

FRESNO COUNTY RURAL TRANSIT AGENCY

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

**FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

FRESNO COUNTY RURAL TRANSIT AGENCY

**FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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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 years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise FCRTA'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 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 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.

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611

tel 559.299.9540

fax 559.299.2344

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of FCRTA, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 accompanying 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 not a required part of the basic financial statements. Such information 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. The 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, on our consideration of FCRTA'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 FCRTA's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
November 12, 2021

**FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

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 122. 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, 2021 AND 2020**

Financial Highlights

- Total net position of FCRTA was \$11,677,514 and consisted of net investment in capital assets, of \$11,118,712; and unrestricted net position of \$558,802.
- Net position decreased \$1,405,932 during fiscal year 2021. The net position from business-type activities was unchanged.
- Total capital assets, net of accumulated depreciation, was \$11,118,712 at June 30, 2021, representing a decrease of \$1,405,932 from June 30, 2020. The decrease in capital assets was primarily the result of the excess of assets purchased over depreciation expense during the year and asset disposals.

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, 2021, with comparative totals as of June 30, 2020 is as follows:

**Condensed Statements of Net Position
As of June 30, 2021 and 2020**

	2021	2020
Assets:		
Current and other assets	\$ 28,507,174	\$ 21,371,618
Capital assets (net of depreciation)	11,118,712	12,524,644
Total assets	39,625,886	33,896,262
Liabilities:		
Current and other liabilities	27,948,372	20,812,816
Net Position:		
Net investment in capital assets	11,118,712	12,524,644
Unrestricted	558,802	558,802
Total Net Position	\$ 11,677,514	\$ 13,083,446

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 \$39,625,886 in total assets as of June 30, 2021, \$11,118,712 (28%) 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, 2021 AND 2020**

Statement of Net Position (Continued)

The make-up of net position, however, changed significantly from the prior year. Net position invested in capital assets decreased by \$1,405,932 while unrestricted net position remains unchanged. The enterprise fund invested \$1,666,791 in capital assets during the year and had depreciation expense of \$3,072,723, causing the decrease in net position, net investment in capital assets, to be \$1,405,932.

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, 2021 than it was at June 30, 2020.

A summary of FCRTA's Statements of Revenues, Expenses, and Changes in Net Position for fiscal year ended June 30, 2021, with comparative totals for the year ended June 30, 2020 is as follows:

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
As of June 30, 2021 and 2020**

	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 88,957	\$ 206,721
Operating grants and contributions	6,834,383	8,452,892
General revenues:		
Interest	286,827	328,746
Total revenues	7,210,167	8,988,359
Expenses:		
Transit	8,616,099	8,395,341
Total expenses	8,616,099	8,395,341
Increase (decrease) in net position	(1,405,932)	593,018
Net position - beginning	13,083,446	12,490,428
Net position - ending	\$ 11,677,514	\$ 13,083,446

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 (30%). Maintenance and repair constitute 13% of FCRTA's operating expense and salary and benefit reimbursement to members for providing transit service make up another 3%. 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, 2021 AND 2020**

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 activity are summarized below:

**Schedules of Capital Assets
(Net of Accumulated Depreciation)
As of June 30, 2021 and 2020**

	2021	2020
Capital assets not being depreciated	\$ 1,371,407	\$ 1,266,642
Capital assets being depreciated	30,602,835	29,594,059
Less accumulated depreciation	(20,855,530)	(18,336,057)
 Total capital assets, net	 \$ 11,118,712	 \$ 12,524,644

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 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, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and investments	\$ 22,482,640	\$ 16,856,405
Receivables:		
Intergovernmental	5,718,600	4,270,077
Interest	134,288	76,218
Other	6,243	6,153
Inventory	109,779	73,211
Prepaid expenses	55,624	89,554
Total current assets	<u>28,507,174</u>	<u>21,371,618</u>
Noncurrent assets:		
Non-depreciable capital assets	1,371,407	1,266,642
Depreciable capital assets	30,602,835	29,594,059
Accumulated depreciation	<u>(20,855,530)</u>	<u>(18,336,057)</u>
Total noncurrent assets	<u>11,118,712</u>	<u>12,524,644</u>
Total assets	<u>39,625,886</u>	<u>33,896,262</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	764,282	583,799
Due to members of other governmental entities	576,069	572,776
Unearned revenues	<u>26,608,021</u>	<u>19,656,241</u>
Total current liabilities	<u>27,948,372</u>	<u>20,812,816</u>
 NET POSITION		
Net investment in capital assets	11,118,712	12,524,644
Unrestricted	<u>558,802</u>	<u>558,802</u>
Total net position	<u>\$ 11,677,514</u>	<u>\$ 13,083,446</u>

The notes the basic financial statements are an integral part of this statement.

FRESNO COUNTY RURAL TRANSIT AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Charges for services:		
Fare revenues	\$ 88,957	\$ 206,721
Total operating revenues	<u>88,957</u>	<u>206,721</u>
Operating expenses:		
Salaries and employee benefits reimbursements	280,267	325,693
Administrative services reimbursements	868,534	692,238
Fuel and lubricants	293,100	316,804
Maintenance and repairs	1,136,259	1,218,100
Utilities	89,094	86,503
Purchased transportation	2,594,695	2,710,066
Casualty and liability insurance	201,145	175,512
Miscellaneous expenses	80,282	62,068
Depreciation	<u>3,072,723</u>	<u>2,808,357</u>
Total operating expenses	<u>8,616,099</u>	<u>8,395,341</u>
Operating income (loss)	<u>(8,527,142)</u>	<u>(8,188,620)</u>
Nonoperating revenues (expenses):		
Interest revenue	286,827	328,746
State and local operating assistance	1,976,889	1,595,550
Federal operating assistance	<u>3,190,703</u>	<u>3,455,967</u>
Income (loss) before capital contributions	<u>5,454,419</u>	<u>5,380,263</u>
Capital contributions	<u>1,666,791</u>	<u>3,401,375</u>
Changes in net position	(1,405,932)	593,018
Net position - beginning	<u>13,083,446</u>	<u>12,490,428</u>
Net position - ending	<u>\$ 11,677,514</u>	<u>\$ 13,083,446</u>

The notes the basic financial statements are an integral part of this statement.

**FRESNO COUNTY RURAL TRANSIT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 88,867	\$ 213,748
Payments to suppliers	(5,081,971)	(5,814,511)
Payments to contracted employees	<u>(280,267)</u>	<u>(325,693)</u>
Net cash provided by (used in) operating activities	<u>(5,273,371)</u>	<u>(5,926,456)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	<u>7,447,472</u>	<u>4,339,029</u>
Net cash provided by (used in) noncapital financing activities	<u>7,447,472</u>	<u>4,339,029</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>228,757</u>	<u>337,667</u>
Net cash provided by (used in) investing activities	<u>228,757</u>	<u>337,667</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant funds received for property and equipment acquisition	4,890,168	5,476,554
Acquisition of property and equipment	<u>(1,666,791)</u>	<u>(3,401,375)</u>
Net cash provided by (used in) capital and related financing activities	<u>3,223,377</u>	<u>2,075,179</u>
Net increase (decrease) in cash and investments	5,626,235	825,419
Cash and investments at beginning of year	<u>16,856,405</u>	<u>16,030,986</u>
Cash and investments at end of year	<u>\$ 22,482,640</u>	<u>\$ 16,856,405</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (8,527,142)	\$ (8,188,620)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,072,723	2,808,357
Changes in operating assets and liabilities:		
(Increase) in other receivables	(90)	7,027
(Increase) in inventory	(36,568)	(44,893)
(Increase) in prepaid expenses	33,930	(77,947)
Increase (decrease) in accounts payable	180,483	(298,930)
Increase (decrease) in due to members and other governmental entities	<u>3,293</u>	<u>(131,450)</u>
Net cash provided by (used in) operating activities	<u>\$ (5,273,371)</u>	<u>\$ (5,926,456)</u>

The notes the basic financial statements are an integral part of this statement.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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 expenses 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.

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.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

Assets, Liabilities and Net Position (Continued)

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, land, and buildings 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 \$5,000 or more. 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. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from two to ten years.

Unearned Revenues

FCRTA records unearned 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 and reduced by outstanding debt that attributed to the acquisition, construction, or improvements of the assets.

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 an expense is incurred for purposes for which both restricted and unrestricted net position are available, FCRTA’s practice is to apply restricted net position first.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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. It also includes Measure C New Technology projects.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 two member cities (the cities of Coalinga and Kerman) 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage in One Issuer
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, 2021 AND 2020**

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
2021:					
County Investment Pool	\$ 22,482,640	\$ 22,482,640	\$ -	\$ -	\$ -
Total	<u>\$ 22,482,640</u>	<u>\$ 22,482,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
2020:					
County Investment Pool	\$ 16,856,405	\$ 16,856,405	\$ -	\$ -	\$ -
Total	<u>\$ 16,856,405</u>	<u>\$ 16,856,405</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 marked "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
2021:					
County Investment Pool	\$ 22,482,640	N/A	\$ 22,482,640	\$ -	\$ -
Total	<u>\$ 22,482,640</u>	<u>N/A</u>	<u>\$ 22,482,640</u>	<u>\$ -</u>	<u>\$ -</u>
2020:					
County Investment Pool	\$ 16,856,405	N/A	\$ 16,856,405	\$ -	\$ -
Total	<u>\$ 16,856,405</u>	<u>N/A</u>	<u>\$ 16,856,405</u>	<u>\$ -</u>	<u>\$ -</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, 2021 AND 2020**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment Valuation

FCRTA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

FCRTA's only investments, which are allocated at fair value, are in the County's pooled investments. The County invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, it is not an investment type that can be categorized in any particular level in the fair value hierarchy.

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Fresno Council of Governments - LTF	\$ 200,000	\$ 185,538
Fresno Council of Governments - STA	58,596	133,766
Fresno Council of Governments - SGR	62,954	55,179
Fresno County Transportation Agency - Measure C	847,700	497,615
Caltrans - FTA Section 5311	<u>4,549,350</u>	<u>3,397,979</u>
 Total intergovernmental receivables	 <u>\$ 5,718,600</u>	 <u>\$ 4,270,077</u>

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:				
Capital grant funded	\$ 1,266,642	\$ 2,627	\$ -	\$ 1,269,269
Construction in progress	<u>-</u>	<u>102,138</u>	<u>-</u>	<u>102,138</u>
Total capital assets not being depreciated	<u>1,266,642</u>	<u>104,765</u>	<u>-</u>	<u>1,371,407</u>
Capital assets being depreciated:				
Capital grant funded	29,567,286	1,562,026	(553,250)	30,576,062
Noncapital grant funded	<u>26,773</u>	<u>-</u>	<u>-</u>	<u>26,773</u>
Total capital assets being depreciated	<u>29,594,059</u>	<u>1,562,026</u>	<u>(553,250)</u>	<u>30,602,835</u>
Less accumulated depreciation for:				
Capital grant funded	(18,309,284)	(3,072,723)	553,250	(20,828,757)
Noncapital grant funded	<u>(26,773)</u>	<u>-</u>	<u>-</u>	<u>(26,773)</u>
Total accumulated depreciation	<u>(18,336,057)</u>	<u>(3,072,723)</u>	<u>553,250</u>	<u>(20,855,530)</u>
Total capital assets being depreciated, net	<u>11,258,002</u>	<u>(1,510,697)</u>	<u>-</u>	<u>9,747,305</u>
Capital assets, net	<u>\$ 12,524,644</u>	<u>\$ (1,405,932)</u>	<u>\$ -</u>	<u>\$ 11,118,712</u>

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (Continued)

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Capital grant funded	\$ 357,190	\$ 909,452	\$ -	\$ 1,266,642
Total capital assets not being depreciated	357,190	909,452	-	1,266,642
Capital assets being depreciated:				
Capital grant funded	27,075,363	2,491,923	-	29,567,286
Noncapital grant funded	26,773	-	-	26,773
Total capital assets being depreciated	27,102,136	2,491,923	-	29,594,059
Less accumulated depreciation for:				
Capital grant funded	(15,500,927)	(2,808,357)	-	(18,309,284)
Noncapital grant funded	(26,773)	-	-	(26,773)
Total accumulated depreciation	(15,527,700)	(2,808,357)	-	(18,336,057)
Total capital assets being depreciated, net	11,574,436	(316,434)	-	11,258,002
Capital assets, net	\$ 11,931,626	\$ 593,018	\$ -	\$ 12,524,644

The capital assets of FCRTA are comprised of transit vehicles and related equipment, land, and building.

Depreciation expense for the years ended June 30, 2021 and 2020 was \$3,072,723 and \$2,808,357, respectively.

NOTE 5 – DUE TO MEMBERS AND OTHER GOVERNMENTAL ENTITIES

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

	2021	2020
Fresno County EOC - LTF	\$ 576,069	\$ 550,952
City of Coalinga	-	21,824
Total due to members of other governmental entities	\$ 576,069	\$ 572,776

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – UNEARNED 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 unearned revenues.

Changes in the unearned revenue account for the year ended June 30, 2021 are summarized as follows:

	TDA	PTMISEA	CTAF	LCTOP	Measure "C"	SJVAPCD	SGR	Total
Unearned revenue, beginning of year	\$ 4,866,576	\$ 532,901	\$ 416,736	\$ 421,724	\$ 13,413,302	\$ -	\$ 5,002	\$ 19,656,241
Capital grants received	-	-	-	449,443	4,087,777	-	352,950	4,890,170
Capital grants allowed	-	(518,684)	(58,667)	(423,254)	(666,188)	-	-	(1,666,793)
Operating funds received	5,406,731	-	-	-	167,413	-	-	5,574,144
Operating funds allowed	(1,970,583)	-	-	-	(167,413)	-	-	(2,137,996)
Interest received	64,261	3,640	4,881	8,828	205,217	-	5,428	292,255
Unearned revenue, end of year	<u>\$ 8,366,985</u>	<u>\$ 17,857</u>	<u>\$ 362,950</u>	<u>\$ 456,741</u>	<u>\$ 17,040,108</u>	<u>\$ -</u>	<u>\$ 363,380</u>	<u>\$ 26,608,021</u>

Changes in the unearned revenue account for the year ended June 30, 2020 are summarized as follows:

	TDA	PTMISEA	CTAF	LCTOP	Measure "C"	SJVAPCD	SGR	Total
Unearned revenue, beginning of year	\$ 5,040,032	\$ 557,464	\$ 436,893	\$ 879	\$ 11,320,630	\$ -	\$ 223,999	\$ 17,579,897
Capital grants received	-	-	-	415,944	3,067,357	1,681,533	311,720	5,476,554
Capital grants allowed	-	(30,830)	(25,000)	-	(1,128,293)	(1,681,533)	(535,719)	(3,401,375)
Operating funds received	1,218,990	-	-	-	277,541	-	-	1,496,531
Operating funds allowed	(1,551,574)	-	-	-	(277,541)	-	-	(1,829,115)
Interest received	159,128	6,267	4,843	4,901	153,608	-	5,002	333,749
Unearned revenue, end of year	<u>\$ 4,866,576</u>	<u>\$ 532,901</u>	<u>\$ 416,736</u>	<u>\$ 421,724</u>	<u>\$ 13,413,302</u>	<u>\$ -</u>	<u>\$ 5,002</u>	<u>\$ 19,656,241</u>

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:

	2021	2020
Fares:		
Farebox revenues	\$ 88,957	\$ 206,721
Local supplement	134,901	372,722
Total fares	<u>\$ 223,858</u>	<u>\$ 579,443</u>
Operating expenses	\$ 8,616,099	\$ 8,395,341
Allowable TDA adjustments:		
Depreciation	(3,072,723)	(2,808,357)
Net operating expenses	<u>\$ 5,543,376</u>	<u>\$ 5,586,984</u>
Fare revenue ratio	4.04%	10.37%

Although FCRTA is required to maintain a fare revenue ratio of 10%, Assembly Bill 90 waived the fare revenue ratio penalty for operators not meeting the ratio requirement for the fiscal year ending June 30, 2021.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 – PROPOSITION 1B (PTMISEA FUNDING)

FCRTA receives Proposition 1B (PTMISEA) funding for approved capital projects. During the years ended June 30, 2021 and 2020, 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 \$3,640 and \$6,267 for the years ended June 30, 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, FCRTA expended \$518,684 and \$30,830, respectively, for capital projects. The remaining funds have been recorded as unearned revenue as of June 30, 2021 (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, 2021 and 2020, FCRTA received LCTOP funds of \$449,443 and \$415,944, respectively. These funds are held in an interest-bearing account and have earned interest of \$8,828 and \$4,901 for the years ended June 30, 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, FCRTA expended \$423,254 and \$0, respectively, for capital projects. The remaining funds have been recorded as unearned revenue as of June 30, 2021 (see Note 6).

NOTE 10 – STATE OF GOOD REPAIR (SGR FUNDING)

FCRTA receives State of Good Repair (SGR) funding for approved capital projects. During the years ended June 30, 2021 and 2020, FCRTA received SGR funds of \$352,950 and \$311,720, respectively. These funds are held in an interest-bearing account and have earned interest of \$5,428 and \$5,002 for the years ended June 30, 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, FCRTA expended \$0 and \$535,719, respectively, for capital projects. The remaining funds have been recorded as unearned revenue as of June 30, 2021 (see Note 6).

NOTE 11 – 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, 2021 and 2020, FCRTA incurred \$619,581 and \$528,609, respectively, in administrative services provided by Fresno COG.

The total accounts payable to Fresno COG was \$87,811 and \$80,995 for the years ended June 30, 2021 and 2020, respectively.

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. The contract was extended through September 1, 2022. For the years ended June 30, 2021 and 2020, FCRTA incurred \$2,594,695 and \$2,710,066, respectively, in operating services provided by MV Public Transportation.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 – COMMITMENTS

During the fiscal year 2021, FCRTA entered into an agreement for a new bus maintenance and operations facility totaling approximately \$5,145,000.

NOTE 13 – 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 for each of the years ended June 30, 2021 and 2020:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Effective Dates</u>
General Liability	\$2,000,000	7/1/20 - 6/30/21
Commercial Automobile Liability	Agg/\$1,000,000 Occ \$5,000,000 CSL	7/1/20 - 6/30/21
Automobile Excess Liability	\$5,000,000	7/1/20 - 6/30/21
Public Officials Liability	\$5,000,000	7/1/20 - 6/30/21

FCRTA required operators to maintain the following policies for each of the years ended June 30, 2021 and 2020:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Effective Dates</u>
Commercial General Liability	\$5,000,000	7/1/20 - 6/30/21
Automobile Liability (Any Auto)	\$2,000,000	7/1/20 - 6/30/21
Auto Physical Damage	\$1,000,000	7/1/20 - 6/30/21
Umbrella Liability, Excess Liability	\$13,000,000	7/1/20 - 6/30/21
Worker's Compensation	\$1,000,000	7/1/20 - 6/30/21

NOTE 14 – 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.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 15 – CONTINGENCY

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. Accordingly, some functions of FCRTA's operations were limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

NOTE 16 – RECLASSIFICATION

Certain reclassifications were made to the 2020 financial statements in order to conform to the presentation shown. These reclassifications had no effect on the net position of FCRTA at June 30, 2020.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from June 30, 2021 through the date the financials were available to be issued at November 12, 2021, that would require disclosure or adjustment.

OTHER INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING *STANDARDS* AND THE RULES
AND REGULATIONS OF THE TRANSPORTATION DEVELOPMENT ACT

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, 2021, and the related notes to the financial statements, which collectively comprise FCRTA's basic financial statements, and have issued our report thereon dated November 12, 2021.

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) as a basis for designing 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 FCRTA's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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.

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611

tel 559.299.9540

fax 559.299.2344

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 financial statements. Our audit was further made to determine that Transportation Development Act Funds allocated to and received by FCRTA were expended in conformance with applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Fresno Council of Governments as required by Section 6667 of Title 21 of the California Code of Regulations. However, providing an opinion on compliance with those provisions was not an objective of our 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* or the Rules and Regulations of the Transportation Development Act.

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 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 12, 2021



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

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

Report on Compliance for Each Major Federal Program

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, 2021. 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.

Opinion on Each Major Federal Program

In our opinion, FCRTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611

tel 559.299.9540

fax 559.299.2344

Report on Internal Control Over Compliance

Management of FCRTA 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 on compliance for each major federal program and to test and report on internal control over compliance in accordance 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 12, 2021

SUPPLEMENTARY INFORMATION

**FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<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	64BO20-01425	\$ 1,733,707
COVID-19 - Formula Grants for Rural Areas	20.509		1,145,872
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research - Sustainable Communities Grant	20.505	74A1179	<u>311,124</u>
Total U.S. Department of Transportation			<u>3,190,703</u>
Total Expenditures of Federal Awards			<u>\$ 3,190,703</u>

See accompanying notes to the schedule of expenditures of federal awards and the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

**FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

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 SEFA 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 and 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.

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FINDINGS AND QUESTIONED COSTS

**FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

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?	<u> X </u> Yes _____ No

**FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS

None reported.

**FRESNO COUNTY RURAL TRANSIT AGENCY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS

None reported.