505	430,834
Depreciation	357,290	353,212
Professional services	575,787	360,444
Fuels and lubricants	216,055	186,638
Utilities	85,568	76,708
Casualty and liability costs	77,385	74,696
Purchased transportation	50,660	34,337
Materials and supplies	29,817	21,494
Rent	7,870	8,723
Printing and publications	11,447	7,450
Miscellaneous	8,355	4,268
Total operating expenses	<u>3,163,133</u>	<u>2,861,142</u>
Operating loss	<u>(2,673,653)</u>	<u>(2,452,419)</u>
Nonoperating revenues:		
Local Transportation Fund (LTF)	1,276,005	1,195,871
Contributions from other governments	737,877	537,528
Federal operating assistance	165,096	226,664
Rents and leases	55,200	55,200
State transit assistance	124,492	263,626
PTMISEA	19,094	-
Insurance refunds	-	395
Investment earnings	12,553	(12,388)
Miscellaneous	-	1,022
Total nonoperating revenues	<u>2,390,317</u>	<u>2,267,918</u>
Net loss before capital contributions and transfers	(283,336)	(184,501)
Capital contributions	481,287	30,000
Transfers out	-	(40,367)
Change in net assets	197,951	(194,868)
Net assets, beginning of year	<u>6,096,405</u>	<u>6,291,273</u>
Net assets, end of year	<u>\$ 6,294,356</u>	<u>\$ 6,096,405</u>

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

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 294,607	\$ 496,544
Cash receipts from interfund services provided	33,564	(238,820)
Cash receipts from others	55,200	56,617
Cash paid to employees	(1,387,100)	(1,299,250)
Cash paid to suppliers for goods and services	(1,424,628)	(1,195,617)
Net cash used for operating activities	<u>(2,428,357)</u>	<u>(2,180,526)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Contributions from other funds, governments, and State	902,973	764,192
Local Transportation Fund revenue	1,276,005	1,195,871
Interest received (paid)	12,553	(12,388)
Long-term loan payment to other County funds	(300,000)	-
State transit assistance revenue	124,492	263,626
PTMISEA	19,094	-
Transfers out	-	(40,367)
Net cash provided by noncapital financing activities:	<u>2,035,117</u>	<u>2,170,934</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(88,047)	(20,408)
Capital contributions	481,287	30,000
Net cash provided by capital and related financing activities	<u>393,240</u>	<u>9,592</u>
NET INCREASE IN CASH AND EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ -</u>	<u>\$ -</u>

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

COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	\$ (2,673,653)	\$ (2,452,419)
Rents and leases	55,200	55,200
Insurance refunds	-	395
Miscellaneous	-	1,022
Depreciation	357,290	353,212
Changes in assets and liabilities:		
Accounts receivable	(123,546)	557
Due from other governments	(71,327)	87,264
Prepaid OPEB asset	(41,000)	-
Accounts payable and accrued expenses	24,821	17,742
Compensated absences	10,294	(4,679)
Due to other County funds	33,564	(238,820)
Net cash used for operating activities	<u>\$ (2,428,357)</u>	<u>\$ (2,180,526)</u>

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

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Tahoe Area Regional Transit (TART) Fund of the County of Placer (County) accounts for the activities associated with providing year-round public transit for the North Lake Tahoe area of the County and Incline Village, Nevada. Daily transportation services are provided to North Lake Tahoe and Truckee area residents, and the system also provides transit for area tourists. The financial statements of TART have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

TART is an enterprise fund of the County and, accordingly, is included in the basic financial statements of the County.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected not to follow Financial Accounting Standards Board pronouncements dated after November 30, 1989.

The accompanying financial statements present only the TART Fund of the County and are not intended to present fairly the financial position, changes in financial position and cash flows of the County in conformity with accounting principles generally accepted in the United States of America. The more significant of the County's accounting policies are described below.

Basis of Accounting

The County accounts for its activities in an enterprise fund using the accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which liabilities are incurred.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. TART distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with TART's principal ongoing operations. The principal operating revenue of TART is passenger fares. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TART applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

Cash and Cash Equivalents

Cash and cash equivalents represent the TART Fund's share of the County Treasurer's cash and investment pool. For purposes of the statements of cash flows, all enterprise fund cash on hand and investments in the pool are considered cash and cash equivalents.

Capital Assets

Capital assets are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which ranges from five to fifty years. The County's capitalization policy is to capitalize asset acquisitions with an individual cost greater than \$5,000.

Grants

Grant revenues and receivables are recorded when all eligibility requirements imposed by the provider have been met. Capital grants earned are reported as capital contributions in the statements of revenues, expenses and changes in fund net assets. Grant sources include Federal Transit Administration (FTA), State Transit Assistance (STA) and Local Transportation Fund (LTF). STA and LTF were created by the State Legislature under the Transportation Development Act (TDA).

Interfund Transactions

During the course of operations, transactions occur between individual County funds for goods provided or services rendered. These current payables are classified as "due to other County funds" on the statements of net assets and are considered short-term interfund loans. The non-current payables are classified as "advances from other County funds" on the statements of net assets and are considered long-term interfund loans.

Due from Other Governments

These amounts represent receivables from other federal, state, and local governments.

Risk Management

As described in Note 5, the TART is insured through the California Transit Systems Joint Powers Insurance Authority (CalTIP). In addition, TART is insured for worker's compensation, which is reported in the basic financial statements of the County.

Use of Estimates

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

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 2 – CASH WITH COUNTY TREASURER

TART maintains specific cash deposits with the County and involuntarily participates in the external investment pool of the County. The County is restricted by state code in the types of investments it can make. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. At June 30, 2008 and 2007, TART's cash with County Treasurer is stated at fair value. However, the value of the pool shares in the County which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of TART's position in the pool.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*, requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The weighted average to maturity of the County's external investment pool as of June 30, 2008 and 2007 was 1,068 and 718 days, respectively.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County external investment pool is not rated.

Custodial Credit Risk and Concentration of Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the TART fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Concentration of credit risk is the risk of loss attributed to the magnitude of the TART Fund's investment in a single issuer. The TART Fund is not exposed to custodial credit or concentration of credit risk as it participates in the County's external investment pool, and therefore, is not subject to such risks.

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 2 – CASH WITH COUNTY TREASURER (Continued)

Other required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County’s comprehensive annual financial report and may be obtained by contacting the County Auditor-Controller’s Office at 2970 Richardson Drive, Dewitt Center, Auburn, CA 95603.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the fiscal years ended June 30, 2008 and 2007 was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets, being depreciated				
Building and improvements	\$ 5,281,311	\$ 88,047	--	\$ 5,369,358
Equipment	<u>3,373,632</u>	<u>--</u>	<u>--</u>	<u>3,373,632</u>
Total capital assets	8,654,943	88,047	--	8,742,990
Less accumulated depreciation	<u>(2,187,518)</u>	<u>(357,290)</u>	<u>--</u>	<u>(2,544,808)</u>
Capital assets – net	<u>\$ 6,467,425</u>	<u>\$ (269,243)</u>	<u>\$ --</u>	<u>\$ 6,198,182</u>

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital assets, not being depreciated				
Construction in progress	\$ 46,306	\$ --	\$ (46,306)	\$ --
Capital assets, being depreciated				
Building and improvements	5,235,005	46,306	--	5,281,311
Equipment	<u>3,234,958</u>	<u>158,114</u>	<u>(19,440)</u>	<u>3,373,632</u>
Total capital assets	8,516,269	204,420	(65,746)	8,654,943
Less accumulated depreciation	<u>(1,716,040)</u>	<u>(490,918)</u>	<u>19,440</u>	<u>(2,187,518)</u>
Capital assets – net	<u>\$ 6,800,229</u>	<u>\$ (286,498)</u>	<u>\$ (46,306)</u>	<u>\$ 6,467,425</u>

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 4 - COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS

The TDA is defined at Chapter 4 of the California Public Utilities Code commencing with Section 99200. Funds received pursuant to Section 99260 of the TDA (Article 4) may only be used for specific purposes including the support of public transportation purposes. TDA (Article 4) funds are the primary funding source for TART.

TART is subject to the provisions of the TDA requiring the calculation and adherence of fare and local support ratios for TDA transit funding. If TART did not comply with the 50% expenditure limitation in PUC 99268 TART would be required to maintain a minimum fare ratio of 25% as designated by Tahoe Regional Planning Agency. The TDA imposes a penalty for three consecutive years of noncompliance. The Washoe County route is subtracted because it is not in California and not subject to TDA requirements; 80% of the Truckee-Tahoe City route and 84% of the Highway 267 route are outside of TRPA's jurisdiction and are not subject to TRPA farebox requirements. The Fund's fare ratio of operating revenues to operating expenses is calculated below for the fiscal years ended June 30, 2008 and 2007:

	June 30,	
	2008	2007
Fare revenues	\$ 489,480	\$ 408,723
Add: Other local revenue	-	642
Less: Washoe County Bus	(65,666)	(60,068)
Less: Washoe County Trolley	(2,952)	(3,639)
Less: 84% Highway 267 route	(35,454)	-
Less: 80% Truckee-Tahoe City route	(78,426)	(68,583)
Applicable fare revenues	\$ 306,982	\$ 277,075
Operating expenses	\$ 3,163,133	\$ 2,861,142
Less: Depreciation expense	(357,290)	(353,212)
Less: Washoe County Bus	(424,948)	(392,612)
Less: Washoe County Trolley	(11,139)	(9,979)
Less: 84% Highway 267 route	(161,332)	-
Less: 80% of Truckee-Tahoe City route	(408,076)	(320,775)
Applicable operating expenses	\$ 1,800,348	\$ 1,784,564
Fare ratio	17.1%	15.5%

Because less than 50% of eligible operating costs are funded by LTF funds, TART is not required to meet the farebox ratio of 25%.

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 5 - RISK MANAGEMENT

TART is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. TART is self-insured for public liability and property damage up to \$100,000 per occurrence. Claims between \$100,000 and \$1 million are insured through the California Transit Systems Joint Powers Insurance Authority (CalTIP), a joint powers agency (risk sharing pool) established in 1987 to provide an independently managed self-insurance program for member transit operators. The relationship between TART and CalTIP is such that CalTIP is not a component unit of TART for financial reporting purposes. Claims in excess of the pool limit are covered by excess insurance purchased by CalTIP up to \$20 million per occurrence. TART has not settled any claims exceeding the risk-pool limit of \$1 million per occurrence for any of the past three fiscal years. Specifically, TART has the following forms of coverage through CalTIP:

- bodily injury liability,
- property damage liability,
- public officials errors and omissions liability, and
- personal injury liability.

The purpose of CalTIP is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense. CalTIP may impose a retrospective assessment on all participating members. The retrospective adjustment will result in either additional premium due or a premium overpayment credit for each of CalTIP's members. An estimate of the potential future premium payments or credits to TART cannot be made at this time.

TART makes payments to CalTIP based on actuarial estimates of the amounts needed to pay prior-year and current-year claims.

The most current available condensed financial information of CalTIP is as follows:

	Audited <u>April 30, 2007</u>
Total Assets	\$ <u>19,349,480</u>
Total Liabilities	\$ 7,390,394
Net Assets	<u>11,959,086</u>
Total Liabilities and Net Assets	\$ <u>19,349,480</u>
Total Revenues	\$ 8,626,160
Total Expenses	<u>4,565,456</u>
Net Income	\$ <u>4,060,704</u>

Complete separate financial statements for CalTIP may be obtained at 1415 L Street, Suite 200, Sacramento, CA 95814.

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS

TART provides postretirement healthcare benefits to its retirees. The County contributes to the California Employee’s Retiree Benefit Trust (CERBT), an agent multiple employer plan created by CalPERS. A portion of the County’s postretirement benefit costs have been allocated to TART as follows:

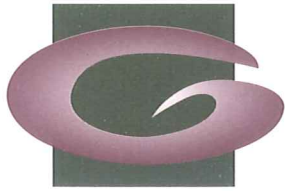
	June 30, 2008
Annual required contribution	\$ 15,464
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	15,464
Contributions made	(56,464)
Decrease in net OPEB obligation	(41,000)
Net OPEB obligation - beginning of year	-
Net OPEB asset - end of year	\$ (41,000)

As a result of additional contributions being made, TART has an OPEB asset at fiscal year-end and has been classified as a prepaid item in the financial statements.

Additional disclosure detail required by Government Accounting Standards Board Statement No. 45, regarding postretirement benefits are presented in the financial statements of the County of Placer for the year ended June 30, 2008.

NOTE 7 – RESTRICTED NET ASSETS

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators on California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement. TART received \$19,094 PTMISEA funding for an operations center computer server during the year ended June 30, 2008. None of the funding was spent resulting in restricted net assets of \$19,094 at June 30, 2008.



**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
Tahoe Regional Planning Agency
Elks Point, Nevada**

**Board of Supervisors
County of Placer
Auburn, California**

We have audited the accompanying financial statements of the Tahoe Area Regional Transit Fund (TART) of the County of Placer, California (the County) as of and for the years ended June 30, 2008 and 2007 and have issued our report thereon dated January 21, 2009. 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 of America.

Internal Control Over Financial Reporting

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

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 the entity'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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 the entity'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 the TART's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that the Transportation Development Act Funds and the Public Transportation Modernization Improvement and Service Enhancement Account funds allocated to and received by the County were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Tahoe Regional Area Planning Agency as required by Section 6667 of Title 21 of the California Code of Regulations. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 and the Transportation Development Act.

This report is intended solely for the information and use of the State Controller's Office, the Board of Directors of the Tahoe Regional Planning Agency, the Board of Supervisors, and management of the County of Placer and is not intended to be and should not be used by anyone other than these specified parties.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

January 21, 2009

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**STATUS OF PRIOR YEAR FINDING AND RECOMMENDATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

Finding #03-1

Criteria:

The Tahoe Area Regional Transit (TART) fund is subject to the provisions of Section 6633.2 of Title 21, Chapter 3, Subchapter 2 of the California Code of Regulations requiring adherence of fare and local support ratios for Transportation Development Act (TDA) transit funding. The TART fund is required to maintain a minimum farebox ratio of 25% as designated by the Tahoe Regional Planning Agency (TRPA).

Condition:

For the fiscal year ended June 30, 2004, the TART fund's farebox ratio of operating revenues to operating expenses was 18.7%, which is not in compliance with the minimum required farebox ratio as designated by the TRPA.

Prior Year Effect:

In accordance with Section 99268.9 of the TDA, the first fiscal year for which an operator does not maintain the required ratio of fare revenues to operating cost is deemed a grace year, and shall not result in any penalty nor loss of eligibility for funds under this article. However, if the TART fund does not satisfy the required farebox ratios in future years then the operator's eligibility to receive moneys from the local transportation fund and allocations pursuant to Sections 99313.3 and 99314.3 shall be reduced during a subsequent penalty year by the amount of the difference between the required fare revenues and the actual fare revenues for the fiscal year that the required ratio was not maintained.

This is the second year that the TART fund is not in compliance with the required revenue ratio. The difference between the required and actual fare revenue amounts to \$70,617. A penalty of that amount could be assessed by the TRPA in accordance with Section 6633.9 of Title 21, Chapter 3, Subchapter 2 of the California Code of Regulations during the fiscal year 05/06 in the form of reduced eligibility.

Prior Year Recommendation:

We recommend that the County continuously monitor the TART fund's farebox ratio throughout the year to ensure compliance with the required 25% farebox ratio. If the TART fund remains noncompliant, its eligibility to receive moneys in the future from the local transportation fund is jeopardized. Also, we would recommend that the County work with management of the TRPA and reevaluate whether the farebox requirement of 25% is still reasonable under current operating conditions or even consider the possibility of increasing rates to reflect the TART fund's increase in operating costs.

**COUNTY OF PLACER
TAHOE AREA REGIONAL TRANSIT FUND**

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

Prior Year Management Response and Corrective Action Plan:

Management concurs with the finding and is currently working with management of the TRPA to determine a solution to achieving the farebox ratio requirement.

TART achieved a 18.7% ratio in this audit. A 25% farebox ratio is required by TRPA. It will become increasingly difficult to maintain the target farebox ratio. This farebox ratio was established based on the ratio achieved in 1978. The cost of employees, vehicle maintenance, fuel, liability insurance, workers compensation and goods and services required to operate the service have increased significantly in recent years. Despite increases in ridership, the additional fare revenue is not able to keep pace with the increased costs of providing the service.

In order to increase fare revenue and the farebox recovery ratio, the Placer County Board of Supervisors approved a modification to the fare structure beginning on July 1, 2004. This modification raised the base fare from \$1.25 to \$1.50 and established other fare categories in attempt to make service more attractive to frequent users. In addition, the fleet replacement plan has been completed which should result in lower vehicle maintenance costs over time. The TART Systems Plan was adopted in April of 2005, which is a plan that includes measures to increase patronage and fare revenue. In October of 2005, TART will install and implement an automated fare collection system that will increase our control over the fare collection and handling process. This will include a data system that will help us make better decisions on service modifications, fare structures, and transfer policies.

We may need to seek a modified farebox recover ratio requirement from TRPA that reflects more realistic measures based on today's costs of doing business.

Current Year Status:

TRPA agreed that PUC 99268 only requires a farebox ratio to be achieved if the LTF portion of total revenue, minus federal funds, exceeds 50%. TART is in compliance when considering the 50% Expenditure Limitation clause in Section 99268.