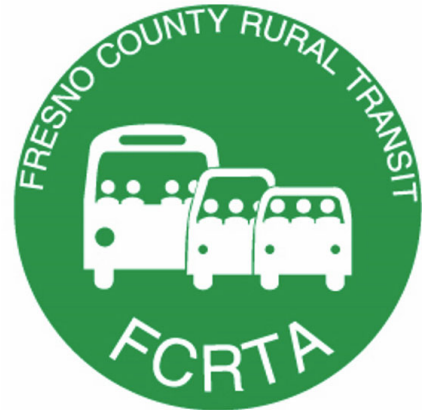


# Fresno County Rural Transit Agency | Fresno, CA

Financial Statements

For the Years Ended June 30, 2023 and 2022



**PRICE PAIGE & COMPANY**  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of Fresno County Rural Transit Agency (FCRTA) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise FCRTA'S basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the FCRTA, as of June 30, 2023 and 2022, 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.

***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FCRTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FCRTA'S ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FCRTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audits were 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purpose of additional analysis 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 January 12, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Page & Company*

Clovis, California  
January 12, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 127. FCRTA has no direct employees and instead 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 does 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.

**Financial Highlights**

- Total net position of FCRTA was \$11,516,860 and consisted of net investment in capital assets of \$10,586,023; and unrestricted net position of \$930,837.
- Net position increased \$1,937,396 during fiscal year 2023. The net position from business-type activities was unchanged.
- Total capital assets, net of accumulated depreciation, was \$10,958,058 at June 30, 2023, representing an increase of \$1,937,396 from June 30, 2022. 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, 2023, with comparative totals as of June 30, 2022 is as follows:

**Condensed Statements of Net Position  
 As of June 30, 2023 and 2022**

	2023	2022
Assets:		
Current and other assets	\$ 40,236,279	\$ 34,983,389
Capital assets (net of depreciation)	10,958,058	9,020,662
Total assets	51,194,337	44,004,051
Liabilities:		
Current and other liabilities	39,677,477	34,424,587
Net Position:		
Net investment in capital assets	10,586,023	9,020,662
Unrestricted	930,837	558,802
Total Net Position	\$ 11,516,860	\$ 9,579,464

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 \$51,194,337 in total assets as of June 30, 2023, \$10,958,058 (21%) 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.



**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 \$1,937,396 while unrestricted net position increased by \$372,035. The enterprise fund invested \$4,919,145 in capital assets during the year and had depreciation expense of \$2,981,749, causing the increase in net position, net investment in capital assets, to be \$1,937,396.

**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, 2023 than it was at June 30, 2022.

A summary of FCRTA’s Statements of Revenues, Expenses, and Changes in Net Position for fiscal year ended June 30, 2023, with comparative totals for the year ended June 30, 2022 is as follows:

**Condensed Statements of Revenues, Expenses and Changes in Net Position  
As of June 30, 2023 and 2022**

	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 127,710	\$ 102,883
Operating grants and contributions	6,359,186	5,729,319
Capital grants and contributions	4,919,145	923,712
General revenues:		
Interest	625,627	252,351
Total revenues	12,031,668	7,008,265
Expenses:		
Transit	10,094,272	9,106,315
Total expenses	10,094,272	9,106,315
Increase (decrease) in net position	1,937,396	(2,098,050)
Net position - beginning	9,579,464	11,677,514
Net position - ending	\$ 11,516,860	\$ 9,579,464

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 (42%). Maintenance and repair constitute 13% of FCRTA’s operating expense. The remaining operating expenses include administrative reimbursements, fuel, utilities, insurance, depreciation and miscellaneous.

**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 is summarized below:

**Schedules of Capital Assets  
(Net of Accumulated Depreciation)  
As of June 30, 2023 and 2022**

	2023	2022
Capital assets not being depreciated	\$ 5,917,793	\$ 1,457,119
Capital assets being depreciated	31,899,306	31,440,835
Less accumulated depreciation	(26,859,041)	(23,877,292)
Total capital assets, net	\$ 10,958,058	\$ 9,020,662

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 | JUNE 30, 2023 AND 2022**

Statements of Net Position

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 32,232,346	\$ 27,220,242
Receivables:		
Intergovernmental	7,627,297	7,481,870
Interest	205,947	87,942
Other	19,134	9,488
Inventory	125,090	142,559
Prepaid expenses	26,465	41,288
Total current assets	<u>40,236,279</u>	<u>34,983,389</u>
Noncurrent assets:		
Non-depreciable capital assets	5,917,793	1,457,119
Depreciable capital assets	31,899,306	31,440,835
Accumulated depreciation	<u>(26,859,041)</u>	<u>(23,877,292)</u>
Total noncurrent assets	<u>10,958,058</u>	<u>9,020,662</u>
Total assets	<u>51,194,337</u>	<u>44,004,051</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,780,671	1,028,411
Unearned revenues	37,524,771	33,396,176
Retention payable	<u>372,035</u>	<u>-</u>
Total liabilities	<u>39,677,477</u>	<u>34,424,587</u>
<b>NET POSITION</b>		
Net investment in capital assets	10,586,023	9,020,662
Unrestricted	<u>930,837</u>	<u>558,802</u>
Total net position	<u>\$ 11,516,860</u>	<u>\$ 9,579,464</u>

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

**FRESNO COUNTY RURAL TRANSIT AGENCY | FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Statements of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Charges for services:		
Fare revenues	\$ 127,710	\$ 102,883
Total operating revenues	<u>127,710</u>	<u>102,883</u>
Operating expenses:		
Administrative services reimbursements	835,847	820,390
Fuel and lubricants	453,382	424,019
Maintenance and repairs	1,298,421	1,130,676
Utilities	94,147	70,555
Purchased transportation	4,252,170	3,415,718
Casualty and liability insurance	140,808	161,709
Miscellaneous expenses	37,748	61,486
Depreciation	<u>2,981,749</u>	<u>3,021,762</u>
Total operating expenses	<u>10,094,272</u>	<u>9,106,315</u>
Operating income (loss)	<u>(9,966,562)</u>	<u>(9,003,432)</u>
Nonoperating revenues (expenses):		
Interest revenue	625,627	252,351
State and local operating assistance	3,386,123	2,704,628
Federal operating assistance	<u>2,973,063</u>	<u>3,024,691</u>
Total nonoperating revenues (expenses):	<u>6,984,813</u>	<u>5,981,670</u>
Income (loss) before capital contributions	(2,981,749)	(3,021,762)
Capital contributions	<u>4,919,145</u>	<u>923,712</u>
Changes in net position	1,937,396	(2,098,050)
Net position - beginning	<u>9,579,464</u>	<u>11,677,514</u>
Net position - ending	<u>\$ 11,516,860</u>	<u>\$ 9,579,464</u>

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

**FRESNO COUNTY RURAL TRANSIT AGENCY | FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Statements of Cash Flows

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 118,064	\$ 99,638
Payments to suppliers	<u>(6,327,971)</u>	<u>(6,414,937)</u>
Net cash provided by (used in) operating activities	<u>(6,209,907)</u>	<u>(6,315,299)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grants received	<u>8,021,271</u>	<u>6,498,945</u>
Net cash provided by (used in) noncapital financing activities	<u>8,021,271</u>	<u>6,498,945</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>507,622</u>	<u>298,697</u>
Net cash provided by (used in) investing activities	<u>507,622</u>	<u>298,697</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Grant funds received for property and equipment acquisition	7,240,228	5,178,971
Acquisition of property and equipment	<u>(4,547,110)</u>	<u>(923,712)</u>
Net cash provided by (used in) capital and related financing activities	<u>2,693,118</u>	<u>4,255,259</u>
Net increase (decrease) in cash and investments	5,012,104	4,737,602
Cash and investments - beginning	<u>27,220,242</u>	<u>22,482,640</u>
Cash and investments - ending	<u>\$ 32,232,346</u>	<u>\$ 27,220,242</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income (loss)	\$ (9,966,562)	\$ (9,003,432)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,981,749	3,021,762
Changes in operating assets and liabilities:		
(Increase) in other receivables	(9,646)	(3,245)
(Increase) in inventory	17,469	(32,780)
(Increase) in prepaid expenses	14,823	14,336
Increase (decrease) in accounts payable	752,260	264,129
Increase (decrease) in due to members and other governmental entities	<u>-</u>	<u>(576,069)</u>
Net cash provided by (used in) operating activities	<u>\$ (6,209,907)</u>	<u>\$ (6,315,299)</u>

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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.

**B. Reporting Entity**

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.

**C. 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 the 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.



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

**C. 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.

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

**C. 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 threats.

*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.

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

**C. Assets, Liabilities and Net Position** (Continued)

**Operating Expenses**

FCRTA, in fulfilling its purpose of providing rural public transportation services, incurs two basic types of expenses: (1) purchased transportation costs in which FCRTA contracts with subcontractors to provide their own rural transportation services; and (2) 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**

**A. Investments Authorized by the California Government Code and FCRTA’s Investment Policy**

The table below identifies 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

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

**B. 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
2023:					
Fresno County Investment Pool	\$ 32,232,346	\$ 32,232,346	\$ -	\$ -	\$ -
Total	\$ 32,232,346	\$ 32,232,346	\$ -	\$ -	\$ -
2022:					
Fresno County Investment Pool	\$ 27,220,242	\$ 27,220,242	\$ -	\$ -	\$ -
Total	\$ 27,220,242	\$ 27,220,242	\$ -	\$ -	\$ -

**C. 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
2023:					
Fresno County Investment Pool	\$ 32,232,346	N/A	\$ 32,232,346	\$ -	\$ -
Total	\$ 32,232,346	N/A	\$ 32,232,346	\$ -	\$ -
2022:					
Fresno County Investment Pool	\$ 27,220,242	N/A	\$ 27,220,242	\$ -	\$ -
Total	\$ 27,220,242	N/A	\$ 27,220,242	\$ -	\$ -

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.

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

**D. 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>2023</u>	<u>2022</u>
Fresno Council of Governments - LTF	\$ 185,064	\$ 281,976
Fresno Council of Governments - STA	393,056	1,313,659
Fresno Council of Governments - SGR	61,845	133,642
Fresno County Transportation Agency - Measure "C"	1,380,887	1,102,597
Caltrans - FTA Federal grants	<u>5,606,445</u>	<u>4,649,996</u>
 Total intergovernmental receivables	 <u>\$ 7,627,297</u>	 <u>\$ 7,481,870</u>

**FRESNO COUNTY RURAL TRANSIT AGENCY | JUNE 30, 2023 AND 2022**  
Notes to the Basic Financial Statements

**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 1,275,939	\$ -	\$ -	\$ 1,275,939
Construction in progress	181,180	4,460,674	-	4,641,854
Total capital assets being not being depreciated	<u>1,457,119</u>	<u>4,460,674</u>	<u>-</u>	<u>5,917,793</u>
Capital assets being depreciated:				
Equipment	6,641,441	43,405	-	6,684,846
Buildings and structures	559,350	-	-	559,350
Vehicles	24,240,044	415,066	-	24,655,110
Total capital assets being depreciated	<u>31,440,835</u>	<u>458,471</u>	<u>-</u>	<u>31,899,306</u>
Less accumulated depreciation for:				
Equipment	(5,387,083)	(304,454)	-	(5,691,537)
Buildings and structures	(495,164)	(32,482)	-	(527,646)
Vehicles	(17,995,045)	(2,644,813)	-	(20,639,858)
Total accumulated depreciation	<u>(23,877,292)</u>	<u>(2,981,749)</u>	<u>-</u>	<u>(26,859,041)</u>
Total capital assets being depreciated, net	<u>7,563,543</u>	<u>(2,523,278)</u>	<u>-</u>	<u>5,040,265</u>
Capital assets, net	<u>\$ 9,020,662</u>	<u>\$ 1,937,396</u>	<u>\$ -</u>	<u>\$ 10,958,058</u>

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 1,269,269	\$ 6,670	\$ -	\$ 1,275,939
Construction in progress	102,138	160,928	(81,886)	181,180
Total capital assets being not being depreciated	<u>1,371,407</u>	<u>167,598</u>	<u>(81,886)</u>	<u>1,457,119</u>
Capital assets being depreciated:				
Equipment	5,803,441	838,000	-	6,641,441
Buildings and structures	559,350	-	-	559,350
Vehicles	24,240,044	-	-	24,240,044
Total capital assets being depreciated	<u>30,602,835</u>	<u>838,000</u>	<u>-</u>	<u>31,440,835</u>
Less accumulated depreciation for:				
Equipment	(5,121,116)	(265,967)	-	(5,387,083)
Buildings and structures	(460,360)	(34,804)	-	(495,164)
Vehicles	(15,274,054)	(2,720,991)	-	(17,995,045)
Total accumulated depreciation	<u>(20,855,530)</u>	<u>(3,021,762)</u>	<u>-</u>	<u>(23,877,292)</u>
Total capital assets being depreciated, net	<u>9,747,305</u>	<u>(2,183,762)</u>	<u>-</u>	<u>7,563,543</u>
Capital assets, net	<u>\$ 11,118,712</u>	<u>\$ (2,016,164)</u>	<u>\$ (81,886)</u>	<u>\$ 9,020,662</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$2,981,749 and \$3,021,762, respectively.

**FRESNO COUNTY RURAL TRANSIT AGENCY | JUNE 30, 2023 AND 2022**

Notes to the Basic Financial Statements

**NOTE 5 – 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, 2023 are summarized as follows:

	TDA	TDA CTSA	PTMISEA	CTAF	LCTOP	Measure "C"	FTA 5339	WAV(FCOG)	SGR	Total
Unearned revenue, beginning of year	\$ 12,164,873	\$ 136,136	\$ -	\$ -	\$ 679,994	\$ 19,733,244	\$ -	\$ -	\$ 681,929	\$ 33,396,176
Capital grants received	-	-	-	-	561,947	4,429,149	1,740,867	189,072	319,193	7,240,228
Capital grants allowed	-	-	-	-	-	(2,489,180)	(1,740,867)	(189,072)	(500,026)	(4,919,145)
Operating funds received	3,444,477	739,269	-	-	-	-	-	-	-	4,183,746
Operating funds allowed	(655,547)	(741,831)	-	-	-	(1,621,627)	-	-	-	(3,019,005)
Interest received	226,246	-	-	-	23,098	376,283	-	-	17,144	642,771
Unearned revenue, end of year	\$ 15,180,049	\$ 133,574	\$ -	\$ -	\$ 1,265,039	\$ 20,427,869	\$ -	\$ -	\$ 518,240	\$ 37,524,771

Changes in the unearned revenue account for the year ended June 30, 2022 are summarized as follows:

	TDA	TDA CTSA	PTMISEA	CTAF	LCTOP	Measure "C"	FTA 5339	WAV(FCOG)	SGR	Total
Unearned revenue, beginning of year	\$ 8,366,985	\$ -	\$ 17,857	\$ 362,950	\$ 456,741	\$ 17,040,108	\$ -	\$ -	\$ 363,380	\$ 26,608,021
Capital grants received	-	-	-	-	215,761	4,651,471	80,464	-	311,739	5,259,435
Capital grants allowed	-	-	(17,862)	(289,637)	-	(535,749)	(80,464)	-	-	(923,712)
Operating funds received	3,956,346	613,000	-	-	-	-	-	-	-	4,569,346
Operating funds allowed	(252,351)	(476,864)	-	-	-	(1,642,498)	-	-	-	(2,371,713)
Funds returned	-	-	-	(73,385)	-	-	-	-	-	(73,385)
Interest received	93,893	-	5	72	7,492	219,912	-	-	6,810	328,184
Unearned revenue, end of year	\$ 12,164,873	\$ 136,136	\$ -	\$ -	\$ 679,994	\$ 19,733,244	\$ -	\$ -	\$ 681,929	\$ 33,396,176

**NOTE 6 – 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>2023</u>	<u>2022</u>
Fares:		
Farebox revenues	\$ 127,710	\$ 102,883
Local supplement	<u>1,231,472</u>	<u>884,099</u>
Total fares	<u>\$ 1,359,182</u>	<u>\$ 986,982</u>
Operating expenses	\$ 10,094,272	\$ 9,106,315
Allowable TDA adjustments:		
Depreciation	<u>(2,981,749)</u>	<u>(3,021,762)</u>
Net operating expenses	<u>\$ 7,112,523</u>	<u>\$ 6,084,553</u>
Fare revenue ratio	19.11%	16.22%

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, 2022.

**NOTE 7 – PROPOSITION 1B (PTMISEA FUNDING)**

FCRTA receives Proposition 1B (PTMISEA) funding for approved capital projects. During the years ended June 30, 2023 and 2022, FCRTA did not receive additional Proposition 1B funds. For the years ended June 30, 2023 and 2022, FCRTA expended \$0 and \$17,862, respectively, for capital projects. There were no remaining funds as of June 30, 2023 (see Note 5).

**NOTE 8 – 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, 2023 and 2022, FCRTA received LCTOP funds of \$561,947 and \$215,761, respectively. These funds are held in an interest-bearing account and have earned interest of \$23,098 and \$7,492 for the years ended June 30, 2023 and 2022, respectively. FCRTA did not expend any amounts for capital projects during the years ended June 30, 2023 and 2022. The remaining funds have been recorded as unearned revenue as of June 30, 2023 (see Note 5).

**NOTE 9 – STATE OF GOOD REPAIR (SGR FUNDING)**

FCRTA receives State of Good Repair (SGR) funding for approved capital projects. During the years ended June 30, 2023 and 2022, FCRTA received SGR funds of \$319,193 and \$311,739, respectively. These funds are held in an interest-bearing account and have earned interest of \$17,144 and \$6,810 for the years ended June 30, 2023 and 2022, respectively. For the years ended June 30, 2023 and 2022, FCRTA expended \$500,026 and \$0, respectively, for capital projects. The remaining funds have been recorded as unearned revenue as of June 30, 2023 (see Note 5).

**NOTE 10 – CALIFORNIA TRANSIT ASSISTANCE FUND (CTAF)**

During the fiscal year ended June 30, 2023, FCRTA did not receive additional CTAF funding. The CTAF funds are held in an interest-bearing account and have earned interest in the amounts of \$0 and \$72 for the years ended June 30, 2023 and 2022, respectively. For the years ended June 30, 2023 and 2022, FCRTA expended \$0 and \$289,637, respectively, for capital projects. During the year ended June 30, 2022, FCRTA returned \$73,385 of unspent funds. There were no remaining funds as of June 30, 2023 (see Note 5).

**NOTE 11 – CONTRACTUAL AGREEMENTS**

**A. 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, 2023 and 2022, FCRTA incurred \$617,518 and \$522,008, respectively, in administrative services provided by Fresno COG.

The total accounts payable to Fresno COG were \$91,161 and \$93,303 for the years ended June 30, 2023 and 2022, respectively.



**NOTE 11 – CONTRACTUAL AGREEMENTS** (Continued)

**B. 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 for up to four additional years in one-year increments. The current contract amendment has been extended through August 31, 2024. For the years ended June 30, 2023 and 2022, FCRTA incurred \$2,550,640 and \$2,200,115, respectively, in operating services provided by MV Public Transportation, Inc.

The total accounts payable to MV Public Transportation, Inc. were \$216,627 and \$193,609 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 12 – COMMITMENTS**

During the fiscal year 2023, FCRTA entered into an agreement for a new bus maintenance and operations facility totaling approximately \$14,853,340. The facility is expected to be completed August 31, 2024.

**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, 2023 and 2022:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Effective Dates</u>
General Liability	\$2,000,000	7/1/22 - 6/30/23
Commercial Automobile Liability	Agg/\$1,000,000 Occ \$5,000,000 CSL	7/1/22 - 6/30/23
Automobile Excess Liability	\$5,000,000	7/1/22 - 6/30/23
Public Officials Liability	\$5,000,000	7/1/22 - 6/30/23

FCRTA required operators to maintain the following policies for each of the years ended June 30, 2023 and 2022:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Effective Dates</u>
Commercial General Liability	\$5,000,000	7/1/22 - 6/30/23
Automobile Liability (Any Auto)	\$2,000,000	7/1/22 - 6/30/23
Auto Physical Damage	\$1,000,000	7/1/22 - 6/30/23
Umbrella Liability, Excess Liability	\$13,000,000	7/1/22 - 6/30/23
Worker's Compensation	\$1,000,000	7/1/22 - 6/30/23

**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.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated and concluded that there are no subsequent events that have occurred from June 30, 2023 through the date the financials were available to be issued at January 12, 2024, that would require disclosure or adjustment.

## **SUPPLEMENTARY INFORMATION**

**FRESNO RURAL COUNTY TRANSIT AUTHORITY | FOR THE YEAR ENDED JUNE 30, 2023**

Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Contract or Program Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Pass-through California Department of Transportation:			
Formula Grants for Rural Areas	20.509	64BA22-02077	\$ 2,253,819
COVID-19 - Formula Grants for Rural Areas	20.509	64R021-01634	719,244
Federal Transit Cluster:			
Passed through the Fresno Council of Governments:			
FTA 5339 - Buses and Bus Facilities Formula, Competitive, and Low or no Emissions Programs	20.526	CA-2021-023-00	<u>1,740,867</u>
<b>Total U.S. Department of Transportation</b>			<u>4,713,930</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,713,930</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.

**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 (FCRTA). 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.

## **OTHER INDEPENDENT AUDITOR'S REPORTS**



**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 of America, the financial statements of Fresno County Rural Transit Agency (FCRTA), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise FCRTA's basic financial statements and have issued our report thereon dated January 12, 2024.

**Report on 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 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 the entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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### **Report on 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*.

### **FCRTA's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the FCRTA's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. FCRTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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  
January 12, 2024





**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**

***Opinion on Each Major Federal Program***

We have audited Fresno County Rural Transit Agency's (FCRTA) compliance with the types of compliance requirements identified as subject to audit 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, 2023. FCRTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of FCRTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of FCRTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to FCRTA's federal programs.

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### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on FCRTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about FCRTA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding FCRTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of FCRTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 FCRTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
January 12, 2024

## **FINDINGS AND QUESTIONED COSTS**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
 Material weaknesses identified?  X  Yes   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>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.526	Competitive and low or no emissions programs
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2023-001 – Financial Close and Reporting Process (Material Weakness)**

<b>Condition:</b>	FCRTA did not properly record or adjust multiple accounts during the year-end closing process. We identified these errors during our audit and proposed the necessary accounting entries to correct the balances of those accounts.
<b>Criteria:</b>	A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).
<b>Cause:</b>	Internal controls over the year-end financial reporting process were not operating properly.
<b>Effect:</b>	As a result of this condition, the following areas were initially materially misstated: <ol style="list-style-type: none"><li>1. Capital assets</li><li>2. Receivables</li><li>3. Current liabilities</li><li>4. Revenues</li></ol>
<b>Recommendation:</b>	FCRTA should enhance its year-end financial close procedures to include the additional steps necessary to ensure proper reconciliation and reporting of all significant account balances, in addition to ensuring there are supporting schedules to support those balances.
<b>Response:</b>	See Corrective Action Plan

**SECTION III – FEDERAL AWARD FINDINGS**

None reported.

**FINANCIAL STATEMENT FINDINGS**

None reported.

**FEDERAL AWARD FINDINGS**

None reported.



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FRESNO COUNTY RURAL TRANSIT AGENCY  
 CORRECTIVE ACTION PLAN  
 YEAR ENDED JUNE 30, 2023

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-001	Management implemented procedures to improve the year-end process. Additional staff has been hired to start in March of 2024 to assist with this review process. Reconciliation will be done monthly and at year-end to ensure accuracy.	12/31/2023	Long Her

  
 Accounting Manager

  
 General Manager