

FRESNO COUNTY RURAL TRANSIT AGENCY

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

**FOR THE YEAR ENDED
JUNE 30, 2019**

FRESNO COUNTY RURAL TRANSIT AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows.....	10
Notes to the Basic Financial Statements.....	11
OTHER INDEPENDENT AUDITOR'S REPORTS	
Independent Auditor's Report on Compliance with Rules and Regulations of the California Transportation Development Act and the Public Transportation Modernization Improvement and Services Enhancement Account (PTMISEA) Guidelines, and the Low Carbon Transit Operations Program (LCTOP) Guidelines	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance by the Uniform Guidance	27
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	30
Notes to the Schedule of Expenditures of Federal Awards.....	31
FINDINGS AND QUESTIONED COSTS	
Schedule of Findings and Questioned Costs	34
Summary Schedule Prior Year Audit Findings	36



PRICE PAIGE & COMPANY
Accountancy Corporation

The Place to Be

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the
Fresno County Rural Transit Agency
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of Fresno County Rural Transit Agency (FCRTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Fresno County Rural Transit Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the FCRTA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FCRTA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Fresno County Rural Transit Agency, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise FCRTA's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

We have previously audited FCRTA's 2018 financial statements, and we expressed unmodified opinions on the respective financial statements in our report dated March 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of the Fresno County Rural Transit Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results to that testing, and not to provide an opinion on the effectiveness of FCRTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fresno County Rural Transit Agency's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
November 15, 2019

**FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The following discussion and analysis of the financial performance and activity of the Fresno County Rural Transit Agency Basic Financial Statements provides an introduction and understanding of the basic financial statements of the Fresno County Rural Transit Agency (FCRTA). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

FCRTA is a voluntary Joint Powers Authority of the County of Fresno and 13 incorporated cities in Fresno County established on September 27, 1979, under a joint exercise of power agreement to provide public transit service for the rural areas consistent with the Regional Transportation Plan for Fresno County.

FCRTA currently operates an active fixed route and demand responsive bus fleet of 110. FCRTA has no direct employees and contracts for all management and transit operations functions. FCRTA also reimburses various member agencies for expenditures incurred providing transit service. FCRTA receives funds primarily from the Transportation Development Act (TDA), which is a ¼ cent sales tax administered by the Fresno Council of Governments, State Transit Assistance (STA), Measure C Program – a local transportation fund generated by a ½ cent sales tax approved by the voters of Fresno County, transit fares and federal, state and local grants.

The Financial Statements

FCRTA's basic financial statements include (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Statement of Cash Flows and (4) the Notes to the Financial Statements. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The Statement of Net Position reports assets, liabilities, and the difference between the two as net position. The entire equity section is combined to report total net position and is displayed in three components – net investment in capital assets; restricted net position; and unrestricted net position.

The net position component *net investment in capital assets*, consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction, or improvements of those assets.

Restricted net position consists of assets where constraints on their use are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that do not meet the definition of restricted or net investment in capital assets.

The Statement of Revenues, Expenses, and Changes in Net Position is reported using the accrual basis of accounting. Under this method, revenues are reported when earned and expenses are reported when incurred, regardless of when cash is received or paid. Revenues and expenses are categorized as either operating or non-operating based upon definitions provided by the Governmental Accounting Standards Board.

**FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Financial Highlights

- Total net position of FCRTA was \$12,490,428 and consisted of net investment in capital assets, of \$11,931,626; and unrestricted net position of \$558,802.
- Net position increased \$3,419,547 during fiscal year 2019. The net position from business-type activities was unchanged.
- Total capital assets, net of accumulated depreciation, was \$11,931,626 at June 30, 2019, representing an increase of \$3,419,547 from June 30, 2018. The increase in capital assets was primarily the result of the excess of assets purchased over depreciation expense during the year.

Statement of Net Position

The Statement of Net Position provides a measure of the financial health of an entity at a specific date in time (i.e., year-end). A summary of FCRTA's Statement of Net Position for Business-Type Activities as of June 30, 2019, with comparative totals as of June 30, 2018 is as follows:

**Statements of Net Position
Business-Type Activities
As of June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Assets:		
Current and Other Assets	\$ 19,725,654	\$ 16,787,157
Capital Assets (Net of Depreciation)	<u>11,931,626</u>	<u>8,512,079</u>
Total Assets	<u>31,657,280</u>	<u>25,299,236</u>
Liabilities:		
Current and Other Liabilities	<u>19,166,852</u>	<u>16,228,355</u>
Net Position:		
Net investment in capital assets	11,931,626	8,512,079
Unrestricted	<u>558,802</u>	<u>558,802</u>
Total Net Position	<u>\$ 12,490,428</u>	<u>\$ 9,070,881</u>

Business-type activities include FCRTA's Enterprise Fund operations. These operations are highly capital intensive, devoting a significant portion of their financial resources to the maintenance and replacement of major capital equipment and facilities. This is evidenced by the higher proportion of capital assets to total assets. In fact, of the \$31,657,280 in total assets as of June 30, 2019, \$11,931,626 (38%) relate to capital assets.

All categories of net position have a positive balance, which means that, as a whole, the individual fund comprising the business-type activities has sufficient current assets to satisfy current liabilities and still have assets remaining for discretionary spending.

**FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Statement of Net Position (Continued)

The make-up of net position, however, changed significantly from the prior year. Net position invested in capital assets increased by \$3,419,547 while unrestricted net position remains unchanged. The enterprise fund invested \$5,556,695 in capital assets during the year and had depreciation expense of \$2,137,149, causing the increase in net position, net investment in capital assets, to be \$3,419,547.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provide details of how net position changed from the beginning of the year to the end of the year, and whether net position increased or decreased. Thus, it indicates whether FCRTA, as a whole, is better off at June 30, 2019 than it was at June 30, 2018.

A summary of FCRTA's Statements of Revenues, Expenses, and Changes in Net Position for fiscal year ended June 30, 2019, with comparative totals for the year ended June 30, 2018 is as follows:

**Statements of Revenues, Expenses, and Changes in Net Position
Business-Type Activities
As of June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Revenues:		
Program Revenues	\$ 10,906,512	\$ 5,505,806
General Revenues	<u>305,718</u>	<u>217,608</u>
Total Revenues	<u>11,212,230</u>	<u>5,723,414</u>
Expenses:		
Program Expenses	<u>7,792,683</u>	<u>7,173,739</u>
Changes in Net Position	3,419,547	(1,450,325)
Net Position - Beginning	<u>9,070,881</u>	<u>10,521,206</u>
Net Position - Ending	<u>\$ 12,490,428</u>	<u>\$ 9,070,881</u>

The largest revenue categories listed on the Statements of Revenues, Expenses, and Changes in Net Position are state and local operating assistance derived from Transportation Development Act and Measure "C" revenues, and federal operating assistance derived from Federal Transportation Administration operating grants.

The largest operating expense category is contractual purchased transportation service (33%). Maintenance and repair constitute 12% of FCRTA's operating expense and salary and benefit reimbursement to members for providing transit service make up another 10%. The remaining operating expenses include administrative reimbursements, fuel, utilities, insurance, depreciation and miscellaneous.

**FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Statement of Cash Flows

The Statement of Cash Flows provides detailed information about the cash received in the fiscal year and the uses of the cash received. This is the only cash-basis financial statement presented and it reconciles cash receipts and cash expenditures to the beginning and ending cash on hand.

Most of the cash received by FCRTA during the fiscal year was from capital and operating grants; most of the cash expenses were for operating expenses.

Capital Assets

FCRTA's capital assets by class and by type of activity are summarized below:

**Schedules of Capital Assets
Business-Type Activities
(Net of Accumulated Depreciation)
As of June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Capital Grant Funded	<u>\$ 11,931,626</u>	<u>\$ 8,512,079</u>

It is important to note that the capital assets are reported at historical cost, net of accumulated depreciation. These amounts do not represent the market value or replacement cost of FCRTA assets, which would be significantly higher. Historical cost is used, pursuant to accounting standards, to provide an objective basis for reporting capital assets.

Additional information on FCRTA's capital assets can be found in Note 4 of notes to the financial statements.

Economic Factors and Next Year's Budget/Program

FCRTA's main source of operating funds comes from the Local Transportation Fund and Measure "C", both of which are derived from local sales tax. FCRTA also receives Section 5311 federal operating assistance from the Federal Transit Administration. The federal funds did not significantly decrease during the recent economic downturn, and local sales taxes appear to have bottomed out and are now increasing. FCRTA has adequate reserves set aside to continue operations and replace rolling stock.

Contacting FCRTA's Financial Management

The FCRTA Basic Financial Statements are designed to provide FCRTA's Board of Directors, management, creditors, legislative and oversight agencies, citizens and customers with an overview of FCRTA's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Les Beshears, Finance Director, Fresno County Rural Transit Agency, 2035 Tulare Street, Suite 201, Fresno, California 93721.

BASIC FINANCIAL STATEMENTS

FRESNO COUNTY RURAL TRANSIT AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2019
(with comparative financial information as of June 30, 2018)

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and investments	\$ 16,030,986	\$ 14,192,006
Receivables:		
Intergovernmental	3,213,739	2,182,485
Interest	85,139	64,143
Other	355,865	246,854
Inventory	28,318	-
Prepaid expenses	11,607	101,669
Total current assets	<u>19,725,654</u>	<u>16,787,157</u>
Noncurrent assets:		
Non-depreciable capital assets	357,190	-
Depreciable capital assets	27,102,136	21,902,630
Accumulated depreciation	<u>(15,527,700)</u>	<u>(13,390,551)</u>
Total noncurrent assets	<u>11,931,626</u>	<u>8,512,079</u>
Total assets	<u>31,657,280</u>	<u>25,299,236</u>
LIABILITIES		
Accounts payable	882,729	593,662
Due to members of other governmental entities	704,226	454,642
Deferred revenues	<u>17,579,897</u>	<u>15,180,051</u>
Total liabilities	<u>19,166,852</u>	<u>16,228,355</u>
NET POSITION		
Net investment in capital assets	11,931,626	8,512,079
Unrestricted	<u>558,802</u>	<u>558,802</u>
Total net position	<u>\$ 12,490,428</u>	<u>\$ 9,070,881</u>

The accompanying notes are an integral part of these financial statements.

FRESNO COUNTY RURAL TRANSIT AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019
(with comparative financial information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Fare revenues	\$ 616,210	\$ 595,100
Total operating revenues	<u>616,210</u>	<u>595,100</u>
Operating expenses:		
Salaries and employee benefits reimbursements	786,793	773,788
Administrative services reimbursements	622,205	576,839
Fuel and lubricants	395,321	413,715
Maintenance and repairs	900,106	667,363
Utilities	80,980	83,854
Purchased transportation	2,598,003	2,030,955
Casualty and liability insurance	231,976	358,352
Miscellaneous expenses	40,150	28,211
Depreciation	<u>2,137,149</u>	<u>2,240,662</u>
Total operating expenses	<u>7,792,683</u>	<u>7,173,739</u>
Operating income (loss)	<u>(7,176,473)</u>	<u>(6,578,639)</u>
Nonoperating revenues:		
Interest revenue	305,718	217,608
State and local operating assistance	3,211,508	2,598,271
Federal operating assistance	<u>1,522,098</u>	<u>1,522,098</u>
Total nonoperating revenues	<u>5,039,324</u>	<u>4,337,977</u>
Capital contributions	<u>5,556,696</u>	<u>790,337</u>
Changes in net position	3,419,547	(1,450,325)
Net position - beginning	<u>9,070,881</u>	<u>10,521,206</u>
Net position - ending	<u>\$ 12,490,428</u>	<u>\$ 9,070,881</u>

The accompanying notes are an integral part of these financial statements.

FRESNO COUNTY RURAL TRANSIT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(with comparative financial information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 628,587	\$ 625,582
Payments to suppliers	(4,268,346)	(3,949,798)
Payments to contracted employees	<u>(786,793)</u>	<u>(773,788)</u>
Net cash provided by (used in) operating activities	<u>(4,426,552)</u>	<u>(4,098,004)</u>
Cash Flows from Noncapital Financing Activities:		
Operating grants received	<u>4,251,578</u>	<u>4,345,253</u>
Net cash provided by (used in) noncapital financing activities	<u>4,251,578</u>	<u>4,345,253</u>
Cash Flows from Investing Activities:		
Interest received	<u>284,722</u>	<u>196,896</u>
Net cash provided by (used in) investing activities	<u>284,722</u>	<u>196,896</u>
Cash Flows from Capital and Related Financing Activities:		
Grant funds received for property and equipment acquisition	7,285,928	2,737,733
Acquisition of property and equipment	<u>(5,556,696)</u>	<u>(790,337)</u>
Net cash provided by (used in) capital and related financing activities	<u>1,729,232</u>	<u>1,947,396</u>
Net increase (decrease) in cash	1,838,980	2,391,541
Cash at beginning of year	<u>14,192,006</u>	<u>11,800,465</u>
Cash at end of year	<u>\$ 16,030,986</u>	<u>\$ 14,192,006</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (7,176,473)	\$ (6,578,639)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,137,149	2,240,662
Changes in operating assets and liabilities:		
(Increase) in other receivables	12,377	30,482
(Increase) in inventory	(28,318)	-
(Increase) in prepaid expenses	90,062	251,807
Increase (decrease) in accounts payable	289,067	(349,360)
Increase (decrease) in due to members and other governmental entities	<u>249,584</u>	<u>307,044</u>
Net cash provided by (used in) operating activities	<u>\$ (4,426,552)</u>	<u>\$ (4,098,004)</u>

The accompanying notes are an integral part of these financial statements.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Fresno County Rural Transit Agency ("FCRTA") is a joint powers authority of local governments formed on September 27, 1979 by the County of Fresno and 13 rural area incorporated cities within the County. The purpose of the organization is to provide a "Joint Powers Agency" to own, operate, and maintain a coordinated public transportation system within the County of Fresno. Each member agency provides for the operation of a public transportation system within its jurisdiction.

Basis of Accounting

FCRTA is accounted for as a Business-Type Activity, as defined by Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* and its financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal operating revenues of FCRTA are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and the depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Intergovernmental revenues (primarily grants), which are received as reimbursement for specific purposes or projects, are recognized based upon the expenditures recorded. Intergovernmental revenues, which are usually unrestricted as to use and are revocable only for failure to meet prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier, if they meet the availability criterion.

FCRTA receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S. Department of Transportation, state, and, local transportation funds for the acquisition of transit-related equipment and improvements. Prior to July 1, 2011, capital grants were recognized as donated capital to the extent that project costs under the grant had been incurred. Capital grant funds earned, less amortization equal to accumulated depreciation of the related assets, were included in contributed capital. As required by GASB No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, as amended by GASB No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues*, FCRTA changed its method of accounting for capital grants from capital contributions to reserved nonoperating revenues.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position

Cash and Investments

In accordance with the Joint Powers Agreement, under which FCRTA is governed, all cash is deposited with the Fresno County Auditor-Controller/Treasurer. FCRTA's cash is held within Fresno County's cash and investment pool, which is managed by the Auditor-Controller/Treasurer as authorized by the County's investment policy.

For purposes of the Statement of Cash Flows, FCRTA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments are pooled with FCRTA's pooled cash and investments.

Inventory

Inventory consists of replacement parts and small tools stated at cost and held for future maintenance on equipment. The cost is recorded as an expense as inventory items are consumed.

Capital Assets

Purchases of capital assets, consisting of transit vehicles and related equipment, are capitalized at cost at the time of the purchase. Capital assets purchased with federal or state capital grants are recorded as additions to capital assets, with the offset recorded as additions to contributed capital. Capital assets are defined by FCRTA as assets with an estimated useful life in excess of one year and an initial individual cost of \$1,000 or more.

Depreciation

Depreciation is allowed as an expense on non-grant acquired assets. Depreciation expense on contributed capital assets is amortized against related contributed capital. Depreciation expense is calculated using the straight-line method over the estimated useful life of the asset, ranging from 3 to 10 years.

Deferred Revenues

FCRTA records deferred revenue for transactions for which revenues have not been earned and have not yet met the revenue recognition criteria based on the accrual basis of accounting.

Net Position

Net position is reported in three categories as follows:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all resources that do not meet the definition of "net investment in capital assets" or "restricted net position."

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Funding Sources

Federal

FTA The Federal Transit Administration (FTA) revenues provide funding for all related programs in a variety of areas. FTA funds generally require a match from state or local funds. These funds provide revenue for eligible planning and acquisition, construction, cost-effective lease, improvement, maintenance of equipment and facilities, capital, operating expenses, and paratransit activities, needed to provide efficient and coordinated public transportation service in both urbanized and non-urbanized areas.

State and Local

TDA The Transportation Development Act (TDA) provides for two major sources of funding for public transportation: the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA). These funds are for the development and support of public transportation needs that exist in California and are allocated to areas of each county based on population, taxable sales and transit performance.

PTMISEA Proposition 1B (The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006), includes the creation of the Public Transportation Modernization, Improvements, and Service Enhancement Account (PTMISEA). Capital projects eligible for funding by PTMISEA include rehabilitation, safety or modernization improvements; capital service enhancements or expansion; bus rapid transit improvements; and rolling stock procurement rehabilitation or replacement.

CTAF The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 includes the creation of the California Transit Assistance Fund (CTAF). Capital projects eligible for funding by CTAF provide increased protection against security or safety threat.

LCTOP The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Approved projects in LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project required to reduce greenhouse gas emissions.

SGR The Road Repair and Accountability Act of 2017, Senate Bill (SB) 1, includes the State of Good Repair (SGR). Transit capital projects are eligible for funding.

SJVAPCD The San Joaquin Valley Air District is a public health agency that sets control measures in areas where pollution exceeds standards. The District receives Federal and State grants annually from the California Air Resources Board and the United States Environmental Protection Agency. Other funding sources are DMV fees, Stationary sources and Permit Fees.

Measure "C" Measure "C" is a ½ cent sales tax approved by the voters of Fresno County to fund local transportation projects.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Operating Expenses

FCRTA, in fulfilling its purpose of providing rural public transportation services, incurs three basic types of expenses: (1) reimbursement of rural public transportation expenses, which typically include salaries, wages, operating supplies, services and insurance, incurred by three member cities (the cities of Coalinga, Kerman and Reedley) who provide partial rural transportation services; (2) purchased transportation costs in which FCRTA contracts with subcontractors to provide their own rural transportation services; and (3) reimbursement of administrative expenses incurred by the Fresno Council of Governments for the benefit of FCRTA, such as salaries and benefits, administration, legal and audit fees, and insurance.

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 the reported amounts of certain assets and liabilities and disclosures at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. As such, actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Investments Authorized by the California Government Code and FCRTA's Investment Policy

The table below identified the investment types that are authorized for FCRTA by the California Government Code (or FCRTA's Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or FCRTA's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Percentage in One Issuer</u>
U.S. Treasury Bills, Notes and Bonds	5 Years	None	None
U.S. Government Agency Obligations	5 Years	None	None
Banker's Acceptances	180 Days	None	None
Commercial Paper	270 Days	None	None
Negotiable Certificates of Deposit	13 Months	None	None
Non-negotiable Certificates of Deposit	13 Months	None	None
Repurchase Agreements	Overnight	None	None
Local Agency Investment Fund (LAIF)	5 Years	None	None
Medium-Term Notes	5 Years	None	None
Mutual Funds	5 Years	None	None
Mortgage-Backed Securities	5 Years	None	None

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to 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 to changes in market interest rates.

Information about the sensitivity of the fair values of FCRTA's investments to market interest rate fluctuations is provided by the following table that shows the distribution of FCRTA's investments by maturity.

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County Investment Pool	<u>\$ 16,030,986</u>	<u>\$ 16,030,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 16,030,986</u>	<u>\$ 16,030,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to 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. Presented below is the minimum rating required by (where applicable) the California Government Code, FCRTA's investment policy, and the actual rating as of year-end for each investment type. The column market "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year-End	
				AAA	Not Rated
County Investment Pool	<u>\$ 16,030,986</u>	<u>N/A</u>	<u>\$ 16,030,986</u>	<u>\$ -</u>	<u>\$ 16,030,986</u>
Total	<u>\$ 16,030,986</u>	<u>N/A</u>	<u>\$ 16,030,986</u>	<u>\$ -</u>	<u>\$ 16,030,986</u>

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or governmental investment pools. The County of Fresno issues a financial report that includes custodial credit risk disclosures for the County Investment Pool. The report may be obtained by writing to the Office of the Fresno County Auditor-Controller/Treasurer-Tax collector, 2281 Tulare Street, Fresno, California 93721.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES

Individual receivables from governmental entities related to grants consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Fresno Council of Governments - LTF	\$ 461,762	\$ 371,207
Fresno Council of Governments - SGR	122,277	289,180
Fresno Council of Governments - STA	1,107,602	-
Caltrans - FTA Section 18	<u>1,522,098</u>	<u>1,522,098</u>
	<u>\$ 3,213,739</u>	<u>\$ 2,182,485</u>

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:				
Capital grant funded	\$ -	\$ 357,190	\$ -	\$ 357,190
Total capital assets not being depreciated	<u>-</u>	<u>357,190</u>	<u>-</u>	<u>357,190</u>
Capital assets being depreciated:				
Capital grant funded	21,875,857	5,199,506	-	27,075,363
Noncapital grant funded	<u>26,773</u>	<u>-</u>	<u>-</u>	<u>26,773</u>
Total capital assets being depreciated	<u>21,902,630</u>	<u>5,199,506</u>	<u>-</u>	<u>27,102,136</u>
Less accumulated depreciation for:				
Capital grant funded	13,363,778	2,137,149	-	15,500,927
Noncapital grant funded	<u>26,773</u>	<u>-</u>	<u>-</u>	<u>26,773</u>
Total accumulated depreciation	<u>13,390,551</u>	<u>2,137,149</u>	<u>-</u>	<u>15,527,700</u>
Total capital assets being depreciated, net	<u>8,512,079</u>	<u>3,062,357</u>	<u>-</u>	<u>11,574,436</u>
Capital assets, net	<u>\$ 8,512,079</u>	<u>\$ 3,419,547</u>	<u>\$ -</u>	<u>\$ 11,931,626</u>

The fixed assets of FCRTA are comprised of transit vehicles and related equipment.

Depreciation expense for the years ended June 30, 2019 and 2018 was \$2,137,149 and \$2,240,662, respectively.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 – DUE TO MEMBERS AND OTHER GOVERNMENTAL ENTITIES

Individual payables to members and other governmental entities consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Fresno Council of Governments - Administration	\$ -	\$ 99,484
Fresno County EOC - LTF	525,274	128,025
City of Coalinga	104,173	96,842
City of Dinuba	-	30,573
City of Fowler	-	1,988
City of Kerman	15,115	20,408
City of Mendota	-	4,000
City of Reedley	<u>59,664</u>	<u>73,322</u>
 Total	 <u>\$ 704,226</u>	 <u>\$ 454,642</u>

NOTE 6 – DEFERRED REVENUE

FCRTA receives various sources of funding for its transit operations and capital purchases. Allocations are considered earned when they are properly spent for operations or capital acquisitions. Allocations received but not earned are recorded as deferred revenues.

Changes in the deferred revenue account for the year ended June 30, 2019 are summarized as follows:

	<u>TDA</u>	<u>PTMISEA</u>	<u>CTAF</u>	<u>LCTOP</u>	<u>Measure "C"</u>	<u>SJVAPCD</u>	<u>SGR</u>	<u>Total</u>
Deferred revenue, beginning of year	\$ 3,515,030	\$ 937,587	\$ 547,346	\$ -	\$ 9,890,908	\$ -	\$ 289,180	\$ 15,180,051
Capital grants received	-	-	-	265,518	3,129,895	2,546,329	285,567	6,227,309
Capital grants allowed	-	(390,372)	(117,679)	(265,518)	(1,879,608)	(2,546,329)	(357,189)	(5,556,695)
Operating funds received	3,981,032	-	-	-	1,223,629	-	-	5,204,661
Operating funds allowed	(2,563,960)	-	-	-	(1,223,629)	-	-	(3,787,589)
Interest received	<u>107,930</u>	<u>10,249</u>	<u>7,226</u>	<u>879</u>	<u>179,435</u>	<u>-</u>	<u>6,441</u>	<u>312,160</u>
 Deferred revenue, end of year	 <u>\$ 5,040,032</u>	 <u>\$ 557,464</u>	 <u>\$ 436,893</u>	 <u>\$ 879</u>	 <u>\$ 11,320,630</u>	 <u>\$ -</u>	 <u>\$ 223,999</u>	 <u>\$ 17,579,897</u>

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – FARE REVENUE RATIO

FCRTA is required to maintain a minimum fare revenue to operating expenses ratio of 10% in accordance with the Transportation Development Act. The calculation of the fare revenue ratio is as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Fare revenues	\$ 616,210	\$ 595,100
Operating expenses	\$ 7,792,683	\$ 7,173,739
Allowable TDA adjustments:		
Depreciation	<u>(2,137,149)</u>	<u>(2,240,662)</u>
Net operating expenses	<u>\$ 5,655,534</u>	<u>\$ 4,933,077</u>
Fare revenue ratio	10.90%	12.06%

NOTE 8 – PROPOSITION 1B (PTMISEA FUNDING)

FCRTA receives Proposition 1B (PTMISEA) funding for approved capital projects. During the years ended June 30, 2019 and 2018, FCRTA did not receive additional Proposition 1B funds. These funds are held in an interest bearing account and have earned interest in the amount of \$10,249 and \$10,771 for the years ended June 30, 2019 and 2018, respectively. For the year ended June 30, 2019 FCRTA expended \$390,372 for capital projects. The remaining funds have been recorded as deferred revenue as of June 30, 2019 (see Note 6).

NOTE 9 – LOW CARBON TRANSIT OPERATION PROGRAM (LCTOP FUNDING)

FCRTA receives Low Carbon Transit Operation Program (LCTOP) funding for approved capital projects. During the years ended June 30, 2019 and 2018, FCRTA received LCTOP funds of \$265,518 and \$98,896, respectively. These funds are held in an interest bearing account and have earned interest of \$879 and \$819 for the years ended June 30, 2019 and 2018, respectively. For the year ended June 30, 2019, FCRTA expended \$265,518 for capital projects. The remaining funds have been recorded as deferred revenue as of June 30, 2019 (see Note 6).

NOTE 10 – CONTRACTUAL AGREEMENTS

Fresno Council of Governments (Fresno COG)

FCRTA has an on-going administrative agreement with Fresno COG to provide administrative services, including transit service management, marketing, financial and grant administration, and transportation planning services. Payment of services is based on a monthly cost reimbursement basis. For the years ended June 30, 2019 and 2018, FCRTA incurred \$461,342 and \$497,302, respectively, in administrative services provided by Fresno COG.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – CONTRACTUAL AGREEMENTS (Continued)

Fresno Economic Opportunities Commission (Fresno EOC)

FCRTA entered into an operating agreement with Fresno EOC to provide transit operational services effective July 1, 2017 through August 31, 2018. For the years ended June 30, 2019 and 2018, FCRTA incurred \$382,440 and \$1,967,784, respectively, in operating services provided by Fresno EOC.

MV Public Transportation, Inc.

During July 2018, FCRTA entered into an operating agreement with MV Public Transportation, Inc. to provide transit operational services effective September 1, 2018 through August 31, 2021. For the year ended June 30, 2019 FCRTA, incurred \$2,688,229 in operating services provided by MV Public Transportation.

NOTE 11 – RISK MANAGEMENT LIABILITY

FCRTA is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; and natural disasters. FCRTA is insured with commercial carriers.

FCRTA's schedule of insurance coverage is as follows:

**FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2019**

Type of Coverage	Amount of Coverage	Effective Dates
General Liability	\$2,000,000	7/10/18 - 7/1/19
Commercial Automobile Liability	Agg/\$1,000,000 Occ \$5,000,000 CSL	7/10/18 - 7/1/19
Automobile Excess Liability	\$5,000,000	7/10/18 - 7/1/19
Public Officials Liability	\$5,000,000	7/10/18 - 7/1/19

FCRTA requires operators to maintain the following policies:

Commercial General Liability	\$5,000,000	2/1/19 - 2/1/20
Automobile Liability (Any Auto)	\$2,000,000	2/1/19 - 2/1/20
Auto Physical Damage	\$1,000,000	2/1/19 - 2/1/20
Umbrella Liability, Excess Liability	\$13,000,000	2/1/19 - 2/1/20
Worker's Compensation	\$1,000,000	2/1/19 - 2/1/20

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 – CONTINGENT LIABILITIES

Grants have been received by FCRTA for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement for costs disallowed under the terms of the grants. The amount, if any, of costs that may be disallowed by the granting agencies cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

NOTE 13 - SUBSEQUENT EVENTS

FCRTA is in the process of purchasing several parcels of land in the City of Selma for the future location of a maintenance facility. In July 2018, FCRTA purchased land in the City of Selma for \$150,000. Included in the purchase sales agreement is up to \$100,000 for the relocation of the fire department training facility and a \$1 lease of the existing parcel until the fire department is relocated. During March 2019, FCRTA purchased an additional parcel of land for \$200,000. Currently, FCRTA is in escrow for the purchase of a parcel of land for \$410,000 which was approved by the Board in September of 2019. An additional parcel of land is pending a lot line adjustment, a phase 1 environmental report, and preliminary title.

Effective July 1, 2019, FCRTA will provide transit services to the City of Reedley. This transition would centralize another sub system into the current operator, MV Transportation, Inc., who has the experience and expertise to provide drivers and backup drivers when needed.

Management has evaluated and concluded that there are no other subsequent events, other than those mentioned above, that occurred from June 30, 2019 through the date the financials were available to be issued at November 15, 2019, that would require disclosure or adjustment.

OTHER INDEPENDENT AUDITOR'S REPORTS

THIS PAGE IS LEFT BLANK INTENTIONALLY.



PRICE PAIGE & COMPANY
Accountancy Corporation

The Place to Be

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH RULES AND
REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT
AND THE PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND
SERVICES ENHANCEMENT ACCOUNT (PTMISEA) GUIDELINES, AND THE LOW
CARBON TRANSIT OPERATIONS PROGRAM (LCTOP) GUIDELINES

To the Governing Board of the
Fresno County Rural Transit Agency
Fresno, California

We have audited the financial statements of the Fresno County Rural Transit Agency (FCRTA), as of and for the year ended June 30, 2019, and have issued our report thereon dated November 15, 2019. 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; and was further made to determine compliance with the rules and regulations of the California Transportation Development Act, the PTMISEA statutes and guidelines, the LCTOP guidelines, the rules and regulations of the Fresno Council of Governments and the California Administrative Code.

Compliance

As a part of obtaining reasonable assurance about whether FCRTA'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 procedures included the applicable audit procedures contained in Section 6667 of the California Code of Regulations, and tests of compliance with the applicable statutes, rules, and regulations of the Transportation Development Act. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Among the items considered were determination of FCRTA's ability to receive funds allocated to it, the propriety of expenditures in accordance with the California Transportation Development Act and compliance with provisions of the following programs:

Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA)

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 the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the fiscal year ended June 30, 2019, FCRTA did not receive PTMISEA funds and expended \$390,372 for the purchase of electronic fueling stations. As of June 30, 2019, FCRTA had unexpended PTMISEA funds, including interest earned, of \$557,464.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

Low Carbon Transit Operations Program (LCTOP)

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Approved projects in LCTOP will support new or expanded intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project required to reduce greenhouse gas emissions.

During the fiscal year ended June 30, 2019, FCRTA received \$265,518 of LCTOP funds and expended \$265,518 for the purchase of low emission vehicles. As of June 30, 2019, FCRTA had unexpended LCTOP funds, including interest earned, of \$879.

Restriction on Use

This report is intended solely for the information and use of the Governing Board and management of Fresno County Rural Transit Agency, others within the organization, and federal award agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Price Page & Company

Clovis, California
November 15, 2019



PRICE PAIGE & COMPANY
Accountancy Corporation

The Place to Be

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Governing Board of the
Fresno County Rural Transit Agency
Fresno, California

We have audited, in accordance with the 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, the financial statements of Fresno County Rural Transit Agency (FCRTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise FCRTA's basic financial statements, and have issued our report thereon dated November 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FCRTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FCRTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the FCRTA's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the FCRTA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

www.ppcpas.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FCRTA's financial statements are free from 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. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the FCRTA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FCRTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Pange & Company

Clovis, California
November 15, 2019



PRICE PAIGE & COMPANY
Accountancy Corporation

The Place to Be

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE BY THE UNIFORM GUIDANCE

To the Governing Board of the
Fresno County Rural Transit Agency
Fresno, California

We have audited the Fresno County Rural Transit Agency's (FCRTA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of FCRTA's major federal programs for the year ended June 30, 2019. FCRTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of FCRTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about FCRTA'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 on compliance for the major federal program. However, our audit does not provide a legal determination of FCRTA's compliance for the major federal program.

Opinion on Major Federal Program

In our opinion, the Fresno County Rural Transit Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

Report on Internal Control Over Compliance

Management of the Fresno County Rural Transit Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered FCRTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion over compliance for each major federal program and to test and report on internal control over compliance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of FCRTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Price Pange & Company

Clovis, California
November 15, 2019

SUPPLEMENTARY INFORMATION

**FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Program Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-through California Department of Transportation Formula Grants for Rural Areas	20.509	64B017-00541	\$ 1,522,098
Total U.S. Department of Transportation			<u>1,522,098</u>
Total Expenditures of Federal Awards			<u>\$ 1,522,098</u>

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the Fresno County Rural Transit Agency. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the accrual basis of accounting, which is described in Note 1 of FCRTA's financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedule represent adjustments of credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in FCRTA's basic financial statements.

NOTE 4 – INDIRECT COST RATE

FCRTA has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

THIS PAGE IS LEFT BLANK INTENTIONALLY.

FINDINGS AND QUESTIONED COSTS

**FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weaknesses identified? _____ Yes X No

Significant deficiencies identified -
not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
Material weaknesses identified? _____ Yes X No

Significant deficiencies identified -
not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200, Section 200.516(a)? _____ Yes X No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas

Dollar threshold used to distinguish
between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

For the year ended June 30, 2017, the external audit firm failed to submit the Data Collection Form to the Federal Audit Clearinghouse within thirty days of completion of the FCRTA audit. In accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), this resulted in the FCRTA's designation as a high-risk auditee. FCRTA had no material weaknesses or significant deficiencies in either of the prior two years and, except for this reporting oversight, would be considered a low-risk auditee.

**FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS

None reported.

**FRESNO COUNTY RURAL TRANSIT AGENCY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS

None reported.