



FRESNO COUNTY RURAL TRANSIT AGENCY

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FRESNO COUNTY RURAL TRANSIT AGENCY (FCRTA)

AGENDA

DATE: Thursday, March 29, 2007
TIME: Following the 7:00pm Council of Fresno County Governments (COFCG) Meeting
PLACE: COFCG / FCRTA Offices
Sequoia Conference Room
2035 Tulare Street, Suite 201
Fresno, CA 93726
*(Corner of Tulare and Van Ness Ave. - above "Club One"
Park in Underground Garage - Entrance off Tulare & Van Ness Ave.
Exit Elevator on Tulare St., Turn Left, Enter Lobby Door,
Up Elevator to Second Floor, Left to Sequoia Conference Room)*

Americans with Disabilities Act (ADA) Accommodation

The Fresno COG / FCRTA offices and restrooms are ADA accessible. Individuals with disabilities may call Fresno COG (559-233-4148) / FCRTA (559-233-6789) at least 3 days in advance, to request auxiliary aids and/or translation services necessary to participate in the public meeting / public hearing. If Fresno COG / FCRTA is unable to accommodate an auxiliary aid or translation request for a public hearing after receiving proper notice, the hearing will be continued on a specified date when accommodations are available.

ROLL CALL

- I. Public Presentations - This portion of the meeting is reserved for persons wishing to address the FCRTA Board on items within its jurisdiction, but not on this Agenda.

NOTE: The public may also comment on any Agenda item, as they are presented, prior to action by the FCRTA Board.

ACTION ITEMS

- II. Approve "Executive Minutes of February 22, 2007" (Attachment).
- III. Acceptance of FCRTA's 2005-06 Fiscal Year Audit Report (Attachment).

REVIEW AND COMMENT ITEMS

- IV. Review and Comment on COFCG's "2007 Regional Transportation Plan Draft" (Included in COFCG Package).

INFORMATIONAL ITEMS

- V. None.



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FRESNO COUNTY RURAL TRANSIT AGENCY

EXECUTIVE MINUTES

Date: Thursday, February 22, 2007
Time: Following the 7:00pm Council of Fresno County Governments Meeting
Place: Sequoia Conference Room
2035 Tulare Street, Suite 201, Fresno, CA 93721

Members Present: Mayor Trinidad Rodriguez, City of Kerman, Chairman
Mayor Pro Tem Dennis Lujan, City of Selma, Vice Chairman
Mayor Trish Hill, City of Coalinga
Mayor Craig Knight, City of Firebaugh
Councilmember Rico Aguayo, City of Fowler
Mayor Ramon Dominguez, City of Huron
Mayor Leland Bergstrom, City of Kingsburg
Mayor Robert Silva, City of Mendota
Mayor Victor Lopez, City of Orange Cove
Mayor Armando Lopez, City of Parlier
Councilmember Scott Brockett, City of Reedley
Mayor Amarpreet Dhaliwal, City of San Joaquin
Mayor Mike Montelongo, City of Sanger
Supervisor Bob Waterston, County of Fresno

Jeffrey D. Webster, General Manager
Kevin Briggs, Legal Counsel
Dottie Wright, COG

ROLL CALL

There were nineteen (19) votes from fourteen (14) members present; representing a one hundred percent (100%) quorum and business was in order.

- I. **Public Presentations – This portion of the meeting was reserved for persons wishing to address the FCRTA Board on items within its jurisdiction but not on the Agenda.**

There were no public presentations.

ACTION ITEMS

- II. **Approve Executive Minutes of January 25, 2007**

Following an expressed opportunity for public comment, a motion was made by Councilmember Brockett (Reedley) and seconded by Mayor Hill (Coalinga) to approve the January 25, 2007 minutes as written. A vote was called for and the motion carried.

REVIEW AND COMMENT ITEMS

- III. **None.**

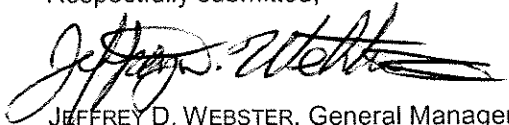
INFORMATIONAL ITEMS

IV. None

ADJOURN

There being no further business, the meeting was adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeffrey D. Webster", with a stylized flourish at the end.

JEFFREY D. WEBSTER, General Manager
Fresno County Rural Transit Agency

JDW/dw



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March 1, 2007

MEMORANDUM

TO: FCRTA Board of Directors;
COFCG / FCRTA Policy Advisory Committee; and
The General Public

FROM:  Jeffrey D. Webster, General Manager
and
 Les Beshears, Finance Director

SUBJECT: Acceptance of FCRTA's 2005-06 Fiscal Year Audit Report

ACTION SUMMARY

Attached is a copy of the FCRTA's "Annual Financial Reports for the Fiscal Year Ended June 30, 2006 as prepared by Dedekian, George, Small, & Markarian, Certified Public Accounts. This comprehensive financial report, including all compliance statements required for Federal and State regulations, is submitted for review and acceptance.

During the accounting review the Auditors found FCRTA in compliance with funding agency rules and regulations. They found no significant instances of non-compliance. The Findings and Recommendations section of the Report reflects no reportable conditions.

The Statements of Revenues, Expenditures, and changes in Fund Balances show operating revenues of \$439,357, operating expenditures of \$3,779,879, grant revenues of \$2,979,739 and capital contributions of \$615,194 for a net decrease of \$254,411. Fund balances at the end of year are \$2,017,780 of which \$1,527,934 are invested in capital assets and \$489,846 is unreserved. Note 7 to the financial statements shows FCRTA's farebox ratio was 12.83%, which is above the minimum 10% required by State statute.

Following Board acceptance, the Report will be forwarded to the appropriate Federal and State agencies to satisfy requirements of our funding agreements.

Les Beshears, COFCG / FCRTA Finance Director and I shall be available to respond to questions at the Meetings.

RECOMMENDATION

The General Manager recommends that the Board of Directors accept the Audit Report.

Attachment

FRESNO COUNTY RURAL TRANSIT AGENCY

ANNUAL FINANCIAL REPORTS

FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent auditors' report	1-2
Management's discussion and analysis	3-6
BASIC FINANCIAL STATEMENTS	
Statement of net assets	7
Statement of activities	8
Statement of fund net assets - proprietary fund	9
Statement of revenues, expenses, and changes in fund net assets - proprietary fund	10
Statement of cash flows	11
Notes to the financial statements	12-18
SUPPLEMENTARY SCHEDULES AND OTHER REPORTS SECTION	
Schedule of expenditures of federal awards	19
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"	20-21
FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of findings and questioned costs	22

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Fresno County Rural Transit Agency
Fresno, California

We have audited the accompanying basic financial statements of the Fresno County Rural Transit Agency, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Fresno County Rural Transit Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Fresno County Rural Transit Agency's 2005 financial statements that were audited by other auditors whose report, dated September 22, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Fresno County Rural Transit Agency, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

In accordance with "Government Auditing Standards," we have also issued our report dated December 18, 2006 on our consideration of the Fresno County Rural Transit Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management's discussion and analysis information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Fresno County Rural Transit Agency, taken as a whole. The supplementary schedules and other reports sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements taken as a whole. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole



Dedekian, George, Small & Markarian
Accountancy Corporation
December 18, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

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.

The Fresno County Rural Transit Agency is a voluntary association of the County of Fresno and the 15 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.

The FCRTA currently operates an active fixed route and demand responsive bus fleet of 70. FCRTA has no direct employees and contracts for all management and transit operations functions. FCRTA also reimburses various member agencies for expenditures incurred providing transit service. The FCRTA receives funds primarily from the Transportation Development Act (TDA), which is a 1/4 cent sales tax administrated by the Council of Fresno County Governments, State Transit Assistance (STA), transit fares and federal, state and local grants.

The Financial Statements

The Agency's basic financial statements include (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The Statements of Net Assets reports assets, liabilities, and the difference between the two, as Net Assets. The entire equity section is combined to report total net assets and is displayed in three components - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The net asset component *invested in capital assets*, net of related debt, 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 assets 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 assets consist of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2006

Financial Highlights

- Total net assets of FCRTA were \$2,017,780 and consisted of net assets, net of related debt, of \$1,527,934; and unrestricted net assets of \$489,846.
- Net assets increased \$254,411 during fiscal year 2006. The increase in net assets from business-type activities was attributable to grants revenues and investment earnings in excess of net governmental program costs.
- Total capital assets, net of accumulated depreciation, was \$1,527,934 at June 30, 2006, representing an increase of \$253,632 from June 30, 2005. The increase in capital assets was primarily the result of the excess of current year purchases over depreciation.

Statement of Net Assets

A summary of the Agency's Statement of Net Assets for Business-Type Activities as of June 30, 2006, with comparative totals at June 30, 2005 is as follows:

Statement of Activities Business-Type Activities As of June 30, 2006 and 2005		
	<u>2006</u>	<u>2005</u>
Assets:		
Current and Other Assets	\$ 2,307,772	\$ 2,597,512
Capital Assets (Net of Depreciation)	<u>1,527,934</u>	<u>1,274,302</u>
Total Assets	<u>3,835,706</u>	<u>3,871,814</u>
Liabilities:		
Current and Other Liabilities	<u>1,817,926</u>	<u>2,108,445</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,527,934	1,274,302
Unrestricted	<u>489,846</u>	<u>489,067</u>
Total Net Assets	<u>\$ 2,017,780</u>	<u>\$ 1,763,369</u>

Business-type activities include the Agency'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 \$3,835,706 in total assets at June 30, 2006, \$1,527,934 (40%) relate to capital assets.

FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2006

All categories of net assets 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. In short, the business-type activities are in excellent financial condition.

The make-up of net assets, however, changed considerably from the prior year. Net assets invested in capital increased by \$253,632, while unrestricted net assets increased by \$779. This is due to favorable operations in the proprietary fund. The enterprise fund invested a significant (\$615,194) amount in capital assets during the year. However, though the enterprise fund invested \$615,194, depreciation expense of \$361,562 caused the increase in net assets invested in capital to be only \$253,632.

Statement of Activities

The Statement of Net Assets provides a measure of the financial health of an entity at a specific date in time (i.e., year end). The Statement of Activities provides details of how net assets changed from the beginning of the year to the end of the year, and whether net assets increased or decreased. Thus, it indicates whether the Agency as a whole is better off at June 30, 2006 than it was at June 30, 2005.

A summary of the Council's Statement of Activities for fiscal year ended June 30, 2006, with comparative totals for the year ended June 30, 2005 is as follows:

Statement of Activities Business-Type Activities Fiscal Years Ended June 30, 2006 and 2005		
	<u>2006</u>	<u>2005</u>
Revenues:		
Program Revenues	\$ 3,989,794	\$ 3,284,185
General Revenues	44,496	32,849
	<u>4,034,290</u>	<u>3,317,034</u>
Total Revenues		
Expenses:		
Program Expenses	<u>3,779,879</u>	<u>3,475,572</u>
Changes in Net Assets	254,411	(158,538)
Net Assets - Beginning	<u>1,763,369</u>	<u>1,921,907</u>
Net Assets - Ending	<u>\$ 2,017,780</u>	<u>\$ 1,763,369</u>

FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2006

The largest revenue category listed on the Statement of Revenue and Expenses is state operating assistance (61%) derived from the Transportation Development Act and State Transit Assistance.

The largest operating expense category is contractual purchased transportation service (30%). Maintenance and repair constitute 19% of FCRTA's operating expense and salary and benefit reimbursement to members for providing transit service make up another 20%. The remaining operating expenses consist of administrative reimbursements, fuel, utilities and insurance.

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 the FCRTA during the fiscal year was from operating grants; most of the cash expenses were for operating expenses.

Capital Assets

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

Statement of Capital Assets
(Net of Accumulated Depreciation)
As of June 30, 2006

	Business Type Activities	
	2006	2005
Capital Grant Funded	\$ 1,527,934	\$ 1,274,302

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 Agency 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 the Fresno County Rural Transit Agency's capital assets can be found in Note 4 of this report.

Contacting the FCRTA's Financial Management

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

BASIC FINANCIAL STATEMENTS

FRESNO COUNTY RURAL TRANSIT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Business-Type Activities</u>
<u>ASSETS</u>	
Cash	\$ 1,552,091
Receivables:	
Intergovernmental	710,749
Interest	3,880
Other	41,052
Capital assets (net of accumulated depreciation)	<u>1,527,934</u>
Total assets	<u>\$ 3,835,706</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 284,467
Due to members and other governmental entities	246,904
Deferred revenues	<u>1,286,555</u>
Total liabilities	<u>1,817,926</u>
Net Assets:	
Invested in capital assets, net of related debt	1,527,934
Unrestricted	<u>489,846</u>
Total net assets	<u>2,017,780</u>
Total liabilities and net assets	<u>\$ 3,835,706</u>

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

FRESNO COUNTY RURAL TRANSIT AGENCY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Business-Type Activities:					
Fixed Route	\$ 1,360,756	\$ 157,888	\$ 1,056,968	\$ 221,470	\$ 75,570
Demand Responsive	<u>2,419,123</u>	<u>280,690</u>	<u>1,879,054</u>	<u>393,724</u>	<u>134,345</u>
Total Business-Type Activities	<u>3,779,879</u>	<u>438,578</u>	<u>2,936,022</u>	<u>615,194</u>	<u>209,915</u>
Total Primary Government	<u>\$ 3,779,879</u>	<u>\$ 438,578</u>	<u>\$ 2,936,022</u>	<u>\$ 615,194</u>	<u>209,915</u>
General revenues:					
Investment income					43,717
Miscellaneous					<u>779</u>
Total general revenues					<u>44,496</u>
Change in net assets					254,411
Net assets - beginning					<u>1,763,369</u>
Net assets - ending					<u>\$ 2,017,780</u>

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

FRESNO COUNTY RURAL TRANSIT AGENCY
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)

	Enterprise Fund	
	2006	2005
<u>ASSETS</u>		
Current assets:		
Cash	\$ 1,552,091	\$ 2,037,278
Receivables:		
Intergovernmental	710,749	524,972
Interest	3,880	5,093
Other	41,052	30,169
Total current assets	<u>2,307,772</u>	<u>2,597,512</u>
Non-Current assets:		
Capital assets	5,941,911	5,381,791
Accumulated depreciation	<u>(4,413,977)</u>	<u>(4,107,489)</u>
Total non-current assets	<u>1,527,934</u>	<u>1,274,302</u>
Total assets	<u>\$ 3,835,706</u>	<u>\$ 3,871,814</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 284,467	\$ 252,758
Due to members and other governmental entities	246,904	337,935
Deferred revenues	<u>1,286,555</u>	<u>1,517,752</u>
Total liabilities	<u>1,817,926</u>	<u>2,108,445</u>
Net assets:		
Invested in capital assets, net of related debt	1,527,934	1,274,302
Unrestricted	<u>489,846</u>	<u>489,067</u>
Total net assets	<u>2,017,780</u>	<u>1,763,369</u>
Total liabilities and net assets	<u>\$ 3,835,706</u>	<u>\$ 3,871,814</u>

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

FRESNO COUNTY RURAL TRANSIT AGENCY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)

	Enterprise Fund	
	2006	2005
Operating revenue:		
Fare revenues	\$ 438,578	\$ 403,519
Other revenues	779	6,000
Total operating revenues	<u>439,357</u>	<u>409,519</u>
Operating expenses:		
Salaries and employee benefits reimbursements	707,074	664,244
Administrative services reimbursements	293,883	265,472
Fuel and lubricants	256,941	230,913
Maintenance and repairs	739,953	644,962
Utilities	24,910	28,819
Purchased transportation	1,143,039	1,060,803
Casualty and liability insurance	232,790	217,515
Miscellaneous expenses	19,727	15,147
Depreciation	361,562	347,697
Total operating expenses	<u>3,779,879</u>	<u>3,475,572</u>
Operating loss	<u>(3,340,522)</u>	<u>(3,066,053)</u>
Nonoperating revenues:		
Interest revenue	43,717	26,849
State operating assistance	2,477,021	2,275,113
Federal operating assistance	459,001	422,395
Total nonoperating revenues	<u>2,979,739</u>	<u>2,724,357</u>
Capital contributions	<u>615,194</u>	<u>183,158</u>
Changes in net assets	254,411	(158,538)
Total net assets, beginning	<u>1,763,369</u>	<u>1,921,907</u>
Total net assets, ending	<u>\$ 2,017,780</u>	<u>\$ 1,763,369</u>

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

FRESNO COUNTY RURAL TRANSIT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	Enterprise Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 428,474
Payments to suppliers	(3,001,762)
Payments to employees	(707,074)
	<u>(3,280,362)</u>
Net cash used in operating activities	
Cash flows from noncapital financing activities:	
Operating grants received	<u>2,750,245</u>
Cash flows from investing activities:	
Interest received	<u>44,930</u>
Cash flows from capital and related financing activities:	
Grant funds received for property and equipment acquisition	615,194
Acquisitions of property and equipment	(615,194)
	<u>0</u>
Net cash provided by capital and related financing activities	
	(485,187)
Net decrease in cash	
	<u>2,037,278</u>
Cash at beginning of year	
	<u>\$ 1,552,091</u>
Cash at end of year	
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (3,340,522)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	361,562
Changes in operating assets and liabilities:	
Increase in other receivables	(10,883)
Increase in accounts payable	31,709
Decrease in due to members and other governmental entities	(91,031)
Decrease in deferred revenue	(231,197)
	<u>60,160</u>
Total adjustments	
	<u>\$ (3,280,362)</u>
Net cash used in operating activities	

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Financial Reporting Entity

The Fresno County Rural Transit Agency (the "Agency") is a voluntary association 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. Basis of Accounting Presentation

The Agency is accounted for as a Business Type Activity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion & 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.

c. Use of Estimates

The presentation 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 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.

d. Basis of Accounting

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 non-operating 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 on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Basis of Accounting (Continued)

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

The Agency receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S Department of Transportation, state, and local transportation funds for the acquisition of transit-related equipment and improvements. Prior to July 1, 2001, capital grants were recognized as donated capital to the extent that project costs under the grant have been incurred. Capital grant funds earned, less amortization equal to accumulated depreciation of the related assets, were included in contributed capital. As required by GASB No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, as amended by GASB No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues*, the Agency changed its method of accounting for capital grants from capital contributions to reserved non-operating revenues. In accordance with GASB No. 33 and 36 capital grants are required to be included in the determination of net income resulting in an increase in net revenue of \$615,194 for the fiscal year ended June 30, 2006.

During the fiscal year ended June 30, 2005, the Agency adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends existing accounting guidance under GASB No. 3, *Deposits with Financial Institutions*, Investments (including repurchase agreements), and Reverse Repurchase Agreements. GASB Statement No. 40 enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB No. 3 and addressing other common risks, including concentrations of credit risk, interest rate risk, and foreign currency risk. Note 2 shows the disclosures as required by GASB Statement No. 40.

e. Cash

In accordance with the Joint Powers Agreement, under which the Agency is governed, all cash is deposited with the Fresno County Auditor-Controller/Treasurer. The Agency'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.

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Capital Assets

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

g. Depreciation

Depreciation is allowed as an expense on non-grant acquired assets. Depreciation expense on contributed capital assets is amortized against related contributed capital. Depreciation expense is calculated using the straight-line method over the estimated useful life of the asset, ranging from 3 to 8 years.

h. Operating Expenses

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

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

2. CASH AND INVESTMENTS

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

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency'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 Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	100%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

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 the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the agency's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County Investment Pool	\$ 1,552,091	\$ 1,552,091	\$ -	\$ -	\$ -
Total	\$ 1,552,091	\$ 1,552,091	\$ -	\$ -	\$ -

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

2. CASH AND INVESTMENTS (CONTINUED)

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, the Agency'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:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
County Investment Pool	\$ 1,552,091	N/A	\$ 1,552,091	\$ -	\$ 1,552,091
Total	<u>\$ 1,552,091</u>	<u>N/A</u>	<u>\$ 1,552,091</u>	<u>\$ -</u>	<u>\$ 1,552,091</u>

3. INTERGOVERNMENTAL RECEIVABLES

Individual receivables from governmental entities related to grants as of June 30, 2006 consist of the following:

Council of Fresno County Governments - LTF	\$ 87,826
Council of Fresno County Governments - TDA	163,922
Caltrans - FTA Section 18	<u>459,001</u>
	<u>\$ 710,749</u>

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

4. CAPITAL ASSETS AND DEPRECIATION

Capital assets net of accumulated depreciation as of June 30, 2006 are as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets being depreciated:				
Federal contributed capital	\$ 5,355,018	\$ 615,194	\$ (55,074)	\$ 5,915,138
Accumulated amortization	26,773	-	-	26,773
Total capital assets being depreciated	5,381,791	615,194	(55,074)	5,941,911
Less accumulated depreciation for:				
Capital grant funded	4,080,716	361,562	(55,074)	4,387,204
Non-capital grant funded	26,773	-	-	26,773
Total accumulated depreciation	4,107,489	361,562	(55,074)	4,413,977
Total capital assets being depreciated, net	1,274,302	253,632	-	1,527,934
Capital assets, net	<u>\$ 1,274,302</u>	<u>\$ 253,632</u>	<u>\$ -</u>	<u>\$ 1,527,934</u>

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

Fixed assets and capitalized repairs are depreciated over a period from 3-8 years, depending on their expected useful lives.

Depreciation expense for the year ended June 30, 2006 was \$361,562.

5. DUE TO MEMBERS AND OTHER GOVERNMENTAL ENTITIES

Individual payables to members and other governmental entities as of June 30, 2006 consist of the following:

Council of Fresno County Governments	\$ 61,344
City of Coalinga	26,609
City of Kerman	10,186
City of Reedley	53,696
City of Selma	95,069
Total	<u>\$ 246,904</u>

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

6. DEFERRED REVENUE

The Local Transportation Fund (LTF) and State Transit Assistance Fund (STAF) allocate funds to the FCRTA to fund transit operations and capital purchases. The Transportation Development Act (TDA) requires that any funds not used may be returned to their source. LTF and STAF allocations are considered earned when they are properly spent for operations or capital acquisitions. Allocations received but not earned are recorded as deferred revenues. Changes in the deferred revenue account for the year ended June 30, 2006 are summarized as follows:

Deferred revenue, beginning of year	\$ 1,517,752
Capital grants and interest received	642,393
Capital grants allowed	(615,194)
TDA funds received	2,262,342
TDA funds allowed	<u>(2,520,738)</u>
Deferred revenue, end of year	<u>\$ 1,286,555</u>

7. FARE REVENUE RATIO

The Agency is required to maintain a fare revenue to operating expenses ratio of 10% in accordance with the Transportation Development Act. The calculation of the fare revenue ratio for the year ended June 30, 2006 is as follows:

Fare revenues	<u>\$ 438,578</u>
Operating expenses	\$ 3,779,879
Allowable TDA adjustments:	
Depreciation	<u>(361,562)</u>
Net operating expenses	<u>\$ 3,418,317</u>
Fare revenue ratio	<u>12.83%</u>

SUPPLEMENTARY SCHEDULES AND OTHER REPORTS SECTION

FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Grant Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Federal Transportation Administration</u>			
Pass-through California Department of Transportation (Caltrans)			
Public Transportation for Nonurbanized Areas			
Section 5311 Operating Grant	20.205	646164	\$ 459,001
			<u>\$ 459,001</u>

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"

The Board of Directors
Fresno County Rural Transit Agency
Fresno, California

We have audited the basic financial statements of the Fresno County Rural Transit Agency, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Our audit was further made to determine that allocations made and expended by the Fresno County Rural Transit Agency were made in accordance with the Transportation Development Act. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Internal Control Over Financial Reporting

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

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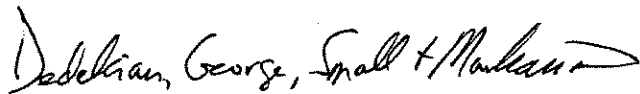
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"
(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fresno County Rural Transit Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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."

This report is intended for the information and use of the Fresno County Rural Transit Agency's management and Board of Directors, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Dedekian, George, Small & Markarian
Accountancy Corporation
December 18, 2006

FINDINGS AND RECOMMENDATIONS SECTION

FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006

1. Summary of Auditor's Results

- a. The Independent Auditor's Report on the financial statements was unqualified.
- b. No reportable conditions were disclosed during the audit of the financial statements.
- c. No noncompliance was disclosed which was material to the financial statements.
- d. No current year audit findings were disclosed.

2. Findings Relating to Financial Statements Required Under GAGAS

None.

3. Findings and Questioned Costs for Federal Awards

None.

