

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**for the**

**REDDING AREA BUS AUTHORITY**

**a component unit of the**

**CITY OF REDDING, CALIFORNIA**

**Fiscal Year Ended June 30, 2004**

**Issued by the Finance Division  
of the City of Redding, California**

**Stephen W. Strong  
Finance Officer**



**REDDING AREA BUS AUTHORITY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 Fiscal Year Ended June 30, 2004**

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# INTRODUCTORY SECTION

**REDDING AREA BUS AUTHORITY  
777 EAST CYPRESS AVENUE  
REDDING, CALIFORNIA 96001-3396**

**(530) 225-4170**

December 3, 2004

Honorable Chairman and Members of the Redding  
Area Bus Authority Board of Directors  
Redding, California

Honorable Members:

In accordance with State and local statutes, the Redding Area Bus Authority (RABA) hereby submits the Comprehensive Annual Financial Report for the year ended June 30, 2004. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Hathaway & Ksenzulak, LLP, Certified Public Accountants, have issued an unqualified (“clean”) opinion on RABA’s financial statements for the year ended June 30, 2004. In addition to meeting the requirements set forth in the RABA Joint Powers Agreement, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133, as well as the requirements of the Transportation Development Act. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and supplemental. The introductory section includes the Table of Contents, transmittal letter, Certificate of Achievement, RABA's organizational chart and a list of principal officials. The financial section includes the independent auditors' report on the financial statements, MD&A,

the component unit financial statements and notes to financial statements. The statistical section includes selected financial and demographic information presented on a multi-year basis. The supplemental section includes the Independent Auditors' Report on Compliance with the Transportation Development Act (TDA), the Schedule of Expenditures of Federal Awards and the related Schedule of Findings and Questioned Costs.

This report presents the financial activity and position of RABA. The financial reporting entity (the government) includes the only fund of RABA, which is a component unit of the City of Redding. Component units are legally separate entities for which the primary government is financially accountable. RABA has no component units.

RABA is a component unit in the City of Redding's comprehensive annual financial report. The City provides accounting and administrative staff to RABA. Five members of the Redding City Council, one member of the Shasta County Board of Supervisors, one member of the Anderson City Council, and one member of the Shasta Lake City Council serve on RABA's Board of Directors.

RABA was formed in 1976 by a joint powers agreement (JPA) between the City of Redding and the County of Shasta to provide public transportation services within the Greater Redding Area. Between 1976 and 1981, RABA conducted in-depth studies to determine the type of system that would provide the most cost effective service for the community. RABA began fixed route and demand response public transportation service in November 1981, utilizing twelve 1974 model Mercedes-Benz, 19-passenger vehicles acquired used from San Diego Transit. The service provided access to shopping, residential, commercial, medical, and recreational areas in the Redding area.

In 1983, service was expanded to include a route to Shasta College, which now also serves Simpson College. A route was added in 1985 to provide service to the Central Valley, Project City, Summit City, and Pine Grove areas north of Redding. (This area, incorporated in 1993, is now the City of Shasta Lake and is a member of the JPA.) In 1987, RABA purchased ten 1987 (32-passenger) Gillig coaches to replace an aging fleet. The new vehicles brought to RABA a new image, which in turn has increased ridership and improved public acceptance of the service. In October 1994, expanded fixed route service was implemented, necessitating the acquisition of four transit coaches. In 1998-99 and 1999-00, eleven 35-foot coaches were purchased with Proposition 116 and Federal Transit Administration funds, replacing vehicles in RABA's aging fleet. RABA replaced 17 transit vehicles through its bus replacement schedule in 2001-2002 and another one in 2002-2003.

The Joint Powers Agreement between the City of Redding and the County of Shasta was amended effective January 1, 1998, to include the City of Anderson and City of Shasta Lake. Therefore, Route 9 which was previously under a contract with Anderson-Cottonwood Transit is now included in RABA ' s service area.

Over the past ten years, RABA experienced a cumulative growth in ridership for the fixed route and express route of 16 percent. This growth was attributed to the opening of RABA ' s new intermodal passenger transfer facility, better known as the Downtown Transit Center. The facility provides shelter from the elements, pedestrian accessibility from the surrounding Redding downtown area, ingress and egress for buses, a safe environment for the passengers in loading and unloading, and connectivity with Amtrak and other carriers. In 2001-02, RABA ' s ridership increased by one percent (1.2%), or 10,589 passengers, only to experience a 12% decrease in ridership in 2002-03. Fiscal year 2003-04 has seen another drop in ridership by 6.1%, or 46,895 riders.

RABA ' s demand response service experienced phenomenal growth in 1993-94 and 1994-95 with the implementation of the Americans with Disabilities Act (ADA) enacted by the Federal Government. The increased growth in the demand response service was felt not only at the local level, but also at the national level, but was not to be sustained. Implementation of educational and training programs helped reduce the usage of demand response in FYE 1996, 1997 and 1998. Over the last 5 years, ridership has averaged over 58,000 riders a year. In 2003-04, ridership was increased by 9.5%, or 5,660 riders. Monthly ridership continues at approximately 5,000 rides.

The Board is required to adopt a final budget by no later than the close of the fiscal year. This biennial budget serves as the foundation for RABA ' s financial planning and control. Budgetary control is maintained at the revenue and expense classification levels. The Board of Directors must approve any revisions.

### **- ECONOMIC CONDITION AND OUTLOOK -**

The Redding Area Bus Authority's service area centers on Redding, county seat of Shasta County, located at the northern end of the Sacramento Valley, approximately 150 miles north of Sacramento. Redding is a major trade, recreational, and regional center of commerce for several Northern California counties, as evidenced by its many facilities. Support for retail sales is derived from a retail trade area population of approximately 108,000 in the primary trade area and approximately 248,000 in the secondary trade area. The primary trade area consists of the metropolitan urban area, including the cities of Redding, Anderson, and Shasta Lake. The secondary trade area contains the areas of Shasta, Trinity and Tehama counties.

Extracting timber and the processing of wood by-products, together with agriculture, tourism, and government, have historically been the major sectors of employment in the Redding area. Over the last decade, the area's economic base has diversified to a regional services economy supported by a wide variety of retail and wholesale trade in addition to medical, educational, recreational, and government services for an area covering several counties.

According to the California Employment Development Department, the unemployment rate for the Redding urban area was 7.9% in June 2004.

Since 1990, the City's population has grown at approximately 2% per year. The City's population of 87,280 has increased 7.9% over the 2000 U.S. Census tabulation and represents approximately 50% of the County's population in 2004. The following table indicates population growth for Redding and Shasta County from 1970 to 2004:

Year	City of Redding		Shasta County	
	Population	Annualized Percentage Change Over Interval	Population	Annualized Percentage Change Over Interval
1970	16,659	3.04 %	77,640	9.67 %
1980	41,995	15.21	119,449	5.38
1990	66,462	5.83	147,036	2.31
2000	80,865	2.17	163,256	1.10
2001	82,543	2.08	165,669	1.48
2002	84,560	2.44	169,200	2.13
2003	85,700	1.35	172,000	1.60
2004	87,280	1.84	175,705	2.15

Source: 1970-2000 data from U.S. Census; 2001-2004 data from the California State Department of Finance as of January 1.

The following table sets forth a projection of Redding's population growth over the next 10 years, a projected growth for the community of approximately 15,000, representing an increase of approximately 14.6%:

Year	Population (Rounded)
2004	87,300
2009	96,400
2014	102,500

Source: Economic Sciences Corporation

## - MAJOR INITIATIVES -

### **SIGNIFICANT 2003-04 ACCOMPLISHMENTS**

#### Transit Enhancements

A total of 149 benches have been placed within RABA's service area. This project was in conformance with the Redding Area Bus Authority's Short- and Long-Range Master Transit Plan Study by LSC Transportation Consultants, Inc., and funded by Federal monies.

RABA has an agreement with a contractor to provide a bus shelter program. The contractor furnishes the shelters, performs any maintenance to keep them in good repair and working order, and performs weekly cleanup of each shelter location, at their expense. RABA receives 10 percent of the gross advertising revenues derived from any advertising placed by the contractor. To date, 38 shelters have been placed throughout RABA's service area.

#### Acquisition of Transit Vehicles

RABA acquired three transit coaches to replace existing 1987 fleet vehicles programmed for retirement. These vehicles comply with California Air Resource Board emission requirements.

#### Intermodal Passenger Transfer Facility – Phase II

The consultant, Wilbur Smith Associates, completed the feasibility study for the second phase of the Intermodal Passenger Transfer Facility. The second phase called for a multi-use complex to be utilized collectively by private transportation carriers (e.g. Greyhound and Amtrak rail). The study concluded that the project would be compatible with the overall RABA operation; however, it is not feasible beyond the Greyhound component at this time. The project was funded through the Shasta County RTPA's Overall Work Program (Federal Transit Administration planning dollars).

#### Service Improvements

In 2003-04, RABA implemented an express shuttle to Shasta College; realigned Routes 4, 7, 11 and 14; combined Routes 2 and 10; and made minor adjustments to Routes 1, 8, and 9. The changes utilized existing routes with no impacts to the annual operating costs. Performance measures are utilized to monitor the new express service and the various route modifications.

## **SCHEDULED PROJECTS FOR 2004-05**

### Passenger Amenities for the Year 2005

Work is in progress to place additional bus benches throughout RABA ' s service area using Federal monies. All improvements and acquisitions of equipment are in conformance with the Redding Area Bus Authority's Short- and Long-Range Master Transit Plan.

### Maintenance Facility Improvements

Improvements to the existing Maintenance Facility are being programmed to begin this fiscal year with the construction phase to begin in fiscal year 2005-06. Improvements will include additional maintenance bays, parking areas for employees and the transit fleet, landscape features, and a vehicle vacuum area that will house additional components. The project will be funded primarily with Federal monies, with a local match.

## **- AWARDS AND ACKNOWLEDGEMENTS -**

### Certificate of Achievement

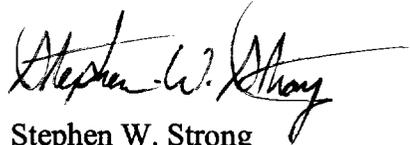
The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to RABA for its component unit financial report for the fiscal year ended June 30, 2003. This was the seventeenth consecutive year RABA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized component unit financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

I extend my thanks and appreciation for the cooperation and assistance provided by the members of the Redding Area Bus Authority's Board of Directors for their interest and support in conducting the financial operations of RABA in a responsible and progressive manner. Special recognition is also due to RABA's administrative staff, especially Ray Duryee, Transportation Manager, the City's support staff and the contract service provider who made this presentation possible. In addition, I would like to extend a special thanks and recognition to Mark Haddad, Senior Accountant, who was primarily responsible for the preparation of the financial report. It is their combined effort that enabled the timely issuance of this report and continued provision of a quality transportation service product.

Very truly yours,

A handwritten signature in black ink, appearing to read "Stephen W. Strong". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Stephen W. Strong  
Finance Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Redding Area Bus Authority,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

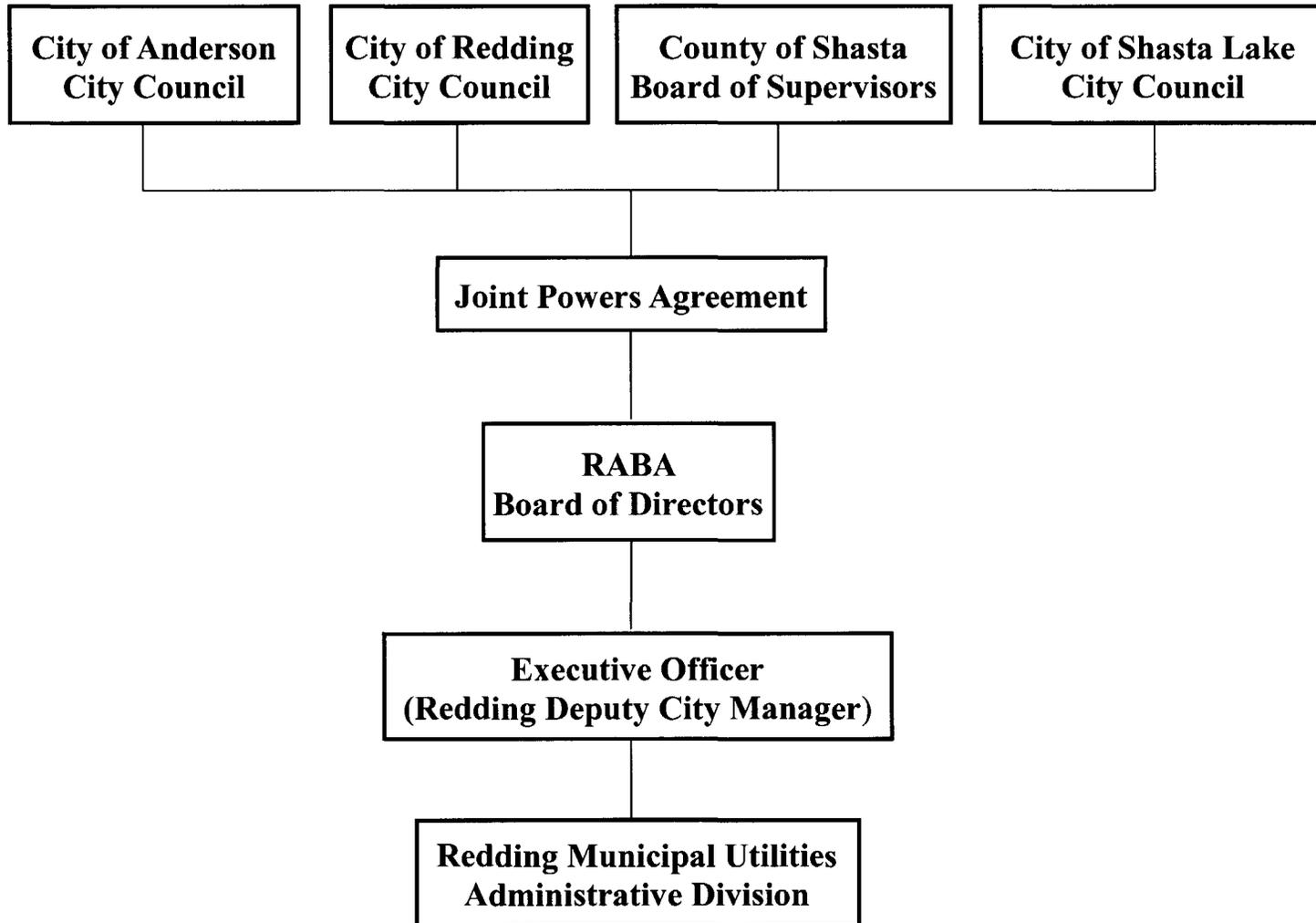


President

Executive Director

# REDDING AREA BUS AUTHORITY

## Organization Chart



**REDDING AREA BUS AUTHORITY OFFICIALS**

**Board of Directors**

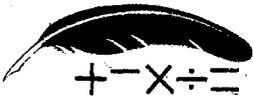
Mary Stegall ..... Chairperson  
Pat Kight..... Vice Chairperson  
Mark H. Cibula ..... Director  
Norma Connick ..... Director  
David Kehoe..... Director  
Rod Lindsay..... Director  
John Mathena..... Director  
Michael J. Pohlmeier ..... Director

**Administrative Personnel**

Michael Warren ..... City Manager  
Randy Bachman..... Deputy City Manager  
Ray Duryee ..... Transportation Manager  
Connie Strohmayer ..... City Clerk  
Allyn F. Clark ..... City Treasurer  
Stephen W. Strong..... Finance Officer  
Sue Hanson ..... Staff  
Mark Haddad..... Staff  
Sam Hewitt ..... Staff



# FINANCIAL SECTION



**Hathaway &  
Ksenzulak, LLP**  
Certified Public  
Accountants

1681 East  
Cypress Avenue  
Redding, California  
96002

530.222.2898  
Fax 530.222.2980

## INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members  
of the Board of Directors  
Redding Area Bus Authority  
Redding, CA

We have audited the accompanying basic financial statements of Redding Area Bus Authority, a component unit of the City of Redding, California, as of and for the fiscal year ended June 30, 2004, as listed in the financial section of the table of contents. These financial statements are the responsibility of Redding Area Bus Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Redding Area Bus Authority as of June 30, 2004, and the changes in its financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2004, on our consideration of the Redding Area Bus Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

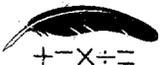
Brent Hathaway, CPA  
Karina C. Lapp, CPA  
John Ksenzulak, CPA  
Neil Byzick, CPA  
Lori Goynes, CPA  
James Viola Jr., CPA  
David L. Wallace, CPA  
Samantha Willingham, CPA

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

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the financial statements of the Redding Area Bus Authority. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Hathaway & Ksenzulak, LLP*

November 23, 2004



## Management's Discussion and Analysis

As management of the Redding Area Bus Authority (RABA), we offer readers of RABA's financial statements this narrative overview and analysis of the financial activities of RABA for the fiscal year ending June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which begins on page 1 of this report

### Financial Highlights

- The assets of RABA exceeded liabilities at the close of the fiscal year by \$10,329,852 (*net assets*).
- Operating revenues decreased by \$82,044 (11 percent) during the year. A large portion of this was due to a continuing decline in ridership during the year. This is also partly due to the elimination of a pilot project to operate express services.
- Operating expenses increased by \$417,030 (9.4 percent) during the year. This increase was due to increases in purchased transportation contract costs, additional police department security, increased overhead charges from the City of Redding, and increased fuel costs.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to RABA's basic financial statements. RABA's basic financial statements are comprised of four components: 1) statement of net assets, 2) statement of revenues, expenses and changes in net assets, 3) statements of cash flows, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

RABA, like other government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. RABA is comprised of a single proprietary fund. A proprietary fund operates by charging its customer a fee for the service provided (*operating revenue*), like a typical business enterprise. A proprietary fund may also receive revenue from governmental agencies as grants or support (*non-operating revenue*). These *basic financial statements* are designed to provide readers with a broad overview of RABA's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of RABA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of RABA is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents information showing how RABA's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accounts receivable and accounts payable).

The *statement of cash flows* presents information showing how RABA's cash increased or decreased during the year. Cash is received and used in three ways: operating activities, capital and non-capital financing activities, and investing activities. The statement of cash flows can be found on page 24.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 25-31 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information* that can be found on pages 44-49 of this report.

### Financial Analysis

#### Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of RABA, at the end of last fiscal year, assets exceeded liabilities by \$10,329,852.

#### Redding Area Bus Authority Net Assets (in millions)

	2004	2003
Current assets	\$ 1.0	\$ 1.8
Capital assets, net of depreciation	9.8	9.8
Total assets	10.8	11.6
Current liabilities	0.5	1.3
Total liabilities	0.5	1.3
Net assets:		
Investment in capital asset	9.8	9.8
Unrestricted	.5	.5
Total net assets	\$ 10.3	\$ 10.3

By far the largest portion of RABA's net assets, (95 percent), represents its investment in capital assets (e.g., vehicles, buildings, improvements, and equipment). Vehicles and buildings make up almost 80% of the capital assets at the end of the fiscal year; consequently, these assets are not available for future spending.

## Changes in Net Assets

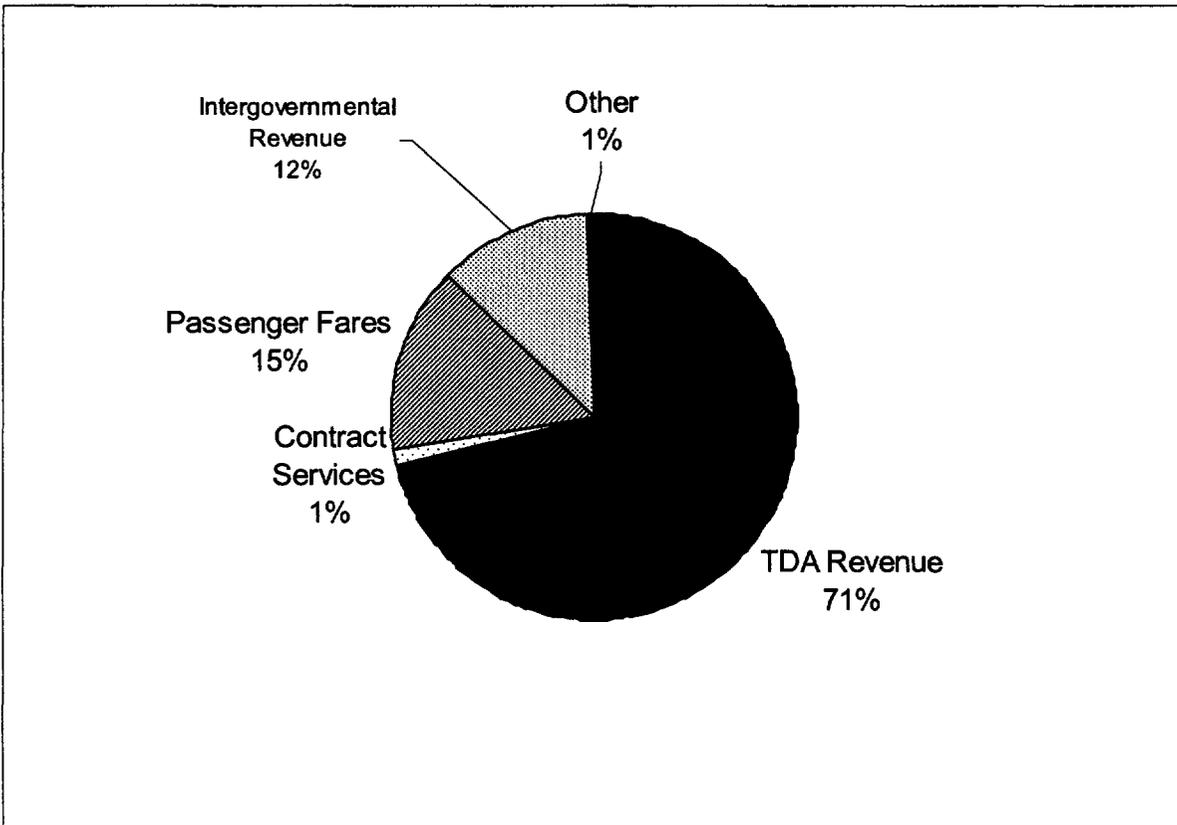
Current year activities decreased the Redding Area Bus Authority's net assets by \$10,816. Key elements of this decrease are as follows:

	2004	2003
<b>Revenues:</b>		
Passenger fares	\$577,436	\$570,681
Contract services	52,771	129,214
Other operating revenue	24,422	36,778
Transportation Development Act Revenue	2,751,829	2,318,141
Intergovernmental revenue	466,444	436,136
Other Revenue	659	19,893
Total revenues	3,873,561	3,510,843
<b>Expenses:</b>		
Purchased Transportation	2,310,114	2,237,480
Materials and supplies-vehicles	675,786	583,753
Depreciation	963,083	903,921
Services	536,572	390,261
Other expense	354,252	307,362
Total expenses	4,839,807	4,422,777
<b>(Loss) before capital contributions</b>	<b>(966,246)</b>	<b>(911,934)</b>
<b>Capital contributions</b>	<b>955,430</b>	<b>683,098</b>
<b>Change in net assets</b>	<b>(\$10,816)</b>	<b>(\$228,836)</b>
<b>Net assets, beginning of year</b>	<b>10,340,668</b>	<b>10,569,504</b>
<b>Net assets, end of year</b>	<b>10,329,852</b>	<b>10,340,668</b>

### Financial Analysis

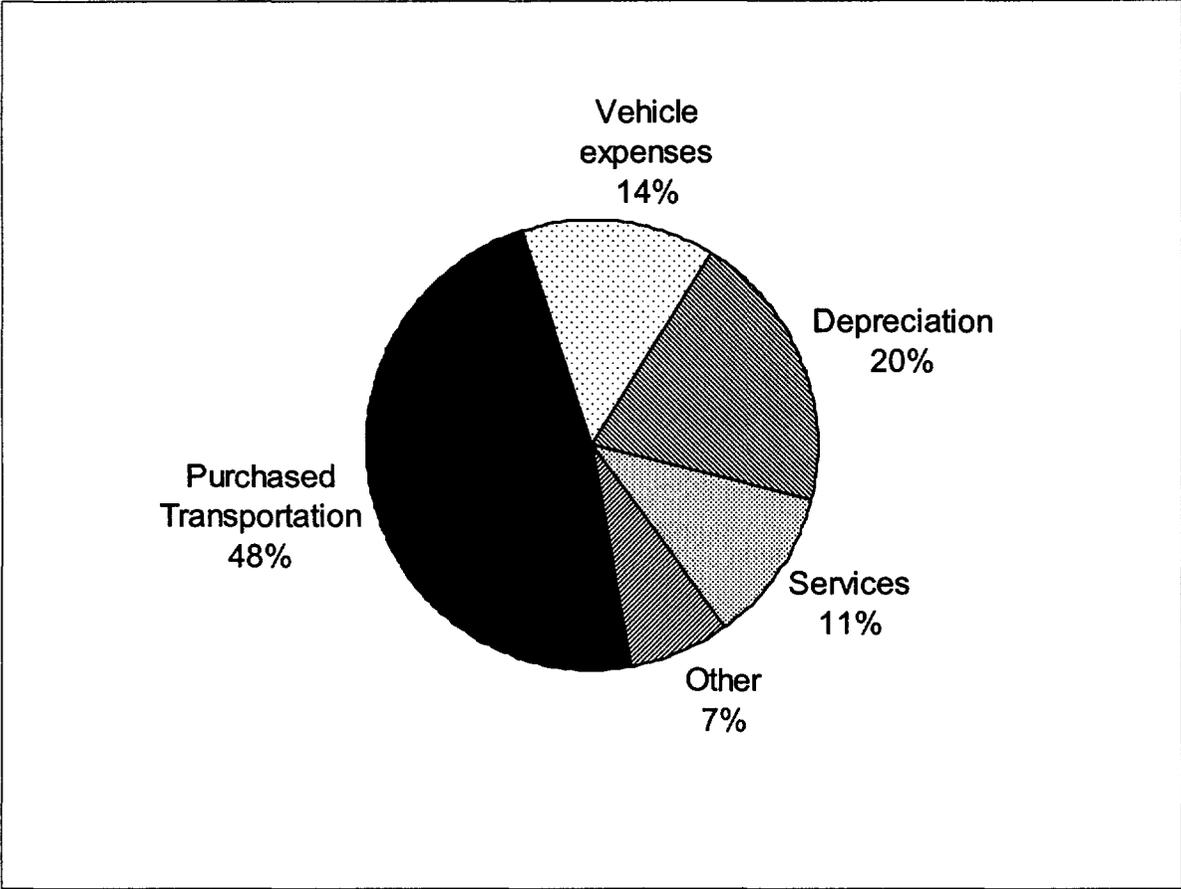
Operating revenue, revenue collected from customers or riders, is approximately 15% of RABA's total revenue. The largest proportion of revenue is comprised of Transportation Development Act funds (TDA funds) received through the Shasta County Regional Transportation Planning Agency (SCRTPA) and a federal operating assistance grant. TDA funds come from a 1/4% state sales tax that is passed through to local governments for transportation needs. TDA funds made up over 70% of the revenue used for operating RABA in 2004. The amount of TDA funds made available to fund RABA's operating costs is calculated annually. TDA funds balance RABA's operating expenses after all other operating revenue has been accounted for. Over the past several years, RABA has received a federal operating assistance grant ranging from \$300,000 to \$750,000. This grant has reduced the amount of TDA funds RABA has required to fund operational needs.

Revenues by Source



RABA's total operating expenses increased over the prior year by over \$400,000. Several items led to this increase. The largest increase is in Services, which increased approximately \$140,000. Services include mostly the allocated expenses from the City of Redding for personnel and services performed on behalf of RABA. This includes over \$65,000 for the cost of additional security services provided by the City of Redding Police Department. Another portion of the total increase is in purchased transportation. Purchased Transportation experienced an increase of approximately \$75,000 over the prior year. While this isn't as big of an increase as last year, it still is significant. Fuel and oil expenses also increased by approximately \$75,000 due to the high cost of fuel during 2004. Depreciation expense increased by approximately \$60,000 due to new maintenance facility and many new buses being purchased in the last few years. Most other areas of operating expense experienced small increases during the past fiscal year.

**Expenses by Category**



## Capital Assets

RABA's investment in capital assets (net of accumulated depreciation) as of June 30, 2004, amounts to \$9.8 million. This investment in capital assets includes vehicles, buildings, improvements, and equipment. There was no increase in RABA's investment in capital assets during the fiscal year ending June 30, 2004.

Major capital asset events during the current fiscal year included the following:

- ✓ Purchase of three Gillig transit buses (\$848,000)
- ✓ Construction of additional bus turnouts and benches, as well as demolition and other make ready expenses for expansion of maintenance facility (\$93,000).

<b>Redding Area Bus Authority</b>		
<b>Capital Assets (net of depreciation)</b>		
	<b>2004</b>	<b>2003</b>
Land	\$ 1,326,210	\$ 1,261,870
Buildings	4,344,678	4,542,679
Vehicles	3,330,906	3,111,444
Improvements	740,695	815,293
Furnishing and equipment	71,860	90,716
Total	<u>\$ 9,814,349</u>	<u>\$ 9,822,002</u>

Additional information on RABA's capital assets can be found in note 6 on page 29 of this report.

## Economic Factors

- ✓ Shasta County has experienced a steady increase in population since 1990 of one to two percent per year while the unemployment rate has increased from 6.1% percent in 2001 to 7.9 percent in 2004.
- ✓ Inflationary trends in the region compare favorably to national indices.
- ✓ Ridership on the fixed route system has declined by 17.4% over the past two years. This makes it more difficult for RABA to meet required fare box ratios and may impact future budgets and service levels.

All of these factors were considered in preparing RABA's budget for the 2005 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Redding Area Bus Authority's finances for all those with an interest in the authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer at the City of Redding, 777 Cypress Avenue, Redding, CA 96001.

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## BASIC FINANCIAL STATEMENTS

REDDING AREA BUS AUTHORITY  
Statement of Net Assets  
June 30, 2004

ASSETS

CURRENT ASSETS:

Cash and investments	\$ 601,745
Accounts receivable	7,950
Intergovernmental receivables	255,578
Interest receivable	1,691
Materials and supplies inventory	<u>93,527</u>
 Total current assets	 <u>960,491</u>

CAPITAL ASSETS:

Land	1,326,210
Buildings	5,488,813
Vehicles	7,098,319
Improvements other than buildings	1,191,054
Furnishings and equipment	<u>1,352,014</u>
 Total capital assets	 16,456,410
 Less accumulated depreciation	 <u>(6,642,061)</u>
 Capital assets, net	 <u>9,814,349</u>
 Total assets	 <u><u>\$10,774,840</u></u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 263,209
Intergovernmental payables	129,779
Deferred revenue	<u>52,000</u>
 Total current liabilities	 <u>444,988</u>

NET ASSETS:

Invested in capital assets, net of related debt	9,814,349
Unrestricted	<u>515,503</u>
 Total net assets	 <u><u>\$10,329,852</u></u>

See accompanying notes and accountants' report.

REDDING AREA BUS AUTHORITY  
Statement of Revenues, Expenses  
and Changes in Net Assets  
For the Year Ending June 30, 2004

OPERATING REVENUES:	
Passenger fares for transit service	\$ 577,436
Contract transit services	52,771
Charter services	5,985
Other revenue	<u>18,437</u>
 Total operating revenues	 <u>654,629</u>
OPERATING EXPENSES:	
Purchased transportation	2,310,114
Materials and supplies-vehicles	675,786
Depreciation	963,083
Services	536,572
Advertising	77,208
Other operating expenses	197,119
Utilities	<u>79,925</u>
 Total operating expenses	 <u>4,839,807</u>
 OPERATING (LOSS)	 <u>(4,185,178)</u>
NON-OPERATING REVENUES:	
Interest	659
Intergovernmental revenue	466,444
Transportation Development Act revenue	<u>2,751,829</u>
 Total non-operating revenues, net	 <u>3,218,932</u>
 (LOSS) BEFORE CAPITAL CONTRIBUTIONS	 (966,246)
 CAPITAL CONTRIBUTIONS	 <u>955,430</u>
 CHANGE IN NET ASSETS	 (10,816)
 NET ASSETS, BEGINNING OF YEAR	 <u>10,340,668</u>
 NET ASSETS, END OF YEAR	 <u>\$10,329,852</u>

See accompanying notes and accountants' report.

REDDING AREA BUS AUTHORITY  
Statement of Cash Flows  
For the Year Ending June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 660,557
Cash paid to suppliers	<u>(3,916,586)</u>
Net cash (used) by operating activities	<u>(3,256,029)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal and state grants received	<u>2,707,742</u>
Net cash provided by noncapital financing activities	<u>2,707,742</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants received	1,272,439
Purchase of capital assets	<u>(955,430)</u>
Net cash provided by capital and related financing activities	<u>317,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>3,935</u>
Net cash provided by investing activities	<u>3,935</u>
NET (DECREASE) IN CASH AND INVESTMENTS	(227,343)
CASH AND INVESTMENTS, BEGINNING OF YEAR	<u>829,088</u>
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 601,745</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:	
Operating (loss)	\$(4,185,178)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	963,083
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	5,928
(Increase) decrease in materials and supplies inventory	(17,981)
Increase (decrease) in accounts payable	(3,254)
Increase (decrease) in intergovernmental payables	(34,627)
Increase (decrease) in deferred revenue	<u>16,000</u>
Total adjustments	<u>929,149</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (3,256,029)</u></u>

See accompanying notes and accountants' report.

REDDING AREA BUS AUTHORITY  
Notes to the Financial Statements  
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Redding Area Bus Authority:

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements represent all the funds and account groups of the Redding Area Bus Authority (RABA). RABA is a separate governmental entity formed under a joint powers agreement between the County of Shasta, the City of Shasta Lake, the City of Anderson, and the City of Redding. RABA's governing board comprises members of the governing boards of the County and the cities of Redding, Anderson, and Shasta Lake. All five of the Redding City Council also sit on the eight member board of RABA, therefore the voting majority is represented by Redding City Council members. Accordingly, RABA is a component unit of the City of Redding. Component units are legally separate entities for which the primary government is financially accountable. There are no separate legal entities that are a part of RABA's reporting entity.

B. Basis of Presentation

RABA's financial activity is accounted for under the category of proprietary fund type activity according to generally accepted governmental accounting principles. There are two subcategories of proprietary fund types. These are enterprise funds and internal service funds. All the financial activity of RABA is accounted for in a single enterprise fund.

The purpose of an enterprise fund is to account for operations: (1) that are financed and operated in a manner similar to private business enterprises (the intent of the governing body being that costs of providing goods or services to the general public be financed or recovered primarily through user charges); or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus

Measurement focus is the accounting convention that determines:

1. Which assets and liabilities are included on an entity's statement of net assets, and
2. Whether its operating statements present "financial flow" information (revenues and expenditures) or "economic resources" information (revenues and expenses).

All proprietary funds are accounted for on a cost of service or "economic resources" measurement focus. This means that all assets and liabilities associated with their activities, whether current or non-current, are included on their statement of net assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

REDDING AREA BUS AUTHORITY  
Notes to the Financial Statements  
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting - (Continued)

Proprietary fund types are accounted for using the accrual basis of accounting. In addition, the Uniform System of Accounts for public transit operators as prescribed by the California State Controller calls for accrual basis accounting. Revenues are recognized when earned and expenses are recognized when incurred.

RABA has elected to follow Governmental Accounting Standards Board (GASB) pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of RABA are charges to customers for transportation services. Operating expenses for RABA 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.

E. Cash and Investments

RABA management considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. It is RABA's policy to record cash deposits at cost, which approximates fair value; investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement Number 31.

F. Materials and Supplies Inventory

The materials and supplies inventory is valued at its average cost. The inventory consists of expendable supplies held for consumption. The cost is recorded as inventory when items are purchased and as expense when the items are used (the consumption method of accounting for inventories).

G. Capital Assets

Capital assets, which include property and equipment, are reported in the financial statements. Capital assets are defined by RABA as assets with an initial cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

REDDING AREA BUS AUTHORITY  
Notes to the Financial Statements  
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Capital Assets - (Continued)

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	30 years
Equipment	8-25 years
Vehicles	10-12 years
Improvements	10 years

H. Personnel Services

RABA has no employees. Accounting and administrative services are provided by City of Redding personnel. Transportation services are provided by the personnel of an independent transportation company.

I. Use of Estimates

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

J. Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by RABA legislation or external restrictions by other governments, creditors or grantors.

When both restricted and unrestricted resources are available for use, it is RABA's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Budget Data

The operating budget of RABA is adopted by the Board of Directors prior to July 1 each year primarily on a basis consistent with generally accepted accounting principles. The RABA's Executive Officer is authorized to transfer budget amounts and increase expense by amounts of revenue that exceed projections; however, any revisions that lowers the total net assets of RABA requires Board of Directors resolution.

REDDING AREA BUS AUTHORITY  
Notes to the Financial Statements  
June 30, 2004

NOTE 3 - CASH AND INVESTMENTS

Deposits - At June 30, 2004, the carrying amounts of RABA's deposits were \$22,682. The bank balance was \$26,184 which was covered by Federal depository insurance.

Investments - RABA reports its investments in accordance with GASB Statement Number 31. This standard requires that RABA's investments be reported at fair value.

The California Government Code and the investment policy of RABA authorize RABA to invest in obligations, participations, or other instruments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investor Service, Inc., bankers' acceptances, repurchase agreements, and the State Treasurer's Investment Pool (LAIF). Reverse repurchase agreements may be made only when prior approval of the Board of Directors has been given.

RABA invests funds in the State Treasurer's Pooled Money Investment Account (PMIA) through the Local Agency Investment Fund (LAIF), a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. LAIF has oversight by the Local Agency Investment Advisory Board. The fair value of RABA's position in the pool is materially equivalent to the value of pool shares.

In accordance with authorized investment laws, the State Treasurer's Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2004, 1.603% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities, respectively.

At June 30, 2004, RABA's deposits and investments consisted of the following:

	Reported Amount <u>Fair Value</u>
Deposits and other cash	\$ 22,682
Investments not subject to categorization:	
State Treasurer's Investment Pool	<u>579,063</u>
Total cash and investments	<u>\$ 601,745</u>

NOTE 4 - ACCOUNTS RECEIVABLE

No allowance for doubtful accounts is presented in the accompanying financial statements as management considers all accounts to be collectible. The accounts receivable generally consist of ticket sales and contract transit services which usually are collected within 60 days.

REDDING AREA BUS AUTHORITY  
Notes to the Financial Statements  
June 30, 2004

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2004 are as follows:

Shasta County Regional Transportation Planning Agency	\$ 5,587
Shasta County - Transit services	8,536
TDA	239,353
Other	<u>2,102</u>
 Total	 <u>\$ 255,578</u>

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,261,870	\$ 64,340	\$ —	\$ 1,326,210
Total capital assets not being depreciated	<u>1,261,870</u>	<u>64,340</u>	<u>—</u>	<u>1,326,210</u>
Capital assets, being depreciated:				
Buildings	5,488,813	—	—	5,488,813
Improvements other than buildings	1,162,335	28,719	—	1,191,054
Automotive equipment	6,250,364	847,955	—	7,098,319
Furnishings and equipment	<u>1,343,036</u>	<u>14,416</u>	<u>5,438</u>	<u>1,352,014</u>
Total capital assets, being depreciated	<u>14,244,548</u>	<u>891,090</u>	<u>5,438</u>	<u>15,130,200</u>
Less accumulated depreciation for:				
Buildings	(946,134)	(198,001)	—	(1,144,135)
Improvements other than buildings	(347,042)	(103,317)	—	(450,359)
Automotive equipment	(3,138,920)	(628,493)	—	(3,767,413)
Furnishings and equipment	<u>(1,252,320)</u>	<u>(33,272)</u>	<u>5,438</u>	<u>(1,280,154)</u>
Total accumulated depreciation	<u>(5,684,416)</u>	<u>(963,083)</u>	<u>5,438</u>	<u>(6,642,061)</u>
Total capital assets, being depreciated, net	<u>8,560,132</u>	<u>(71,993)</u>	<u>—</u>	<u>8,488,139</u>
Capital assets, net	<u>\$ 9,822,002</u>	<u>\$ (7,653)</u>	<u>\$ —</u>	<u>\$ 9,814,349</u>

REDDING AREA BUS AUTHORITY  
Notes to the Financial Statements  
June 30, 2004

NOTE 7 - INTERGOVERNMENTAL PAYABLES

Intergovernmental payables at June 30, 2004 are as follows:

City of Redding	\$ 51,397
Shasta County Regional Transportation Planning Agency	<u>78,382</u>
 Total	 <u>\$ 129,779</u>

As stated in Note 1, Subtitle H, the City of Redding provides administrative and accounting services to RABA. The cost of such services, plus other occasional costs, are recorded as intergovernmental payables to the City. Payments are made on those payables as RABA funds become available.

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2004 is as follows:

Advance ticket sales	<u>\$ 52,000</u>
----------------------	------------------

Deferred revenue at June 30, 2003 was overstated by \$78,382 due to an error in accounting for punch card sales. Since the RTPA funds the net expenses of RABA from TDA funds, the correction resulted in an intergovernmental payable of \$78,382 to the RTPA for TDA funds owed back to them. The correction affects the fare box ratio already reported for the year ended June 30, 2003. There was no effect on the change in net assets for the year ended June 30, 2003.

NOTE 9 - RISK MANAGEMENT

RABA's contract operator for both the fixed route service and the demand response service provide public liability and property damage insurance through its agreement with the Redding Area Bus Authority to provide purchased transportation. RABA's administrative and accounting personnel services are staffed by employees of the City of Redding; therefore, workers' compensation for these positions is carried by the City. Workers' compensation insurance is administered as a co-insurance plan. The City is self-insured up to \$300,000 with an insurance company co-insuring claims from \$300,001 to \$10 million. Claim payments are charged to the fund that employs the claimant. The estimated liability for pending and incurred but not reported claims at June 30, 2004, has been included in the City's Risk Management Fund's claims payable amount as of June 30, 2004. The employees of the purchased transportation provider are covered by workers' compensation insurance through their employer.

NOTE 10 - FUNDS AVAILABLE FOR FUTURE CAPITAL PROJECTS

RABA has funds available under the Transportation Development Act for use on specific future capital projects as outlined in the Regional Transportation Improvement Plan. As required by the Act, these funds are held by the Shasta County Regional Transportation Planning Agency (SCRTPA) until RABA requests release for use on specific projects.

REDDING AREA BUS AUTHORITY  
Notes to the Financial Statements  
June 30, 2004

NOTE 10 - FUNDS AVAILABLE FOR FUTURE CAPITAL PROJECTS - (Continued)

Once reserved for specific capital projects, SCRTPA holds the funds for three years. If, at the end of this three year period, these funds have not been requested, it is the responsibility of SCRTPA to give RABA thirty-days notice that the funds will cease to be reserved and will become available for reallocation. These funds can then be reallocated to RABA for the same project or for a different project, or to another claimant agency, at the discretion of SCRTPA.

As of June 30, 2004, total funds held for RABA by SCRTPA for future capital projects totaled \$609,579.



# STATISTICAL SECTION

# Statistical Section

This part of the Redding Area Bus Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the authority's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the authority's financial performance and well-being have changed over time.</i>	34
Revenue Capacity <i>These schedules contain information to help the reader assess the authority's most significant local revenue consideration, namely ridership and fare box revenue.</i>	37
Demographic and Economic Information <i>These schedules offer demographic and economic data to help the reader understand how the environment within which the authority's financial activities take place.</i>	39
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the authority's financial report relates to the services the authority provides and the activities it performs.</i>	42

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The authority implemented GASB Statement 34 in 2001; schedule presenting net asset information includes information beginning in that year.

**REDDING AREA BUS AUTHORITY**

**NET ASSETS**

**LAST FOUR FISCAL YEARS**

<b><u>Fiscal Year</u></b>	<b><u>Invested in Capital Assets</u></b>	<b><u>Unrestricted</u></b>	<b><u>Total Net Assets</u></b>
2000-01	\$ 10,061,342	\$ 480,855	\$ 10,542,197
2001-02	10,050,911	518,593	10,569,504
2002-03	9,822,002	518,666	10,340,668
2003-04	\$ 9,814,349	\$ 515,503	\$ 10,329,852

Source: Redding Area Bus Authority Annual  
Component Unit Financial Report

**REDDING AREA BUS AUTHORITY**

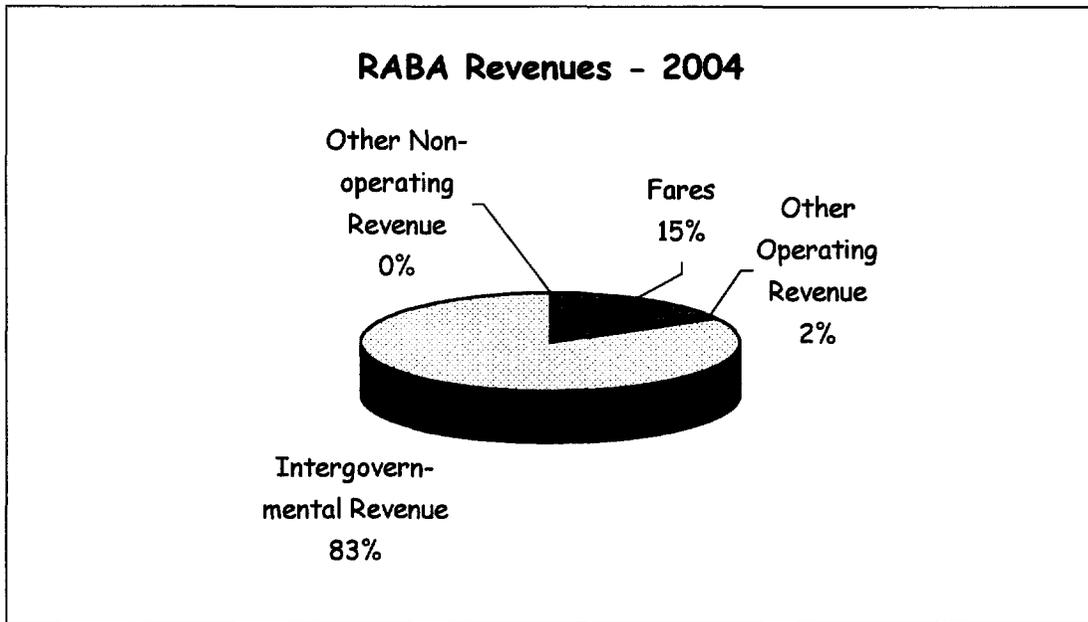
**REVENUES**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Fares</u>	<u>Other Operating Revenue</u>	<u>Intergovernmental Revenue</u>	<u>Other Non-operating Revenue</u>	<u>Total Revenue</u>
1994-95	\$ 303,534	\$ 386,471	\$ 1,992,445	\$ 57,992	\$ 2,740,442
1995-96	341,626	600,326	1,982,462	59,848	2,984,262
1996-97	400,528	301,082	2,207,414	57,042	2,966,066
1997-98	452,873	163,066	2,193,509	61,775	2,871,223
1998-99	541,703	48,758	2,285,762	41,785	2,918,008
1999-00	560,969	50,229	2,280,891	19,477	2,911,566
2000-01	591,038	51,036	2,439,466	22,948	3,104,488
2001-02	638,086	188,544 **	2,368,503	(230,466) *	2,964,667
2002-03	570,681	165,992 **	2,754,277	19,893	3,510,843
2003-04	\$ 577,436	\$ 77,193	\$ 3,218,273	\$ 660	\$ 3,873,562

Note: \* Data includes loss on disposal of assets of \$339,579  
 \*\* Includes pilot projects paid directly by Shasta County

Source: Redding Area Bus Authority Annual Component Unit Financial Report



**REDDING AREA BUS AUTHORITY**

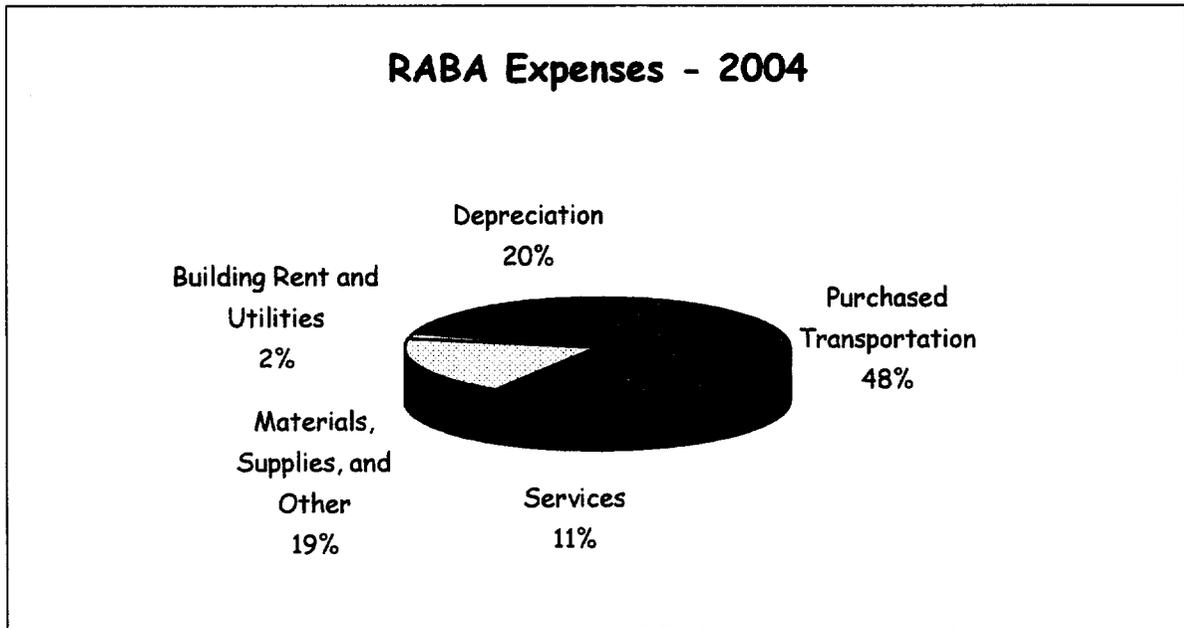
**EXPENSES**

**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Purchased Transportation</b>	<b>Services</b>	<b>Materials, Supplies, and Other (1)</b>	<b>Building Rent and Utilities</b>	<b>Depreciation</b>	<b>Total Expenses</b>
1994-95	\$ 1,798,718	\$ 296,292	\$ 610,047	\$ 35,385	\$ 545,760	\$ 3,286,202
1995-96	1,935,211	375,692	636,700	36,740	641,334	3,625,677
1996-97	1,741,219	419,119	729,047	76,680	793,879	3,759,944
1997-98	1,701,979	419,119	650,917	99,208	767,694	3,638,917
1998-99	1,725,575	426,138	668,956	89,339	648,597	3,558,605
1999-00	1,783,360	362,720	670,207	111,535	781,524	3,709,346
2000-01	1,841,133	384,089	795,112	110,519	878,906	4,009,759
2001-02	1,996,436	387,547	832,174	88,352	884,684	4,189,193
2002-03	2,237,480	390,261	806,824	84,291	903,921	4,422,777
2003-04	\$ 2,310,114	\$ 536,572	\$ 934,003	\$ 96,035	\$ 963,083	\$ 4,839,807

(1) Includes advertising expenses

Source: Redding Area Bus Authority Annual Component Unit Financial Report



**REDDING AREA BUS AUTHORITY**

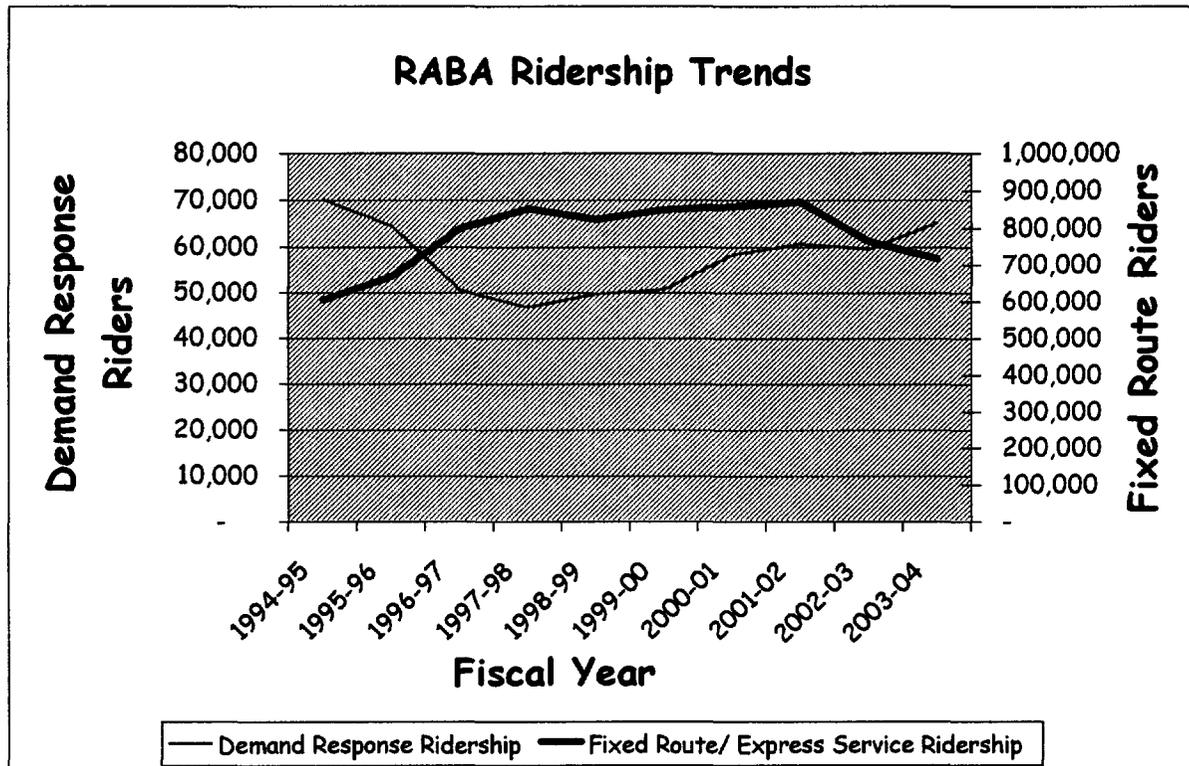
**COMPARISON OF SYSTEM RIDERSHIP DATA**

**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Fixed Route/ Express Service Ridership</b>	<b>Change</b>	<b>Demand Response Ridership</b>	<b>Change</b>
1994-95	603,454	2.3%	70,192	66.4%
1995-96	669,874	11.0%	64,536	-8.1%
1996-97	798,966	19.3%	50,493	-21.8%
1997-98	852,609	6.7%	46,792	-7.3%
1998-99	823,884	-3.4%	49,627	6.1%
1999-00	849,403	3.1%	50,611	2.0%
2000-01	858,978	1.1%	58,216	15.0%
2001-02 *	869,567	1.2%	60,582	4.1%
2002-03 *	765,312	-12.0%	59,565	-1.7%
2003-04 *	718,417	-6.1%	65,225	9.5%

Note: \* Data excludes express services that are a 'pilot project'

Source: State Controller's Report for Transit



**REDDING AREA BUS AUTHORITY  
FARE STRUCTURE**

	<b>Redding/ Shasta Lake</b>	<b>Anderson</b>
Burney Express Route	\$1.00 - 3.00	N/A
Base Fare (Age 6 - 61)	1.00	1.20
Zone Change	0.50	0.60
Children (under 6)	Free	Free
Senior Base Fare (Age 62+)	0.50	0.60
Handicapped Base Fare	0.50	0.60
Medicare Card Holder	0.50	0.60
Zone Change	0.25	0.30
Transfers	Free	Free
Demand Response	1.50	1.80
Demand Response Zone Change	\$0.75	\$0.90

**REDDING AREA BUS AUTHORITY  
DEMAND RESPONSE AND FIXED ROUTE COST STRUCTURE**

	<b>Demand Response</b>	<b>Fixed Route</b>	<b>Total Demand Response &amp; Fixed Route</b>	<b>Burney Express &amp; Pilot Project</b>	<b>Total</b>
<b>Revenue</b>					
Fare Box revenue	\$ 109,695	\$ 454,548	\$ 564,243	\$ 13,193	\$ 577,436
Other revenue	1,007,774	2,229,596	3,237,370	58,755	3,296,125
Total Revenue	<u>1,117,469</u>	<u>2,684,144</u>	<u>3,801,613</u>	<u>71,948</u>	<u>3,873,561</u>
<b>Expenses</b>					
Depreciation		963,083	\$ 963,083		\$ 963,083
Other expense	1,117,469	2,568,247	3,685,716	191,008	3,876,724
Total expense	<u>1,117,469</u>	<u>3,531,330</u>	<u>4,648,799</u>	<u>191,008</u>	<u>4,839,807</u>
Net Loss	-	(847,186)	(847,186)	(119,060)	(966,246)
Add Capital Contributions		955,430	955,430		955,430
Gain/(loss) on disposal of assets			-		-
Change in Net Assets	<u>\$ -</u>	<u>\$ 108,244</u>	<u>\$ 108,244</u>	<u>\$ (119,060)</u>	<u>\$ (10,816)</u>
Excluded Costs	\$ 39,470	\$ 14,156	\$ 53,626	\$ 50,225	\$ 103,851 *
Fare Box Ratio (Fare Box revenue/Other expense) (Net of Excluded Costs)	<u>10.18%</u>	<u>17.80%</u>	<u>15.53%</u>	<u>8.40%</u>	<u>15.30%</u>

\* Excluded costs are per TDA regulations governing fare box ratio calculations.

**REDDING AREA BUS AUTHORITY**

**DEMOGRAPHIC STATISTICS**

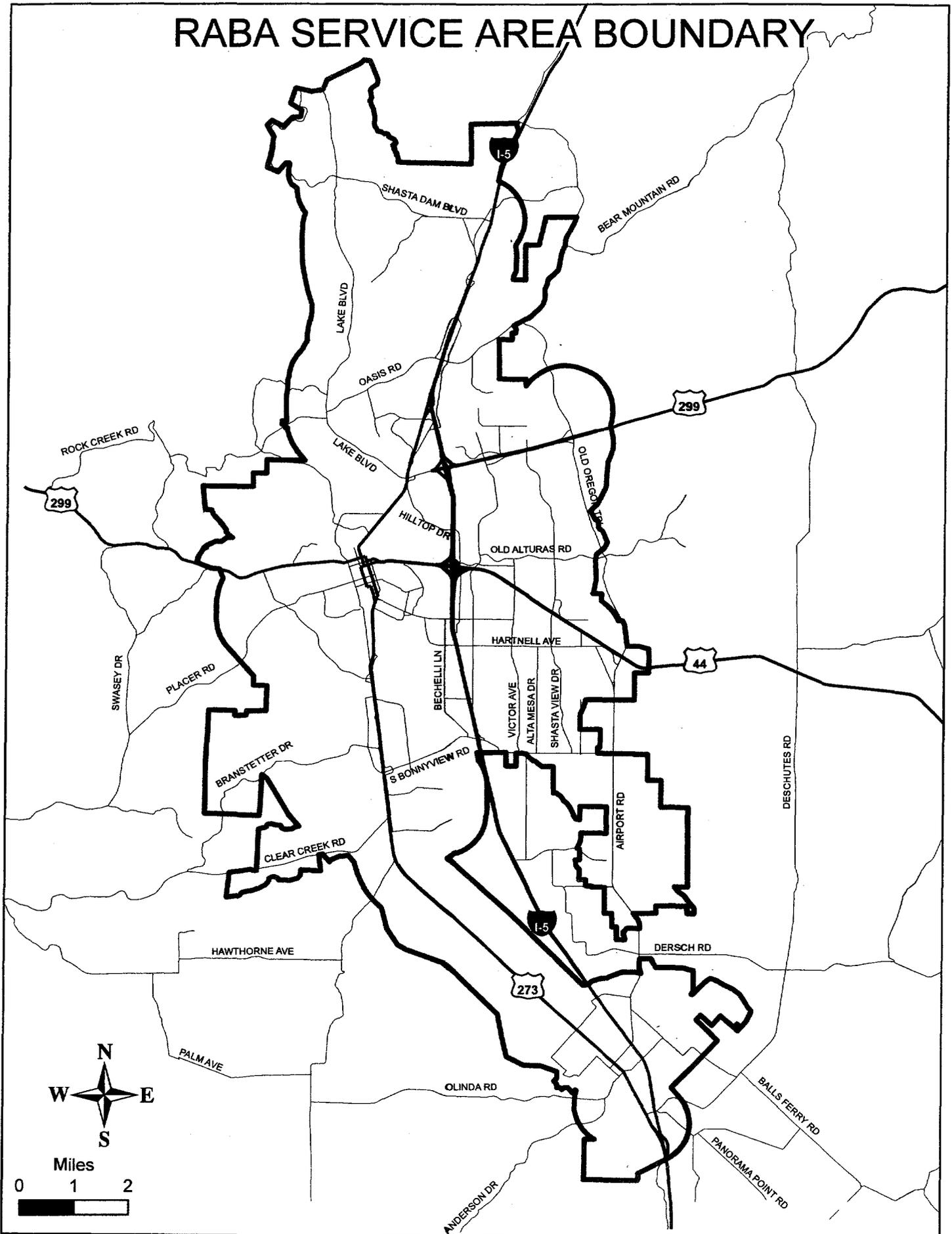
**LAST TEN FISCAL YEARS**

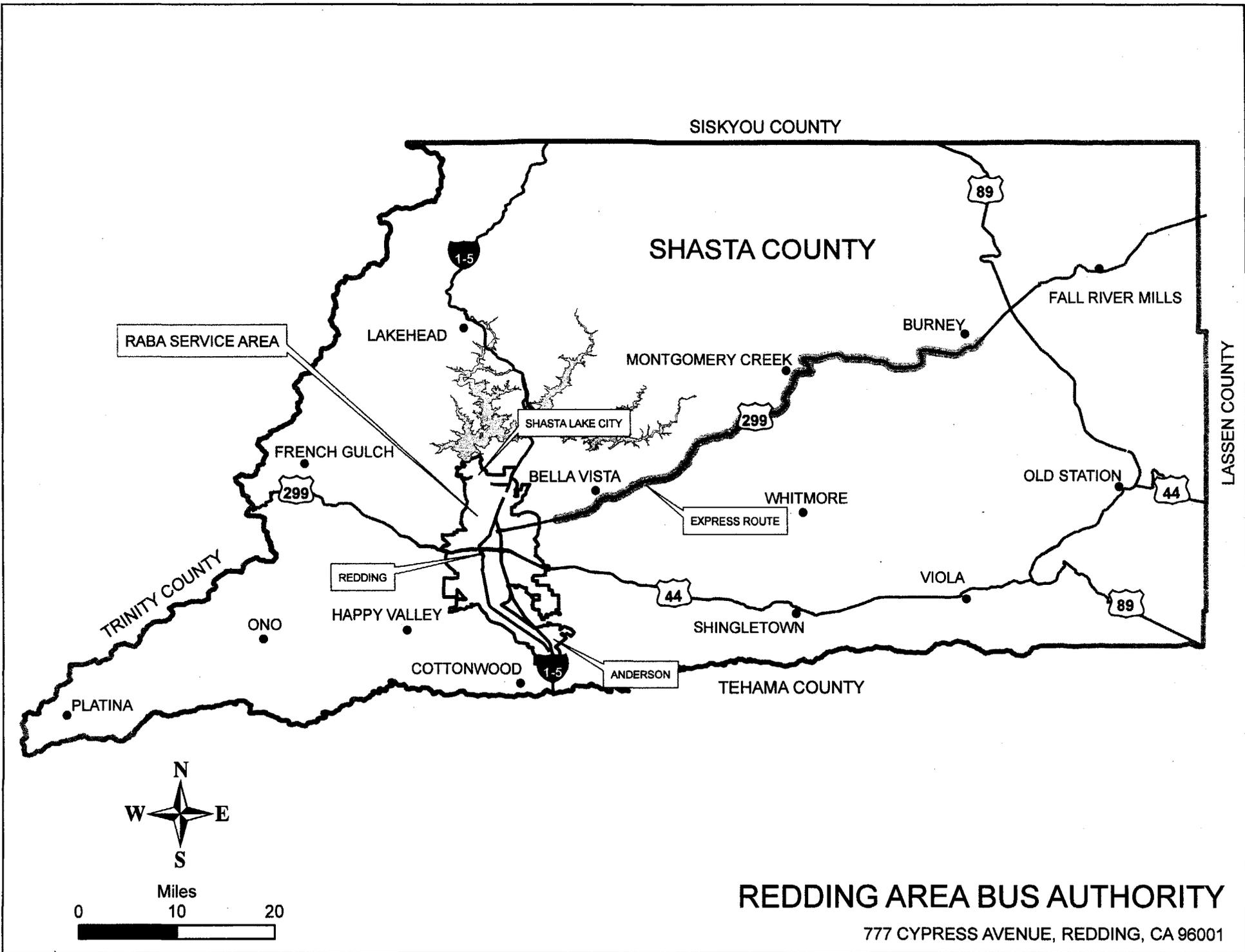
<b>Fiscal Year</b>	<b>Square Miles</b>	<b>Service Area Population (1)</b>	<b>Unemployment Rates (2)</b>	<b>School Enrollment (3)</b>
1994-95	140	126,900	11.5%	35,647
1995-96	110 *	106,150	9.9%	34,917
1996-97	110	106,850	8.7%	34,992
1997-98	100	106,525	8.8%	35,050
1998-99	100	103,444	7.4%	34,933
1999-00	100	103,251	6.6%	36,062
2000-01	100	103,244	6.1%	34,164
2001-02	100 **	105,904	7.0%	30,440
2002-03	100 **	108,455	7.6%	34,406
2003-04	100	110,147	7.9%	31,763

Note: \* Dial-A-Ride and Shingletown express service discontinued  
 \*\* Data excludes express services that were 'pilot projects'

Source: (1) Shasta County Transit Development Plan  
 (2) State of California Employment Development Department  
 (3) Shasta County Office of Education (CBEDS report) as of October each year.

# RABA SERVICE AREA BOUNDARY





# REDDING AREA BUS AUTHORITY

777 CYPRESS AVENUE, REDDING, CA 96001

**REDDING AREA BUS AUTHORITY**

**SUMMARY OF FIXED ROUTE SYSTEM/EXPRESS SERVICE DATA**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Fare Revenue</u>	<u>Total Passengers</u>	<u>Total Actual Vehicle Revenue Hours</u>	<u>Total Actual Revenue Vehicle Miles</u>
1994-95 *	\$ 232,907	603,454	44,323	772,223
1995-96 *	283,331	669,874	54,175	933,496
1996-97 **	358,727	798,966	47,635	835,840
1997-98	409,905	852,609	47,826	840,602
1998-99 ***	481,808	823,884	47,915	800,402
1999-00	494,150	849,403	48,382	792,100
2000-01	503,867	858,978	47,968	782,815
2001-02	547,542	869,567	47,802	781,167
2002-03	488,547	765,312	48,531	793,538
2003-04	\$ 466,377	718,417	48,296	796,926

Note: \* Includes Dial-A-Ride and Express Routes  
 \*\* Dial-A-Ride and Shingletown Express Routes discontinued  
 \*\*\* Route changes implemented in October 1998  
 Data excludes express services that are 'pilot' projects

Source: State Controller's Report for Transit

**REDDING AREA BUS AUTHORITY**  
**SUMMARY OF DEMAND RESPONSE SYSTEM DATA**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Fare Revenue</u>	<u>Total Passengers</u>	<u>Total Actual Vehicle Revenue Hours</u>	<u>Total Actual Revenue Vehicle Miles</u>
1994-95	\$ 53,770	70,192	44,049	573,721
1995-96	58,296	64,536	36,571	472,631
1996-97	41,801	50,493	27,048	354,975
1997-98	42,967	46,792	21,371	308,939
1998-99	59,895	49,617	19,750	308,250
1999-00	66,819	50,611	19,532	320,423
2000-01	87,171	58,216	21,132	362,888
2001-02	85,434	60,582	23,753	380,209
2002-03	82,134	59,565	23,138	358,613
2003-04	\$ 109,695	65,225	25,099	381,374

Source: State Controller's Report for Transit

**REDDING AREA BUS AUTHORITY**

**MISCELLANEOUS DATA**

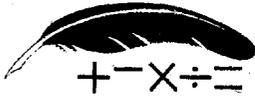
**June 30, 2004**

Date Agency Established:	December 20, 1976
Form of Government:	Joint Powers Agency Board of Directors Staff provided by employees of the City of Redding
Size of Area Serviced by the Authority:	100 square miles
Population of Area Serviced by Authority (1):	110,147
Total Fleet Size:	
Fixed route	22
Para-Transit	19
Number of Service and Maintenance Facilities	1
Location:	3333 South Market Street Redding, California
Number of Passenger Transfer Facilities:	3
Locations:	1530 Yuba Street Redding, California  Masonic Avenue @ Lake Boulevard Redding, California  Canby Road @ Mt. Shasta Mall Redding, California

Source: (1) Shasta County Transit Development Plan



# **SUPPLEMENTAL INFORMATION SECTION**



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Certified Public  
Accountants

1681 East  
Cypress Avenue  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
AND THE TRANSPORTATION DEVELOPMENT ACT,  
THE CALIFORNIA CODE OF REGULATIONS,  
AND THE RULES AND REGULATIONS OF THE  
SHASTA COUNTY REGIONAL TRANSPORTATION  
PLANNING AGENCY**

Honorable Chairman and Members  
of the Board of Directors  
Redding Area Bus Authority  
Redding, CA

Brent Hathaway, CPA  
Karina C. Lapp, CPA  
John Ksenzulak, CPA  
Neil Byzick, CPA  
Lori Goyne, CPA  
James Viola Jr., CPA  
David L. Wallace, CPA  
Samantha Willingham, CPA

We have audited the financial statements of Redding Area Bus Authority, a component unit of the City of Redding, California, as of and for the year ended June 30, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether Redding Area Bus Authority'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*.

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Shasta County Regional Transportation Planning Agency, for the year ended June 30, 2004. In connection with our audit, we performed to the extent applicable, the compliance audit tasks set forth in Section 6667 of the California Code Regulations.

In our opinion, the funds allocated to and received by the Redding Area Bus Authority for the year ended June 30, 2004, pursuant to the Transportation Development Act, were accounted for and expended in conformance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Shasta County Regional Transportation Planning Agency.

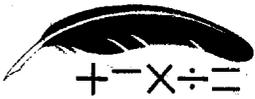
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Redding Area Bus Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

*Hathaway & Ksenzulak, LLP*

November 23, 2004



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Chairman and Members  
of the Board of Directors  
Redding Area Bus Authority  
Redding, CA

Compliance

We have audited the compliance of Redding Area Bus Authority with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Redding Area Bus Authority's major federal programs are 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 of its major federal programs is the responsibility of Redding Area Bus Authority's management. Our responsibility is to express an opinion on Redding Area Bus Authority's compliance based on our audit.

We conducted our audit of compliance 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 could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Redding Area Bus Authority'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 of Redding Area Bus Authority's compliance with those requirements.

In our opinion, Redding Area Bus Authority complied, in all material aspects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Redding Area Bus Authority 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 Redding Area Bus Authority's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Hathaway & Ksenzulak, LLP*

November 23, 2004



REDDING AREA BUS AUTHORITY  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2004

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Numbers</u>	<u>Grant/Project Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Transportation:</u>			
Federal Transit Administration:			
Passed through the State Department of Transportation:			
Federal Transit Operating Assistance Formula Grant	20.507	CA-90-X995	\$ 18,553
	20.507	CA-90-Y065	8,526
	20.507	CA-90-Y158	624,364
	20.507	CA-90-Y284	<u>400,000</u>
Total U. S. Department of Transportation			<u>1,051,443</u>
Total Expenditures of Federal Awards			<u>\$ 1,051,443</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of RABA 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

REDDING AREA BUS AUTHORITY  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

- A. The Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of RABA.
- B. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- C. No instances of noncompliance material to the financial statement of RABA were disclosed during the audit.
- D. No reportable conditions relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
- E. The Independent Auditors' Report on compliance for the major federal award programs for RABA expresses an unqualified opinion.
- F. Audit findings, if any, relative to the major federal award programs for RABA are reported in Part C of this Schedule.
- G. The program tested as major program include: Federal Transit Operating Assistance Formula Grant, CFDA No. 20.507.
- H. The threshold for distinguishing Type A and B programs was \$300,000.
- I. RABA was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None