

CALAVERAS TRANSIT AGENCY

Audited Financial Statements
and Compliance Report

June 30, 2019

CALAVERAS TRANSIT AGENCY

Audited Financial Statements
and Compliance Report

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Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Calaveras Transit Agency
San Andreas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Calaveras Transit Agency (the Agency), which comprise the balance sheet as of June 30, 2019, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.

To the Board of Directors
Calaveras Transit Agency

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2019, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller' Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by the TDA and Other State Program Guidelines

In accordance with the Transportation Development Act (TDA) and other state program guidelines, we have also issued our report dated November 27, 2019 on our consideration of the Agency's compliance with the TDA and other state program guidelines. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. That report is an integral part of an audit performed in accordance with the Transportation Development Act and other state program guidelines in considering the Agency's compliance.

Richardson & Company, LLP

November 27, 2019

CALAVERAS TRANSIT AGENCY

BALANCE SHEET

As of June 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 89,407
Due from other agencies	600,834
Accounts receivable	1,632
Prepaid expenses	1,512
TOTAL CURRENT ASSETS	<u>693,385</u>

NONCURRENT ASSETS

Restricted cash and cash equivalents - capital	6,525
Capital assets:	
Not being depreciated	74,057
Being depreciated, net	<u>713,708</u>
Total Capital Assets, Net	<u>787,765</u>
TOTAL NONCURRENT ASSETS	<u>794,290</u>
TOTAL ASSETS	<u><u>\$ 1,487,675</u></u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 94,872
Loan from the Calaveras Council of Governments	512,618
TOTAL CURRENT LIABILITIES	<u>607,490</u>

NET POSITION

Investment in capital assets	787,765
Restricted for transit operations	85,895
Restricted for capital purchases	6,525
TOTAL NET POSITION	<u>880,185</u>

TOTAL LIABILITIES AND NET POSITION \$ 1,487,675

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

CALAVERAS TRANSIT AGENCY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the Year Ended June 30, 2019

OPERATING REVENUES		
Passenger fares		\$ 79,417
	TOTAL OPERATING REVENUES	<u>79,417</u>
OPERATING EXPENSES		
Purchased transportation		780,211
Service and supplies		
Fuel		140,979
Maintenance		124,634
Small tools and equipment		45,177
Professional services		27,353
Other		16,034
Calaveras Council of Governments administration		53,467
Depreciation		<u>158,763</u>
	TOTAL OPERATING EXPENSES	<u>1,346,618</u>
	NET LOSS FROM OPERATIONS	<u>(1,267,201)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal grants		512,618
State Transit Assistance		340,227
Local Transportation Fund		157,734
State of Good Repair		60,489
Low Carbon Transit Operations Program (LCTOP)		50,747
PTMISEA		43,991
California Governor's Office of Emergency Services (CalOES)		6,475
Advertising revenues		11,750
Investment earnings		5,352
Gain (loss) on disposal of capital assets		<u>(3,055)</u>
	TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,186,328</u>
	NET INCOME BEFORE CAPITAL CONTRIBUTIONS	(80,873)
CAPITAL CONTRIBUTIONS		
Capital contributions - County of Calaveras		915,330
Capital contributions - PTMISEA		<u>45,728</u>
	TOTAL CAPITAL CONTRIBUTIONS	<u>961,058</u>
	CHANGE IN NET POSITION	880,185
Net position, beginning of year		<u>-</u>
	NET POSITION, END OF YEAR	<u>\$ 880,185</u>

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

CALAVERAS TRANSIT AGENCY

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 77,785
Cash payments to suppliers	<u>(1,094,495)</u>
NET CASH USED BY OPERATING ACTIVITIES	(1,016,710)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and subsidies	<u>1,105,908</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,105,908
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions received	42,160
Acquisitions of capital assets	(45,728)
Proceeds from sale of capital assets	<u>4,950</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	1,382
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings received	<u>5,352</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>5,352</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	95,932
Cash and cash equivalents, beginning of year	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 95,932</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET	
Cash and cash equivalents	\$ 89,407
Restricted cash and cash equivalents - capital	<u>6,525</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 95,932</u></u>
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES	
Net loss from operations	\$ (1,267,201)
Adjustments to reconcile net loss from operations to net cash used by operating activities:	
Depreciation expense	158,763
Changes in operating assets and liabilities:	
(Increase)/decrease in accounts receivable	(1,632)
(Increase)/decrease in prepaid expenses	(1,512)
Increase/(decrease) in accounts payable	<u>94,872</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (1,016,710)</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING AND ACTIVITIES	
Contribution of capital assets by the County of Calaveras	\$ 915,330

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

CALAVERAS TRANSIT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Calaveras Transit Agency (the Agency) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

Description of the Entity: The Agency was organized under a Joint Powers Agreement between the County of Calaveras (the County) and City of Angles Camp (the City) pursuant to California Government Code Section 6500 et seq. on March 6, 2018 to own, operate and administer a public transportation system for the County of Calaveras. The Agency is responsible for the public transportation system and receives funding from the Calaveras Council of Governments and state and federal programs. The Agency began operations on July 1, 2018 and operates five transit routes along Highways 26, 49 and 4 and several local roads using a transit contractor, Paratransit Services. The Agency took over transit operations from the County of Calaveras Transit Fund. The County contributed buses and bus stops to the Agency. The Calaveras Council of Governments provides oversight and administration of the Agency's activities. The Agency has no employees. The Board of Directors is the same as the Governing Body of the Calaveras Council of Governments, which is comprised of seven members – two County Supervisors, two Council Members from the City and three members selected from the public at large (citizen members). The citizen members serve two-year terms and are appointed by the elected members, who are appointed by their respective bodies on a yearly basis.

The Legislature of the State of California enacted the Transportation Development Act (TDA) (SB325) represented by Chapter 1400, Statutes of 1971, effective July 1, 1972. The TDA provides for state funding to counties for public transportation expenditures. The TDA requires that each county have a Transportation Planning Agency. The Calaveras Council of Governments, which is a separate legal entity that issues separate financial statements, fulfills this requirement. The principal source of TDA funding is derived from $\frac{1}{4}$ of one percent of the state retail sales tax. The $\frac{1}{4}$ cent is returned by the State Board of Equalization to each county according to the amount of tax collected in the county. The revenue is recorded in the Calaveras Council of Governments Local Transportation Fund (LTF). The Agency receives LTF revenue under Article 4, Section 99260(a) of the TDA for transit operations. The Agency uses Paratransit Services to operate and maintain the buses.

Additionally, the State Transit Assistance Fund (STAF) was created under Chapter 161 of the Statutes of 1979 (SB620) and revised by Chapter 322 of the Statutes of 1982 (AB 2551), and Chapter 105 of the Statutes of 1989 (SB 300). Funds for the program are derived from a statewide sales tax on gasoline and diesel fuel. These funds may not be allocated to fund administration or streets and roads projects. The Agency receives STAF from the Calaveras Council of Governments State Transit Assistance Fund under Article 4, Section 6731(b) of the TDA for contracted transit services and related administration.

On April 28, 2017, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), the Road Repair and Accountability Act of 2017, was signed into law. SB 1 created the State of Good Repair (SGR) Program. SB 1 created a new Transportation Improvement Fee (Fee) on vehicle registrations due on or after January 1, 2018, a portion of which is provided to the California State Controller's Office for the SGR program. The funds are distributed to RTPAs, who allocate to eligible agencies under the STA Program formula pursuant to Public Utilities Code Section 99312.1. SGR funds are available for capital assistance to rehabilitate and modernize existing local transportation systems, including the purchase of new vehicles and the maintenance and rehabilitation of transit facilities and vehicles.

CALAVERAS TRANSIT AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation: The Agency's resources are allocated to and accounted for in these financial statements as an enterprise fund type of the proprietary fund group. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Unrestricted net position for the enterprise fund represents the net position available for future operations.

Reporting Entity: The financial statements are intended to present the financial position, results of operations and cash flows of only those transactions reported in the Agency.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Agency are included on the balance sheet. Net position is segregated into the investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The Agency uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Non-exchange revenues are recognized when all eligibility requirements have been met. Cost reimbursement grant revenues are recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received before eligibility requirements are met they are recorded as unearned revenues until they are earned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency are charges to passengers for public transit services. Operating expenses include the cost of transit services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Restricted Assets: Restricted cash and cash equivalents at June 30, 2019 consisted of \$6,525 in unspent proceeds on the sale of capital assets purchased with Federal Transit Administration (FTA) revenue that was restricted for future capital expenses.

Capital Assets: Capital assets are stated at historical cost or estimated historical cost if historical cost is not available. Capital assets are defined as assets with an initial cost of \$10,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market

CALAVERAS TRANSIT AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

transaction at the acquisition date. Provision is made for depreciation by the straight-line method over the estimated useful lives of these individual assets, which is five years for automobiles, ten years for transit management software, forty years for bus stops and from four to ten years for buses and related equipment. 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.

Unearned Revenue: Unearned revenue arises when resources are received by the Agency before it has legal claim to them, such as when cost reimbursement grant and other intergovernmental revenues are received prior to the incurrence of qualifying expenses. There were no unearned revenues at June 30, 2019.

Net Position: Net position is categorized as the investment capital assets, restricted and unrestricted.

Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position at June 30, 2019 consisted of unspent TDA funds restricted for transit operations and the proceeds from the sale of capital assets purchased with federal funds that must be used on future capital expenses.

Unrestricted – This category represents net position of the Agency not restricted for any project or other purpose. The Agency approved a reserve policy in October 2019 creating a target minimum Cash Flow Reserve Fund of the higher of 1) 25 percent of total budgeted operating costs, less depreciation expense and budgeted fare revenues, or 2) the highest three-month period of budgeted operating costs less depreciation expense and budgeted fare revenue. Operating costs and operating revenues used in the Cash Flow Reserve Fund are consistent with how amounts are reported in the audited financial statements.

Related Party Transactions: The Agency shares a board with the Council and is administered by Council staff under a contract. The Council charged the Agency \$53,467 for administration during the year ended June 30, 2019.

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

NOTE B – CASH AND CASH EQUIVALENTS

Investment policy: The Agency invests according to the California State Government Code. The Agency currently has no investment policy but invests in the County of Calaveras investment pool as a matter of practice.

CALAVERAS TRANSIT AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Investment in the County of Calaveras Investment Pool: The Agency’s cash is held in the County Treasury. The County maintains an investment pool that allocates interest to the various funds based upon the average daily cash balances at quarter end. Investments held in the County’s investment pool are available on demand to the Agency and are stated at amortized cost, which approximates fair value.

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 the investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2019, the weighted average maturity of the investments contained in the County’s investment pool was approximately 1.09 years.

Credit risk: Generally, credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County’s investment pool does not have a rating provided by nationally recognized statistical rating organization.

Custodial credit risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government’s indirect deposits or investment in securities through the use of government investment pools (such as the County’s investment pool).

NOTE C – CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2019:

	Balance at June 30, 2018	Additions	Disposals	Balance at June 30, 2019
Capital assets, not being depreciated:				
Construction in progress		\$ 74,057		\$ 74,057
Capital assets, being depreciated:				
Bus shelter land improvements		193,769		193,769
Bus shelters		237,476		237,476
Transit vehicles and equipment		449,231	\$ (10,673)	438,558
Total capital assets being depreciated		880,476	(10,673)	869,803
Less accumulated depreciation for:				
Bus shelter land improvements		(17,791)		(17,791)
Bus shelters		(18,237)		(18,237)
Transit vehicles and equipment		(122,735)	2,668	(120,067)
Total accumulated depreciation		(158,763)	2,668	(156,095)
Total capital assets being depreciated, net		721,713	(8,005)	713,708
Capital assets, net	\$ -	\$ 795,770	\$ (8,005)	\$ 787,765

Additions included \$908,805 of capital assets contributed to the Agency by the County that were formerly used by the County Transit Fund for transit operations assumed by the Agency. The assets were recorded at their acquisition value and depreciated over the estimated remaining lives of the assets.

CALAVERAS TRANSIT AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE D – LOAN FROM THE CALAVERAS COUNCIL OF GOVERNMENTS

On June 6, 2018, the Council approved a loan from the Council’s LTF Fund to the Agency in the amount of \$512,618. The loan is required to be repaid when the Federal Transit Administration (FTA) remits the Agency’s approved Section 5311 operating grants for the years 2019 and 2018. The loan is expected to be repaid within one year based on the date the FTA indicated the operating grant will be paid to the Agency.

In January of 2019, the Council also approved a \$400,000 line of credit from the Council’s LTF Fund to the Agency to finance any additional cash shortfalls experienced by the Agency. The line of credit currently has no expiration date. The Agency is required to repay any borrowings with interest equal to the County pooled investment rate calculated by the County Auditor-Controller discussed above. There is no maximum term for any borrowings under the agreement, but repayments are expected to occur by the Agency as federal funding is received. There were no borrowings under the line of credit during the year ended June 30, 2019.

NOTE E – OTHER STATE PROGRAMS

PTMISEA: In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Other State Programs. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation, or replacement.

During the years ended June 30, 2019, the Agency applied for and received \$89,719 for new communications software and equipment. As of June 30, 2019, funds received and expended were verified in the course of the audit as follows:

Beginning balance	\$ -
PTMISEA received	89,719
Expenses incurred:	
Performance software	(45,728)
Equipment, trailers and bus wraps	<u>(43,991)</u>
Unexpended proceeds	<u><u>\$ -</u></u>

LCTOP: The Low Carbon Transit Operations Program (LCTOP) was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants. Projects approved for LCTOP will support 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 reducing greenhouse gas emissions. As of June 30, 2019, LCTOP funds received and expended were verified in the course of the audit as follows:

CALAVERAS TRANSIT AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE E – OTHER STATE PROGRAMS (Continued)

Beginning balance	\$ -
LCTOP received	50,747
Expenses incurred:	
Saturday hopper service	<u>(50,747)</u>
Unexpended proceeds	<u><u>\$ -</u></u>

California Office of Emergency Services (CalOES): As approved by the voters in the November 2006 general elections, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects. CalOES has been charged with administering the following Prop 1B California Transit Security Grant Program (CTSGP). As of June 30, 2019, CalOES funds received and expended were verified in the course of the audit as follows:

Beginning Balance	\$ -
CalOES received	6,475
Expenses incurred:	
Radio repeater services	(3,610)
Security system	(1,465)
Security cameras	<u>(1,400)</u>
Unexpended proceeds	<u><u>\$ -</u></u>

State of Good Repair: The State of Good Repair (SGR) program was established by the California Legislature in 2017 by Senate Bill 1. SGR is a program that provides public transportation agencies with a consistent and dependable revenue source to invest in the upgrade, repair and improvement of the transportation infrastructure and improve transportation services. As of June 30, 2019, SGR funds received and expended were verified in the course of the audit as follows:

Beginning Balance	\$ -
SGR received	60,489
Expenses incurred:	
Maintenance and repair of rolling stock	<u>(60,489)</u>
Unexpended proceeds	<u><u>\$ -</u></u>

CALAVERAS TRANSIT AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE F – FARE REVENUE RATIO

The Agency is required to maintain a fare revenue and local funds to operating expense ratio of 10.00% in accordance with Section 99268.2 of the TDA. The fare revenue and local funds to operating expenses ratio for the Agency is calculated as follows for the year ended June 30, 2019:

Fare revenues	\$ 79,417
Special transit fares - LCTOP fare subsidy	20,845
Local funds - advertising	11,750
Local funds - interest	5,352
Proceeds from sale of capital assets	4,950
Total fares and local funds	<u>122,314</u>
Operating expenses	1,346,618
Less allowable exclusions:	
Depreciation and amortization	<u>(158,763)</u>
Net operating expenses	<u>\$ 1,187,855</u>
Actual fare revenue ratio	<u>10.30%</u>
Required fare revenue ratio	<u>10.00%</u>

The Agency met the minimum required fare revenue ratio in 2019. The Agency took over transit operations for the County during the year ended June 30, 2019. The County was not in compliance with the 10.00% minimum required fare revenue ratio for the years ended June 30, 2017 and 2016. Under Section 6633.9 of the California Code of Regulations, in the third year or penalty year, the transit operator’s eligibility to receive monies from the local transportation and state transit assistance funds shall be reduced, for one year only, by the amount of the difference between the required fare revenues and the actual fare revenues in the noncompliance year, which is \$4,139. This amount was withheld from the Agency’s June 30, 2019 TDA allocation.

NOTE G – CONCENTRATIONS

The Agency receives a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund created by the Transportation Development Act and federal grants from the Federal Transit Administration. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Transit Fund’s activities.

NOTE H – CONTINGENCIES AND COMMITMENTS

The Agency receives funding for specific purposes that are subject to review and audit by the granting agencies of the funding source. Such audits could result in the funding agency requesting a reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such audits.

CALAVERAS TRANSIT AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE H – CONTINGENCIES AND COMMITMENTS (Continued)

Lease Agreement: In June 2019, the Agency entered into a lease agreement for its transit center facility. The lease is for the period June 1, 2019 to June 30, 2024. Lease payments are \$3,485 per month and increase each year based on the West Region Urban Consumer Price Index. Future minimum payments under the lease agreement as of June 30, 2019 were as follows:

Year Ending June 30:	
2020	\$ 41,820
2021	41,820
2022	41,820
2023	41,820
2024	37,975
	<u>\$ 205,255</u>

Contract Commitment: The operations and maintenance contract for the Agency’s public transportation service ends on December 31, 2019. The remaining amount left to be paid under the contract at June 30, 2019 assuming a base level of service hours of 8,820 for the contract period April 1, 2019 through December 31, 2019 was \$426,711.

NOTE I – SUBSEQUENT EVENT

In November 2019, the Agency approved a new operations and maintenance contract for the Agency’s public transportation service. The agreement has a base period ending June 30, 2023 and then allows for an additional three two-year option periods at the discretion of the Agency. Each extension period would require Caltrans and Board approval. The base period cost will be approximately \$3.239 million assuming yearly vehicle revenue hours of 11,824, a monthly fixed cost ranging from \$33,704 to \$35,768, \$34.72 to \$37.62 per revenue hour and \$0.20 to \$0.21 per service mile. The total cost if all option periods were exercised would be approximately \$9.363 million with the vehicle revenue hours assumption used.

COMPLIANCE REPORT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE TRANSPORTATION DEVELOPMENT ACT AND
OTHER STATE PROGRAM GUIDELINES

To the Board of Directors
Calaveras Transit Agency
San Andreas, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Calaveras Transit Agency (the Agency), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 27, 2019.

Compliance and Other Matters (including Other State Programs)

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests to determine that Transportation Development Act (TDA) allocated to and received by the Agency were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditure of other state grant funds, as presented in Note E of the financial statements, in accordance with state program guidelines. 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 the TDA or other state program guidelines.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with the TDA and the other state program guidelines in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

November 27, 2019