

FRESNO COUNTY RURAL TRANSIT AGENCY

---

ANNUAL FINANCIAL REPORTS

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FOR THE YEARS ENDED  
JUNE 30, 2009 AND 2008

## TABLE OF CONTENTS

|                                                                                                                                                                                                            | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>FINANCIAL SECTION</b>                                                                                                                                                                                   |             |
| Independent auditors' report .....                                                                                                                                                                         | 1-2         |
| Management's discussion and analysis .....                                                                                                                                                                 | 3-6         |
| <b>BASIC FINANCIAL STATEMENTS</b>                                                                                                                                                                          |             |
| Statements of net assets .....                                                                                                                                                                             | 7           |
| Statements of revenues, expenses, and changes in net assets .....                                                                                                                                          | 8           |
| Statements of cash flows .....                                                                                                                                                                             | 9           |
| Notes to the financial statements .....                                                                                                                                                                    | 10-16       |
| <b>SUPPLEMENTARY SCHEDULES AND OTHER REPORTS SECTION</b>                                                                                                                                                   |             |
| Schedule of expenditures of federal awards .....                                                                                                                                                           | 17          |
| Report on compliance with rules and regulations of the California Transportation<br>Development Act .....                                                                                                  | 18-19       |
| Report on internal control over financial reporting and on compliance<br>and other matters based on an audit of financial statements performed<br>in accordance with "Government Auditing Standards" ..... | 20-21       |
| Report on compliance with requirements applicable to each major program<br>and internal control over compliance in accordance with OMB Circular A-133 .....                                                | 22-24       |
| <b>FINDINGS AND RECOMMENDATIONS SECTION</b>                                                                                                                                                                |             |
| Schedule of findings and questioned costs .....                                                                                                                                                            | 25          |
| Summary schedule of prior audit findings .....                                                                                                                                                             | 26          |

## 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 years ended June 30, 2009 and 2008, 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 audits.

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. 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 audits provide a reasonable basis for our opinions.

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, 2009 and 2008, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated \_\_\_\_\_ 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 financial statements that collectively comprise the Fresno County Rural Transit Agency's basic financial statements. The supplementary schedules and other reports section 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 also not a required part of the basic financial statements of the Fresno County Rural Transit Agency. The schedule of expenditures of federal awards 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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

FRESNO COUNTY RURAL TRANSIT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

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.

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The Fresno County Rural Transit Agency is a voluntary association 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.

The FCRTA currently operates an active fixed route and demand responsive bus fleet of 73. 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) Statement of Net Assets, (2) Statement of Revenues, Expenses, and Changes in Net Assets, (3) Statement of Cash Flows and (4) 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 Statement of Revenues, Expenses, and Changes in Net Assets is reported using the accrual basis of accounting. Under this method, revenues are reported when earned and expenses are reported when incurred, regardless of when cash is received or paid. Revenues and expenses are categorized as either operating or non-operating based upon definitions provided by the Governmental Accounting Standards Board.

FRESNO COUNTY RURAL TRANSIT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2009

**Financial Highlights**

- Total net assets of FCRTA were \$5,970,838 and consisted of net assets, net of related debt, of \$5,464,392; and unrestricted net assets of \$506,446.
- Net assets increased \$4,077,126 during fiscal year 2009. The increase in net assets from business-type activities was attributable to grant revenues and investment earnings in excess of net governmental program costs.
- Total capital assets, net of accumulated depreciation, was \$5,464,392 at June 30, 2009, representing a increase of \$4,077,127 from June 30, 2008. The increase in capital assets was primarily the result of the excess of current year purchases over depreciation.

**Statement of Net Assets**

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). A summary of the Agency's Statement of Net Assets for Business-Type Activities as of June 30, 2009, with comparative totals as of June 30, 2008 is as follows:

| <b>Statements of Net Assets<br/>Business-Type Activities<br/>As of June 30, 2009 and 2008</b> |                            |                            |
|-----------------------------------------------------------------------------------------------|----------------------------|----------------------------|
|                                                                                               | <u>2009</u>                | <u>2008</u>                |
| <b>Assets:</b>                                                                                |                            |                            |
| Current and Other Assets                                                                      | \$ 7,011,820               | \$ 6,673,033               |
| Capital Assets (Net of Depreciation)                                                          | <u>5,464,392</u>           | <u>1,387,265</u>           |
| Total Assets                                                                                  | <u>12,476,212</u>          | <u>8,060,298</u>           |
| <b>Liabilities:</b>                                                                           |                            |                            |
| Current and Other Liabilities                                                                 | <u>6,505,374</u>           | <u>6,166,586</u>           |
| <b>Net Assets:</b>                                                                            |                            |                            |
| Invested in Capital Assets, Net of Related Debt                                               | 5,464,392                  | 1,387,265                  |
| Unrestricted                                                                                  | <u>506,446</u>             | <u>506,447</u>             |
| Total Net Assets                                                                              | <u><u>\$ 5,970,838</u></u> | <u><u>\$ 1,893,712</u></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 \$12,476,212 in total assets as of June 30, 2009, \$5,464,392 (44%) relate to capital assets.

FRESNO COUNTY RURAL TRANSIT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2009

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 assets increased by \$4,077,127, while unrestricted net assets decreased by \$1. This is due to favorable operations in the proprietary fund. The enterprise fund invested \$4,845,836 in capital assets during the year. However, though the enterprise fund invested \$4,845,836, depreciation expense of \$768,709 caused the increase in net assets invested in capital to be \$4,077,127.

**Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets 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, 2009 than it was at June 30, 2008.

A summary of the Agency's Statements of Revenues, Expenses, and Changes in Net Assets for fiscal year ended June 30, 2009, with comparative totals for the year ended June 30, 2008 is as follows:

| <b>Statement of Revenues, Expenses, and Changes in Net Assets</b><br><b>Business-Type Activities</b><br><b>Fiscal Years Ended June 30, 2009 and 2008</b> |                            |                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
|                                                                                                                                                          | <u>2009</u>                | <u>2008</u>                |
| <b>Revenues:</b>                                                                                                                                         |                            |                            |
| Program Revenues                                                                                                                                         | \$ 9,224,259               | \$ 4,067,726               |
| General Revenues                                                                                                                                         | 131,174                    | 70,047                     |
|                                                                                                                                                          | <u>9,355,433</u>           | <u>4,137,773</u>           |
| <b>Expenses:</b>                                                                                                                                         |                            |                            |
| Program Expenses                                                                                                                                         | <u>5,278,307</u>           | <u>4,649,154</u>           |
| Changes in Net Assets                                                                                                                                    | 4,077,126                  | (511,381)                  |
| Net Assets - Beginning                                                                                                                                   | <u>1,893,712</u>           | <u>2,405,093</u>           |
| Net Assets - Ending                                                                                                                                      | <u><u>\$ 5,970,838</u></u> | <u><u>\$ 1,893,712</u></u> |

**FRESNO COUNTY RURAL TRANSIT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2009**

The largest revenue category listed on the Statements of Revenues, Expenses, and Changes in Net Assets is state operating assistance (60%) 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 18%. The remaining operating expenses include administrative reimbursements, fuel, utilities, insurance, and depreciation.

### **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**

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

**Schedules of Capital Assets  
(Net of Accumulated Depreciation)  
As of June 30, 2009**

|                      | <u>Business Type Activities</u> |                     |
|----------------------|---------------------------------|---------------------|
|                      | <u>2009</u>                     | <u>2008</u>         |
| Capital Grant Funded | <u>\$ 5,464,392</u>             | <u>\$ 1,387,265</u> |

It is important to note that the capital assets are reported at historical cost, net of accumulated depreciation. These amounts do not represent the market value or replacement cost of 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 are 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 93721.

## BASIC FINANCIAL STATEMENTS

FRESNO COUNTY RURAL TRANSIT AGENCY  
STATEMENTS OF NET ASSETS  
JUNE 30, 2009 AND 2008

|                                                 | <u>2009</u>          | <u>2008</u>         |
|-------------------------------------------------|----------------------|---------------------|
| <u>ASSETS</u>                                   |                      |                     |
| Current assets:                                 |                      |                     |
| Cash                                            | \$ 2,921,991         | \$ 4,569,014        |
| Receivables:                                    |                      |                     |
| Intergovernmental                               | 3,888,512            | 1,835,369           |
| Interest                                        | 7,670                | 11,994              |
| Other                                           | 193,647              | 256,656             |
| Total current assets                            | <u>7,011,820</u>     | <u>6,673,033</u>    |
| Non-Current assets:                             |                      |                     |
| Capital assets                                  | 11,600,133           | 6,754,297           |
| Accumulated depreciation                        | <u>(6,135,741)</u>   | <u>(5,367,032)</u>  |
| Total non-current assets                        | <u>5,464,392</u>     | <u>1,387,265</u>    |
| Total assets                                    | <u>\$ 12,476,212</u> | <u>\$ 8,060,298</u> |
| <u>LIABILITIES AND NET ASSETS</u>               |                      |                     |
| Liabilities:                                    |                      |                     |
| Accounts payable                                | \$ 340,109           | \$ 323,468          |
| Due to members and other governmental entities  | 352,227              | 395,903             |
| Deferred revenues                               | <u>5,813,038</u>     | <u>5,447,215</u>    |
| Total liabilities                               | <u>6,505,374</u>     | <u>6,166,586</u>    |
| Net assets:                                     |                      |                     |
| Invested in capital assets, net of related debt | 5,464,392            | 1,387,265           |
| Unrestricted                                    | <u>506,446</u>       | <u>506,447</u>      |
| Total net assets                                | <u>5,970,838</u>     | <u>1,893,712</u>    |
| Total liabilities and net assets                | <u>\$ 12,476,212</u> | <u>\$ 8,060,298</u> |

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

FRESNO COUNTY RURAL TRANSIT AGENCY  
STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

|                                               | <u>2009</u>                | <u>2008</u>                |
|-----------------------------------------------|----------------------------|----------------------------|
| Operating revenue:                            |                            |                            |
| Fare revenues                                 | \$ 572,893                 | \$ 516,257                 |
| Other revenues                                | -                          | 15,600                     |
| Total operating revenues                      | <u>572,893</u>             | <u>531,857</u>             |
| Operating expenses:                           |                            |                            |
| Salaries and employee benefits reimbursements | 973,350                    | 836,422                    |
| Administrative services reimbursements        | 378,879                    | 325,961                    |
| Fuel and lubricants                           | 245,581                    | 282,879                    |
| Maintenance and repairs                       | 1,016,852                  | 882,592                    |
| Utilities                                     | 39,700                     | 27,427                     |
| Purchased transportation                      | 1,579,029                  | 1,443,460                  |
| Casualty and liability insurance              | 256,599                    | 255,541                    |
| Miscellaneous expenses                        | 19,608                     | 19,301                     |
| Depreciation                                  | 768,709                    | 575,571                    |
| Total operating expenses                      | <u>5,278,307</u>           | <u>4,649,154</u>           |
| Operating loss                                | <u>(4,705,414)</u>         | <u>(4,117,297)</u>         |
| Nonoperating revenues:                        |                            |                            |
| Interest revenue                              | 131,174                    | 54,447                     |
| State operating assistance                    | 2,706,890                  | 2,306,756                  |
| Federal operating assistance                  | 1,098,640                  | 1,196,124                  |
| Total nonoperating revenues                   | <u>3,936,704</u>           | <u>3,557,327</u>           |
| Capital contributions                         | <u>4,845,836</u>           | <u>48,589</u>              |
| Changes in net assets                         | 4,077,126                  | (511,381)                  |
| Total net assets, beginning                   | <u>1,893,712</u>           | <u>2,405,093</u>           |
| Total net assets, ending                      | <u><u>\$ 5,970,838</u></u> | <u><u>\$ 1,893,712</u></u> |

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

FRESNO COUNTY RURAL TRANSIT AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

|                                                                                   | <u>2009</u>                  | <u>2008</u>                  |
|-----------------------------------------------------------------------------------|------------------------------|------------------------------|
| Cash flows from operating activities:                                             |                              |                              |
| Receipts from customers and users                                                 | \$ 635,903                   | \$ 300,755                   |
| Payments to suppliers                                                             | (3,563,284)                  | (3,210,159)                  |
| Payments to employees                                                             | (973,350)                    | (836,422)                    |
| Net cash used in operating activities                                             | <u>(3,900,731)</u>           | <u>(3,745,826)</u>           |
| Cash flows from noncapital financing activities:                                  |                              |                              |
| Operating grants received                                                         | <u>3,215,343</u>             | <u>1,654,228</u>             |
| Cash flows from investing activities:                                             |                              |                              |
| Interest received                                                                 | <u>135,498</u>               | <u>46,167</u>                |
| Cash flows from capital and related financing activities:                         |                              |                              |
| Grant funds received for property and equipment acquisition                       | 3,748,703                    | 5,247,420                    |
| Acquisitions of property and equipment                                            | <u>(4,845,836)</u>           | <u>(48,589)</u>              |
| Net cash provided by capital and related financing activities                     | <u>(1,097,133)</u>           | <u>5,198,831</u>             |
| Net increase (decrease) in cash                                                   | (1,647,023)                  | 3,153,400                    |
| Cash at beginning of year                                                         | <u>4,569,014</u>             | <u>1,415,614</u>             |
| Cash at end of year                                                               | <u><u>\$ 2,921,991</u></u>   | <u><u>\$ 4,569,014</u></u>   |
| Reconciliation of operating loss to net cash used in operating activities:        |                              |                              |
| Operating loss                                                                    | <u>\$ (4,705,414)</u>        | <u>\$ (4,117,297)</u>        |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                              |                              |
| Depreciation                                                                      | 768,709                      | 575,571                      |
| Changes in operating assets and liabilities:                                      |                              |                              |
| Decrease (increase) in other receivables                                          | 63,009                       | (215,503)                    |
| Increase in accounts payable                                                      | 16,641                       | 39,713                       |
| Decrease in due to members and other governmental entities                        | <u>(43,676)</u>              | <u>(28,310)</u>              |
| Total adjustments                                                                 | <u>804,683</u>               | <u>371,471</u>               |
| Net cash used in operating activities                                             | <u><u>\$ (3,900,731)</u></u> | <u><u>\$ (3,745,826)</u></u> |

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

FRESNO COUNTY RURAL TRANSIT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

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

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

FRESNO COUNTY RURAL TRANSIT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Basis of Accounting (Continued)

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 had been incurred. Capital grant funds earned, less amortization equal to accumulated depreciation of the related assets, were included in contributed capital. As required by GASB No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, as amended by GASB No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues*, 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 \$4,845,836 for the fiscal year ended June 30, 2009.

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.

For purposes of the Statement of Cash Flows, the Agency 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 the Agency's pooled cash and investments.

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.

FRESNO COUNTY RURAL TRANSIT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (the cities of Coalinga, Kerman, Reedley, and 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.

i. Funding Sources

The following is a summary of the funding sources for transit projects:

Federal Grants

**Section 5311** Capital and Operating Grants

Section 5311 funds may be used for eligible capital expenses, project administration, and operating expenses to provide efficient and coordinated public transportation service in nonurbanized areas.

State Grants

**TDA**

The Transportation Development Act (TDA) provides 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.

**Prop. 1B**

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

**CTAF**

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

Local

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

FRESNO COUNTY RURAL TRANSIT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009 AND 2008

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 | \$ 2,921,991 | \$ 2,921,991                   | \$ -            | \$ -            | \$ -                |
| Total                  | \$ 2,921,991 | \$ 2,921,991                   | \$ -            | \$ -            | \$ -                |

FRESNO COUNTY RURAL TRANSIT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009 AND 2008

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<br/>Legal<br/>Rating</u> | <u>Exempt<br/>From<br/>Disclosure</u> | <u>Rating as of Year End</u> |                  |
|------------------------|---------------|-------------------------------------|---------------------------------------|------------------------------|------------------|
|                        |               |                                     |                                       | <u>AAA</u>                   | <u>Not Rated</u> |
| County Investment Pool | \$ 2,921,991  | N/A                                 | \$ 2,921,991                          | \$ -                         | \$ 2,921,991     |
| Total                  | \$ 2,921,991  | N/A                                 | \$ 2,921,991                          | \$ -                         | \$ 2,921,991     |

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government 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 Auditor-Controller/Treasurer-Tax Collector, 2281 Tulare Street, Fresno, California 93721.

3. INTERGOVERNMENTAL RECEIVABLES

Individual receivables from governmental entities related to grants as of June 30, 2009 and 2008 consist of the following:

|                                            | <u>2009</u>         | <u>2008</u>         |
|--------------------------------------------|---------------------|---------------------|
| Council of Fresno County Governments - LTF | \$ 871,448          | \$ 43,413           |
| Council of Fresno County Governments - TDA | 345,366             | 595,832             |
| Caltrans - PTMISEA                         | 962,733             | -                   |
| Caltrans - FTA Section 18                  | 1,708,965           | 1,196,124           |
|                                            | <u>\$ 3,888,512</u> | <u>\$ 1,835,369</u> |

FRESNO COUNTY RURAL TRANSIT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009 AND 2008

4. CAPITAL ASSETS AND DEPRECIATION

Capital assets net of accumulated depreciation as of June 30, 2009 are as follows:

|                                             | Balance<br>July 1, 2008 | Additions           | Deletions   | Balance<br>June 30, 2009 |
|---------------------------------------------|-------------------------|---------------------|-------------|--------------------------|
| Capital assets being depreciated:           |                         |                     |             |                          |
| Capital grant funded                        | \$ 6,727,524            | \$ 4,845,836        | -           | \$ 11,573,360            |
| Non-capital grant funded                    | 26,773                  | -                   | -           | 26,773                   |
| Total capital assets being depreciated      | 6,754,297               | 4,845,836           | 0           | 11,600,133               |
| Less accumulated depreciation for:          |                         |                     |             |                          |
| Capital grant funded                        | 5,340,259               | 768,709             | -           | 6,108,968                |
| Non-capital grant funded                    | 26,773                  | -                   | -           | 26,773                   |
| Total accumulated depreciation              | 5,367,032               | 768,709             | 0           | 6,135,741                |
| Total capital assets being depreciated, net | 1,387,265               | 4,077,127           | -           | 5,464,392                |
| Capital assets, net                         | <u>\$ 1,387,265</u>     | <u>\$ 4,077,127</u> | <u>\$ -</u> | <u>\$ 5,464,392</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 years ended June 30, 2009 and 2008 was \$768,709 and \$575,571, respectively.

5. DUE TO MEMBERS AND OTHER GOVERNMENTAL ENTITIES

Individual payables to members and other governmental entities as of June 30, 2009 and 2008 consist of the following:

|                                                 | 2009              | 2008              |
|-------------------------------------------------|-------------------|-------------------|
| Council of Fresno County Governments            | \$ 93,035         | \$ 62,763         |
| City of Coalinga                                | 70,037            | 27,836            |
| City of Kerman                                  | 5,946             | 6,394             |
| City of Reedley                                 | 81,619            | 120,261           |
| City of Selma                                   | 101,590           | 65,847            |
| Fresno County Economic Opportunities Commission | -                 | 112,802           |
| Total                                           | <u>\$ 352,227</u> | <u>\$ 395,903</u> |

FRESNO COUNTY RURAL TRANSIT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009 AND 2008

6. DEFERRED REVENUE

The TDA, Proposition 1B (PTMISEA), and Measure "C" allocate funds to the FCRTA to fund transit operations and capital purchases. Allocations are considered earned when they are properly spent for operations or capital acquisitions. Allocations received but not earned are recorded as deferred revenues. Changes in the deferred revenue account for the year ended June 30, 2009 are summarized as follows:

|                                    | <u>TDA</u>          | <u>Prop 1B<br/>(PTMISEA)</u> | <u>CTAF</u>       | <u>Measure "C"</u>  | <u>Total</u>        |
|------------------------------------|---------------------|------------------------------|-------------------|---------------------|---------------------|
| Deferred revenue beginning of year | \$ 2,200,455        | \$ 1,671,423                 | \$ -              | \$ 1,575,337        | \$ 5,447,215        |
| Capital grants received            | 18,044              | 962,733                      | 169,697           | 1,322,183           | 2,472,657           |
| Capital grants allowed             | (18,044)            | (1,986,162)                  | -                 | (1,168,894)         | (3,173,100)         |
| Operating funds received           | 3,041,448           | -                            | -                 | 843,477             | 3,884,925           |
| Operating funds allowed            | (2,110,679)         | -                            | -                 | (843,477)           | (2,954,156)         |
| Interest received                  | 55,013              | 26,780                       | 4,400             | 49,304              | 135,497             |
| Deferred revenue, end of year      | <u>\$ 3,186,237</u> | <u>\$ 674,774</u>            | <u>\$ 174,097</u> | <u>\$ 1,777,930</u> | <u>\$ 5,813,038</u> |

7. FARE REVENUE RATIO

The Agency 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 for the years ended June 30, 2009 and 2008 is as follows:

|                            | <u>2009</u>         | <u>2008</u>         |
|----------------------------|---------------------|---------------------|
| Fare revenues              | <u>\$ 572,893</u>   | <u>\$ 516,257</u>   |
| Operating expenses         | <u>\$ 5,278,307</u> | <u>\$ 4,649,154</u> |
| Allowable TDA adjustments: |                     |                     |
| Depreciation               | <u>(768,709)</u>    | <u>(575,571)</u>    |
| Net operating expenses     | <u>\$ 4,509,598</u> | <u>\$ 4,073,583</u> |
| Fare revenue ratio         | <u>12.70%</u>       | <u>12.67%</u>       |

8. PROPOSITION 1B (PTMISEA FUNDING)

The Agency receives Proposition 1B (PTMISEA) funding for approved capital projects. During the fiscal year ended June 30, 2009, the Agency received Proposition 1B funds in the amount of \$962,733. These funds are held in an interest bearing account and have earned interest in the amount of \$26,780 for the year ended June 30, 2009. As of June 30, 2009, the Agency has spent \$1,986,162 for capital projects. The remaining funds have been recorded as deferred revenue as of June 30, 2009 (Note 6).

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## SUPPLEMENTARY SCHEDULES AND OTHER REPORTS SECTION

FRESNO COUNTY RURAL TRANSIT AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

| <u>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Grantor's<br/>Number</u> | <u>Grant<br/>Disbursements/<br/>Expenditures</u> |
|---------------------------------------------------------------------|------------------------------------|-----------------------------|--------------------------------------------------|
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u>                            |                                    |                             |                                                  |
| <u>Federal Transportation Administration</u>                        |                                    |                             |                                                  |
| Pass-through California Department<br>of Transportation (Caltrans)  |                                    |                             |                                                  |
| Public Transportation for Nonurbanized Areas                        |                                    |                             |                                                  |
| Section 5311 Operating Grant                                        | 20.509                             | 649139                      | \$ 1,098,640                                     |
| Section 5311 Operating Grant                                        | 20.509                             | 648133                      | 475,925                                          |
| Section 5317 Capital Grant                                          | 20.521                             | CA-87-X029                  | <u>134,400</u>                                   |
| Total Federal Financial Assistance                                  |                                    |                             | <u>\$ 1,708,965</u>                              |

REPORT ON COMPLIANCE WITH RULES  
AND REGULATIONS OF THE CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT

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

We have audited the financial statements of the Fresno County Rural Transit Agency for the year ended June 30, 2009, and have issued our report thereon dated \_\_\_\_\_.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States; and was further made to determine compliance with the rules and regulations of the California Transportation Development Act, the rules and regulations of the Council of Fresno County Governments and the California Administrative Code.

Among the items considered were determination of the Fresno County Rural Transit Agency's ability to receive funds allocated to it, the propriety of expenditures in accordance with the California Transportation Development Act and compliance with provisions of the following program:

Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA)

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

During the fiscal year ended June 30, 2009, we verified that the Fresno County Rural Transit Agency received additional PTMISEA funds in the amount of \$962,733 and expended \$1,986,162 for the acquisition of transit buses and vans. As of June 30, 2009, we verified that the Fresno County Rural Transit Agency had unexpended PTMISEA proceeds, including interest earned, of \$674,774.

REPORT ON COMPLIANCE WITH RULES  
AND REGULATIONS OF THE CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT  
(CONTINUED)

In our opinion, the results of our tests indicated the Fresno County Rural Transit Agency complied in all material respects with the provisions referred to above.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dedekian, George, Small & Markarian  
Accountancy Corporation

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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"

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

We have audited the financial statements of the Fresno County Rural Transit Agency, as of and for the year ended June 30, 2009, and have issued our report thereon dated \_\_\_\_\_. We conducted our audit 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.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fresno County Rural Transit Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fresno County Rural Transit Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fresno County Rural Transit Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fresno County Rural Transit Agency's financial statements that is more than inconsequential will not be prevented or detected by the Fresno County Rural Transit Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Fresno County Rural Transit Agency's internal control.

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)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 that are required to be reported under "Government Auditing Standards."

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

Dedekian, George, Small & Markarian  
Accountancy Corporation

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REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Fresno County Rural Transit Agency with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2009. The Fresno County Rural Transit Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Fresno County Rural Transit Agency's management. Our responsibility is to express an opinion on the Fresno County Rural Transit Agency's compliance based on our audit.

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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fresno County Rural Transit Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Fresno County Rural Transit Agency's compliance with those requirements.

In our opinion, the Fresno County Rural Transit Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

Internal Control Over Compliance

The management of the Fresno County Rural Transit Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Fresno County Rural Transit Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Fresno County Rural Transit Agency's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fresno County Rural Transit Agency's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Fresno County Rural Transit Agency, as of and for the year ended June 30, 2009, and have issued our report thereon dated \_\_\_\_\_. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Fresno County Rural Transit Agency's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. 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.

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dedekian, George, Small & Markarian  
Accountancy Corporation

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## FINDINGS AND RECOMMENDATIONS SECTION

FRESNO COUNTY RURAL TRANSIT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009

Part I – Summary of Auditor’s Results

1. The Independent Auditors’ Report expresses an unqualified opinion on the financial statements of the Fresno County Rural Transit Agency.
2. No significant deficiencies relating to the audit of the financial statements are reported in the “Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.”
3. No instances of noncompliance material to the financial statements of Fresno County Rural Transit Agency, which would be required to be reported in accordance with “Government Auditing Standards”, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported.
5. The Independent Auditors’ Report on compliance for the major federal award program for Fresno County Rural Transit Agency expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program included:

| Name                         | CFDA Number |
|------------------------------|-------------|
| Federal Operating Assistance | 20.509      |

8. The threshold used for distinguish between Type A and Type B programs was \$300,000.
9. Fresno County Rural Transit Agency did not qualify as a low risk auditee.

Part II – Financial Statement Findings and Other Non-Federal Compliance

Compliance with Laws and Regulations

None.

Part III – Findings and Questioned Costs for Major Federal Award Programs

None.

FRESNO COUNTY RURAL TRANSIT AGENCY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008

There were no reportable audit findings for the fiscal year ended June 30, 2008.

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